

In the Matter of the Application of Evergy Missouri West, Inc.

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Hearing before:

Judge John Clark

August 02, 2022

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Vol 2

**PHIPPS REPORTING**

*Raising the Bar!*

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

Tuesday, August 2, 2022  
9:00 a.m. - 4:02 p.m.

Missouri Public Service Commission  
Governor Office Building  
200 Madison Street  
Jefferson City, MO 65102  
and WebEx

VOLUME 2  
Pages 58 - 270

In the Matter of the Application )  
of Evergy Missouri West, Inc. )  
d/b/a Evergy Missouri West for a )  
Financing Order Authorizing the ) File No. EF-2022-0155  
Financing of Extraordinary Storm )  
Costs Through an Issuance of )  
Securitized Utility Tariff Bonds.)

JOHN T. CLARK, Presiding  
SENIOR REGULATORY LAW JUDGE

RYAN A. SILVEY, Chairman  
JASON R. HOLSMAN, Commissioner

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1 The following proceedings began at 9:00 a.m.:

2 JUDGE CLARK: Okay. Let's go on the record.  
3 Good morning. Today is August 2, 2022, and the current  
4 time is 9:00 a.m. We are here for day two of the  
5 evidentiary hearing in File No. EF-2022-0155, which is  
6 Evergy Missouri West's Request to Securitize Certain  
7 Costs Related to Winter Storm Uri.

8 I'm going to remind everybody that if you are  
9 not speaking, please be sure that your microphone is  
10 off. If you are speaking, please be sure that your  
11 microphone is on. Otherwise, the people who are  
12 participating or viewing on the web will not be able to  
13 hear you. Likewise, just so we don't get interrupted,  
14 if you have a cell phone, please be sure it is on silent  
15 or vibrate.

16 My name is John Clark. I'm the Regulatory Law  
17 Judge presiding over this hearing today. And at this  
18 time I'm going to ask the parties to enter their  
19 appearance again for the record starting with Evergy  
20 Missouri West.

21 MR. STEINER: Good morning. Appearing for the  
22 Company, Roger Steiner, Karl Zobrist, Jackie Whipple,  
23 Jim Fischer.

24 JUDGE CLARK: Thank you. For the Staff of the  
25 Commission.

1 MR. KEEVIL: Yes, Judge. Appearing on behalf  
2 of the Staff of the Commission, Jeff Keevil, and my  
3 contact information was given to the reporter yesterday.

4 JUDGE CLARK: Thank you. The Office of the  
5 Public Counsel.

6 MS. VanGERPEN: Lindsay VanGerpen on behalf of  
7 the Office of the Public Counsel, and my contact  
8 information was also given to the court reporter  
9 yesterday.

10 JUDGE CLARK: Thank you. Midwest Energy  
11 Consumers Group.

12 MR. OPITZ: Good morning, Your Honor. Tim  
13 Opitz on behalf of MECG.

14 JUDGE CLARK: Thank you. Nucor Steel.

15 MR. ELLINGER: Good morning, Judge. Mark  
16 Ellinger on behalf of Nucor Steel.

17 JUDGE CLARK: And Velvet Tech Services.

18 MS. BELL: Stephanie Bell on behalf of Velvet  
19 Tech Services.

20 JUDGE CLARK: Thank you. Before we get into  
21 the witnesses today, I have some questions. I didn't  
22 get a lot of time to look at the stipulation that the  
23 parties put together before we went back on the record  
24 yesterday. And so I believe some of my questions were  
25 somewhat inarticulate. I want to readdress some of

1 those this morning without wasting too much time doing  
2 so. I will also note for the record that the Chairman  
3 of the Commission is on. Do we have other  
4 Commissioners? Not at this point, but I'm sure that  
5 others will be joining us.

6 I guess I have some questions relating to  
7 things that, and these are primarily for -- these are  
8 primarily questions for Evergy. But if other people  
9 know the answer, they are welcome to chime in.

10 In reviewing the stipulation and agreement  
11 that was put forth by some of the parties and not  
12 opposed by some of the other parties, there were several  
13 provisions which there was an indication that those were  
14 resolved issues and yet the stipulation seems silent on  
15 some of those issues, and so I'd like to fill in some of  
16 those blanks. But first if Evergy could kind of walk me  
17 through if the Commission were to approve this  
18 stipulation and agreement, walk me through the process  
19 through the issuance of a financing order. Could you do  
20 that, please?

21 MR. STEINER: Sure. The financing order that  
22 we submitted in testimony --

23 MR. KEEVIL: Turn your mike on.

24 MR. STEINER: -- financing order that we  
25 submitted in testimony, the parties agreed, signatories

1 agreed to utilize that subject to some adjustments. We  
2 believe that order needs precision in order to get a AAA  
3 rating, and I also understand the Commission had some  
4 form issues we mentioned yesterday. So if we could get  
5 an understanding of those form issues, we would take the  
6 pen, work with Staff, and resubmit that on the date that  
7 the Commission initially scheduled for the date of the  
8 initial brief. That's how I see it working out.

9 JUDGE CLARK: And that's where I may have been  
10 inarticulate yesterday. I realize that form was one of  
11 the things that I addressed, but it may be a little  
12 broader than that in terms of the Commission's concerns.

13 So in your mind, are there -- is there one  
14 order that is issued?

15 MR. STEINER: Yes, I believe so.

16 JUDGE CLARK: Okay. So that order would  
17 approve both the stipulation and would also be the  
18 financing order?

19 MR. STEINER: Yes.

20 JUDGE CLARK: Do you believe that the approval  
21 of the stipulation could be separate from the financing  
22 order?

23 MR. STEINER: Could you give me a minute to  
24 confer?

25 JUDGE CLARK: Absolutely.

1                   COMMISSIONER HOLSMAN: Judge, while he's  
2 taking that minute, this is Commissioner Holsman. Just  
3 letting you know that I've joined.

4                   JUDGE CLARK: Thank you very much,  
5 Commissioner Holsman.

6                   MR. STEINER: Your Honor, could I inquire of  
7 other Company experts and get back to your question on  
8 two separate orders? I'm not prepared to answer that.

9                   JUDGE CLARK: Okay. That's more of a  
10 curiosity of mine than anything else. I just was  
11 wondering whether it needed to be one order or whether  
12 it could be two.

13                  MR. STEINER: My initial reaction is it needs  
14 to be one, but I want to check with some experts. This  
15 is not an area of my expertise either.

16                  JUDGE CLARK: Let's go for a second on the  
17 assumption that it would be one order. Given that the  
18 parties have agreed to utilize Evergy's order that was  
19 attached to Mr. Lunde's testimony, when you say  
20 "utilize," what do you mean?

21                  MR. STEINER: Present it to the Commission for  
22 its use.

23                  MR. KEEVIL: Judge, if I could jump in here.  
24 This is Keevil for Staff. Mr. Steiner and I have spoken  
25 a little bit. We need to speak some more. The way

1 Staff sees -- I mean, we're using Mr. Lunde's order as  
2 the starting point. Staff and the Company are going to  
3 need to get together between now and when we submit an  
4 updated, revised, whatever you want to call it, version  
5 of the Lunde order with the briefs, I think the initial  
6 briefs I believe that Mr. Steiner suggested.

7 I mean, there will be revisions made to  
8 Mr. Lunde's order that is currently attached to his  
9 testimony. So I don't -- I don't know where you're  
10 going with this focus of questioning obviously, but I  
11 would caution you to -- whatever gets submitted with the  
12 initial briefs may not look identical to what is  
13 currently attached to Mr. Lunde's testimony. That's the  
14 starting point that the parties have agreed to use, and  
15 they will be updated and revised to reflect the  
16 stipulation and certain portions of the statute which we  
17 believe need to be addressed. And also like Mr. Steiner  
18 said earlier, certain things need to be in there to get  
19 the best possible rating for the bonds. So it's not  
20 going to be identical to what you have currently before  
21 you. It's going to be revised, updated, filled out,  
22 whatever. Be careful -- Again, I don't know where  
23 you're going with all this. We're not saying approve  
24 the thing that's currently attached to Lunde's testimony  
25 in the stipulation. So it's going to vary from what you

1 currently have. I think Mr. Steiner would agree with  
2 that, I hope.

3 JUDGE CLARK: Thank you. That answers some of  
4 the questions I was going to get to. I'm going to go  
5 ahead and continue down this road for a bit. So based  
6 upon what you said, Mr. Keevil, you foresee Staff and  
7 Everygy, and I'm going to assume the other parties that  
8 were signatories, which I believe is only OPC, getting  
9 together and submitting an order that approves the  
10 stipulation and agreement and the financing order as  
11 well; is that correct?

12 MR. KEEVIL: Yes.

13 JUDGE CLARK: And when that is -- when that  
14 order is submitted for the Commission's approval, is the  
15 Commission entitled to edit that order without tanking  
16 the stipulation, the technical term tanking?

17 MR. KEEVIL: Well, keep in mind there are  
18 going to be certain issues that aren't resolved by that  
19 order because certain issues are still going to hearing  
20 under the stipulation. The OPC issues and the rate  
21 design tariff issues are still going to hearing. So the  
22 Commission is going to have to make decisions like it  
23 would in a normal case on the contested issues. So  
24 those issues certainly won't even be, I don't know how  
25 we were planning to address them in the stipulation

1 frankly, but you're going to have to decide some issues  
2 separate and apart from the draft order that is provided  
3 to you.

4 MR. STEINER: I would agree with that that  
5 you'll have to do that portion of it for sure. Your  
6 question of whether you can do other edits, it is your  
7 order, so I think you can. We're just trying to, you  
8 know, restructure it to address your form concerns,  
9 whatever, still have the precision that's needed that is  
10 coded different than the order that you would normally  
11 do because it's looked at by the rating agencies, by  
12 other entities, to give opinions. But there's certain  
13 things need to be in it that we would like to be in it  
14 so we can get the best possible rating which helps the  
15 Company, helps the ratepayers, helps everyone.

16 JUDGE CLARK: Would it be fair to say -- I'll  
17 just clarify. I'm trying to get some clarity, and the  
18 reason I'm trying to get some clarity is it's  
19 extraordinarily unusual, and I can't recall since I've  
20 been here certainly, any case in which the Commission  
21 has not written its own order, and so this is  
22 extraordinarily unusual this kind of request.

23 Would it be fair to say that your concern is  
24 that if the Commission were to draft its own order that  
25 it might affect your ability to get a AAA rating?



1 MR. STEINER: Yes.

2 JUDGE CLARK: And is that Staff's concern as  
3 well?

4 MR. KEEVIL: Well, I mean, Staff has -- Staff  
5 obviously wants to see them get the best rating  
6 possible. Staff also wants to have the opportunity to  
7 make sure that part of that designated representative  
8 process, which I think we talked about some yesterday,  
9 is addressed in the financing order in a way that Staff  
10 believes is appropriate and statutorily compliant. So  
11 I'm not sure Staff's concerns are identical. I think  
12 they're somewhat, were similar but not perhaps wouldn't  
13 place the emphasis on the same issues as Evergy. But I  
14 think we do I think share the same concerns. It's just  
15 maybe how we would rank them that would differ perhaps.

16 Yeah, I mean, as far as the ultimate order, on  
17 behalf of Staff, I'm not going to tell the Commission it  
18 can't write its own order if it wants to. But I think  
19 the financing order process -- I think there was some  
20 provision in the Empire case where the parties, I think  
21 Staff and Empire provided proposed financing orders.  
22 So I don't think this is unusual in that regard,  
23 although I agree with you that this entire statute is,  
24 and the process and the procedure under this statute, is  
25 as I said yesterday, not completely traditional

1 ratemaking as it has been practiced in Missouri because  
2 you have the financing order process, you have the go  
3 back to the Staff representative involvement with the  
4 Company prior to the issuance. There's lots of things  
5 in that statute that are not typically involved in  
6 Missouri utility ratemaking. We're just I think all  
7 kind of stumbling through this the best we can trying to  
8 comply with this statute and get the best result we can.

9 JUDGE CLARK: Thank you. It's not -- I'm sure  
10 everybody is aware it's not unusual in court cases for  
11 the parties to submit proposed orders, and I think that  
12 may have been kind of what was complicated. As I said  
13 again, it's a little unusual. I'm veering off. Let me  
14 take what you've said so far and see if I can get some  
15 clarity on that.

16 So based upon what you said, at least right  
17 now it's contemplated that a financing order that is  
18 structured by the parties would be submitted with  
19 initial briefs and that order would be somewhat  
20 incomplete in nature in that there would still be some  
21 contested issues for the Commission to decide and draft;  
22 is that correct?

23 MR. STEINER: That's correct.

24 JUDGE CLARK: Thank you. That's as much  
25 clarity as I believe I need right now on that.

1 MR. KEEVIL: That may be as much clarity  
2 that's possible on that unfortunately.

3 MR. STEINER: Judge, you had a question about  
4 could there be one or two orders. Would you like me to  
5 find out an answer to that and get back to you?

6 JUDGE CLARK: I am curious. So yes, if you  
7 could, I'd appreciate it. It doesn't have to be today.  
8 We will probably be here -- I don't know how long we  
9 will be here.

10 MR. STEINER: I'll find out.

11 JUDGE CLARK: My next question.

12 MR. KEEVIL: Judge, before you completely go  
13 off that, going back to your form issue that you raised  
14 yesterday on the order, was there something --

15 JUDGE CLARK: I'm going to interrupt you for  
16 just a moment. Again, I said that's where I was  
17 inarticulate. I said form because that's what occurred  
18 to my mind, because it generally does not look like an  
19 order that's issued by the Commission. It isn't  
20 numbered the same way. I did not mean to express to the  
21 parties that form was the only Commission concern with  
22 the proposed financing order. I'm just trying to get  
23 some clarity on just how much this order as is going to  
24 be submitted by the parties can be altered without,  
25 again as I said, tanking the agreement between the

1 parties. So that's kind of what I'm trying to get a  
2 sense of, and I think the parties have given me about as  
3 much as they can give me on that unless they think of  
4 something else.

5 MR. STEINER: Okay.

6 JUDGE CLARK: My next question and in a  
7 similar vein is to ask, I believe that's provision 9 of  
8 the stipulation is regarding that financing order, and  
9 my question for the parties then is if that provision  
10 were not there, do the parties still have an agreement?  
11 In other words, if it was understood that the Commission  
12 would be drafting the order and the parties still would  
13 have their -- submit proposed orders.

14 MR. STEINER: May I confer real quick.

15 JUDGE CLARK: Please. Take your time. This  
16 is an important issue.

17 MR. KEEVIL: Judge, while Mr. Steiner is  
18 conferring with his client, let me just jump in. From  
19 my perspective, I know, number one, that the wording of  
20 the financing order is very important to achieve a AAA  
21 rating. I would certainly want the opportunity on  
22 behalf of Staff to submit at least Staff's proposed -- I  
23 guess at that point it would be Staff's proposed rather  
24 than the joint thing that you're talking about but at  
25 least a proposed financing order on behalf of Staff with

1 the initial briefs. But I really can't tell you -- I  
2 mean, we'd have to go back and do all sorts of  
3 discussions to determine if we take out this paragraph  
4 or that paragraph, do we still have the stipulation. I  
5 can't answer that here today, but I just wanted to say  
6 that we would still certainly want the opportunity to  
7 submit a proposed financing order.

8 JUDGE CLARK: Thank you. Everyy.

9 MR. STEINER: We really can't stress enough we  
10 really believe that the order needs to be crafted  
11 initially by the people that know the process, know the  
12 AAA process. We need to have the language in there that  
13 the rating agencies, that all the interested individuals  
14 will look at to get the rating. So I don't believe we  
15 would have an agreement if we didn't have that ability  
16 to structure that order in order to get that rating.

17 JUDGE CLARK: Okay. Thank you. Is that true  
18 for Public Counsel?

19 MS. VanGERPEN: I can't speak on behalf of the  
20 Public Counsel, so I would have to confer with them.  
21 But I think we would like the chance to at least review  
22 what was proposed before it's proposed to the  
23 Commission.

24 JUDGE CLARK: When you say "before it's  
25 proposed to the Commission," you mean before it's voted

1 out?

2 MS. VanGERPEN: Before -- We would want to  
3 review what is proposed I guess.

4 JUDGE CLARK: Prior to issuance?

5 MS. VanGERPEN: When it's filed with the  
6 initial briefs. At this time I do not believe that the  
7 Public Counsel plans to file a proposed findings and  
8 order with their initial briefs.

9 JUDGE CLARK: I guess my question is, is  
10 Public Counsel still a participant -- is still a  
11 signatory or is still in agreement with the stipulation  
12 if you understood that it was to be a Commission written  
13 and issued order and not necessarily the one that is  
14 submitted?

15 MS. VanGERPEN: I think again I can't speak on  
16 behalf of the Public Counsel. I would have to determine  
17 what the position would be there. But I do not believe  
18 that we -- I think we probably would be, but I would  
19 have to verify that for sure.

20 JUDGE CLARK: Okay. Thank you. All right.  
21 I'm going to move off of that subject for a bit and go  
22 to what I said before which is address some things that  
23 the Commission has to make particular findings as to  
24 certain things required under the statute and there were  
25 certain things which were not addressed in the

1 stipulation and yet it was represented that those were  
2 settled issues. So I kind of want to go over those real  
3 quick and see if I can get a little more clarity on  
4 that.

5 So in regard to issue 1b, which is what is the  
6 appropriate method of customary ratemaking absent  
7 securitization, that was not addressed in the  
8 stipulation that I saw. So can somebody tell me how  
9 that was resolved between the signatories?

10 MR. STEINER: Let me confer, Your Honor. The  
11 agreement doesn't talk about that, but I believe it  
12 would be the position that was in our testimony, the AAO  
13 and the FAC. Those are the two customary ways  
14 ratemaking absent securitization.

15 JUDGE CLARK: Do the other parties agree with  
16 that? Staff?

17 MR. KEEVIL: Those would be the two -- Those  
18 would be the two customary methods. I would agree with  
19 that.

20 JUDGE CLARK: OPC?

21 MS. VanGERPEN: Yes, the OPC agrees that those  
22 would be the two customary methods.

23 JUDGE CLARK: And while not signatories, the  
24 other intervening parties have indicated they did not  
25 object. Is that their understanding of what would be

1 the customary ratemaking absent securitization? MECG?

2 MR. OPITZ: Customary ratemaking absent  
3 securitization for extraordinary storm costs I would  
4 agree would either be an AAO or -- I don't think it  
5 would be customary to recover extraordinary storm costs  
6 through an FAC, but I think through an AAO would be the  
7 standard way in traditional ratemaking to recover  
8 extraordinary storm costs like this.

9 JUDGE CLARK: I assume you're referring to the  
10 provision of the FAC that allows for the removal of  
11 extraordinary costs?

12 MR. OPITZ: Yes. And with the -- While not in  
13 this case with the awareness that the Company has sought  
14 or has filed an application for an AAO, I think before  
15 the securitization statute became effective related to  
16 these extraordinary storm costs.

17 JUDGE CLARK: Nucor Steel?

18 MR. ELLINGER: Obviously we don't take a  
19 position on anything that's in the stipulation except  
20 that we don't object to it, but I would tend to concur  
21 with MECG's analysis of that.

22 JUDGE CLARK: Okay. If you don't take a  
23 position, that's fine.

24 MR. ELLINGER: That's why I caveated it that  
25 way.



1 JUDGE CLARK: I assume Velvet Tech?

2 MS. BELL: Yes, Velvet concurs with the  
3 position of MECG. Thank you, Your Honor.

4 JUDGE CLARK: Thank you very much. And I  
5 think along a similar vein the stipulation doesn't  
6 address, and this is lc, what is the customary method of  
7 financing.

8 MR. STEINER: Let me confer on that one too.

9 JUDGE CLARK: I'm not trying to be difficult.  
10 I'm just trying to fill in some blanks.

11 MR. KEEVIL: Judge, when it talks about  
12 customary method of financing in the issue list, that's  
13 actually a portion of the net present value analysis  
14 required in the statute. So the stipulation I believe  
15 does address net present value somewhere.

16 MR. STEINER: That's what I was going to say,  
17 Your Honor, I believe it's in the testimony of Ron Klote  
18 the position would be settled on is the net present  
19 value comparison.

20 MR. KEEVIL: Net present value is addressed in  
21 paragraph 8, Judge, of the stip where it talks about the  
22 discount rate to determine quantifiable net present  
23 value benefits to customers.

24 MR. STEINER: Yeah. Thanks, Jeff.

25 JUDGE CLARK: You're saying that the customary

1 method of financing is a component of that?

2 MR. KEEVIL: Yeah. If you look at the  
3 statute, the statute requires -- well, actually that's  
4 the petition shall include. Hang on just a second. The  
5 petition is to include a comparison between net present  
6 value of the costs that are estimated to result. The  
7 comparison should demonstrate that the issuance of  
8 securitized utility tariff bonds and the imposition of  
9 securitized utility tariff charges are expected to  
10 provide quantifiable net present value benefits to  
11 retail customers.

12 JUDGE CLARK: That may answer my next question  
13 but I'm going to go ahead and ask it anyway. What are  
14 the costs that will result from the application of the  
15 customary method of financing and reflecting the  
16 qualified extraordinary costs in retail customer rates?

17 MR. KEEVIL: Would you repeat that?

18 JUDGE CLARK: Of course. What are the costs  
19 that would result from the application of the customary  
20 method of financing and reflecting the qualified  
21 extraordinary costs in retail rates?

22 MR. STEINER: Your Honor, I think Mr. Klote  
23 has actually done this comparison. He's going to be a  
24 witness here shortly. If you could ask him, I'm  
25 struggling to answer your question. I think he has done

1 that analysis.

2 JUDGE CLARK: Okay. Thank you. Now, Issue 2,  
3 what are the estimated up-front and ongoing financing  
4 costs associated with securitizing qualified  
5 extraordinary costs associated with Winter Storm Uri?  
6 Ongoing financing costs are not listed in the  
7 stipulation. The financing order must include an  
8 estimate of financing costs where the financing costs is  
9 defined as a range of items. So I guess the question is  
10 what are the ongoing financing costs? Have the parties  
11 agreed to those?

12 MR. STEINER: If I could confer.

13 MR. KEEVIL: Judge, I think that's part of the  
14 ongoing review going back to this designated  
15 representative involvement with the process. I don't  
16 think Staff opposed the number that Evergy had  
17 originally proposed, but we indicated that we would  
18 review that as part of the ongoing Staff designated  
19 representative process. I think that's what it comes  
20 down to the --

21 MR. STEINER: IAL process.

22 MR. KEEVIL: -- the IAL process. Sorry.

23 MR. STEINER: We agreed to the up front in the  
24 stipulation, but the ongoing that will be done in the  
25 IAL letter.

1 JUDGE CLARK: And the up front, that's the  
2 6.6?

3 MR. STEINER: Yes. Up front is updated in the  
4 IAL process. Up front is the 6.6, yes.

5 JUDGE CLARK: So the short answer, which I'm  
6 looking for right now, is Evergy's number; is that  
7 correct?

8 MR. STEINER: Yes.

9 JUDGE CLARK: Issue 2a, what is the  
10 appropriate return on investment and treatment of  
11 earnings in the capital subaccount? That was not  
12 addressed in the stipulation either. Is there an  
13 agreement as to that?

14 MR. STEINER: I'm going to have to confer.

15 JUDGE CLARK: You may confer without asking  
16 me.

17 MR. STEINER: We believe that both of those a  
18 and b that that's the position in our testimony. I  
19 don't think anybody disputed that.

20 JUDGE CLARK: Is that the other signatories'  
21 understanding?

22 MS. VanGERPEN: Yes, that's the OPC's  
23 understanding.

24 MR. KEEVIL: Again, Judge, I think that -- I  
25 was thinking that would be part of the ongoing process

1 between the parties' proposed order but --

2 JUDGE CLARK: That may be the answer. I'm  
3 just saying these things are not contained in the stip  
4 and they are requirements. I'm just trying to figure  
5 that out.

6 MR. KEEVIL: You're reading from the list of  
7 issues. You're not reading from the statute.

8 JUDGE CLARK: That's true, that is correct.

9 MR. KEEVIL: So what you're reading is not  
10 necessarily required.

11 JUDGE CLARK: I will take that into account.  
12 As I indicated, these are issues that it had been  
13 indicated were settled. So I just want to know what the  
14 agreement was.

15 MR. KEEVIL: Obviously this isn't going to all  
16 get settled today. Do you have a list of these? I  
17 mean, are you just going through the list of issues as  
18 opposed to some other list to come up with these  
19 questions?

20 JUDGE CLARK: I'm almost to the end of my  
21 questions. Staff, you believe that it's Everyg's number  
22 in this case?

23 MR. KEEVIL: I'm going to have to check,  
24 Judge. I think so. But the -- yeah, as far as the  
25 number itself, I think so --

1 JUDGE CLARK: Okay. Thank you.

2 MR. KEEVIL: -- if that's the question.

3 JUDGE CLARK: Yes, that is the question.

4 MR. KEEVIL: Okay. The number itself I think  
5 we're okay with, yeah.

6 JUDGE CLARK: I think Evergy indicated that  
7 was for 2a and 2b and I think OPC answered that you also  
8 believe for 2a and 2b as well. Actually that -- Let's  
9 just address 2b. Have the parties reached any sort of  
10 agreement regarding whether the issuance of multiple  
11 series is appropriate?

12 MR. KEEVIL: Again, Judge, to us that is  
13 something that's going to be part of the discussion in  
14 the IAL process which would take place later on between  
15 the parties.

16 JUDGE CLARK: Okay. And I know I'm asking --  
17 That is an acceptable answer, because I understand that  
18 the agreement to at least an extent is here's the  
19 agreement and there's some details to be hashed out.

20 MR. KEEVIL: There are a lot of details to be  
21 hashed out that wouldn't normally be remaining to be  
22 hashed out because, again, because of the unique nature  
23 of this securitization statute process that has  
24 provisions in it that are unknown previously to the  
25 world of Missouri utility ratemaking, which is like

1 we've talked about, the ongoing collaborative process  
2 between the parties and the issuance advice letter,  
3 approval/disapproval process, things that you don't  
4 normally have in Missouri.

5 JUDGE CLARK: I agree. This is new to me as  
6 well.

7 MR. STEINER: Your Honor, I agree that it's  
8 not addressed in the stipulation. I believe that the  
9 testimony of Mr. Lunde makes the recommendation on this  
10 issue, and I don't believe any party has opposed it. So  
11 I think that is the position in this case of what the  
12 Company believes the Commission should decide.

13 JUDGE CLARK: Okay. Thank you. I may get a  
14 similar answer to this one. What is the appropriate  
15 term and coupon rate for securitization of qualified  
16 extraordinary costs? That would be Issue 3b.

17 MR. STEINER: Your Honor, there is testimony  
18 on that from Mr. Lunde. Those terms will all be updated  
19 through the IAL process. So I don't think --

20 MR. KEEVIL: I mean, Staff has testimony on  
21 that as well, Judge, in Mr. Davis, and I agree with the  
22 end of what Mr. Steiner just said that is going to be  
23 updated through the IAL process. So you continue to ask  
24 us questions that we can't answer, and I understand it's  
25 frustrating for you but it's frustrating for us too

1 because that's something that we haven't gotten to that  
2 yet. Not because we tried to deck it but because of the  
3 way the process is set out in the statute.

4 MR. STEINER: I think, as Mr. Keevil said,  
5 this is a new issue. I think we need the order to have  
6 the flexibility, which I think the proposed order does  
7 have, the financing order we submitted, so that those  
8 type of things can be changed as market demands dictate.  
9 We need the flexibility in that financing order so that  
10 that can be updated, and there's a process to do that  
11 with the IAL process.

12 JUDGE CLARK: Thank you. And I can see the  
13 frustration level. It's not my intent to frustrate, and  
14 the answers I'm getting are acceptable answers. I'm  
15 just trying to get an idea where these are going to come  
16 from and at what point in the process they get more  
17 hammered down. I think you've given me about as much as  
18 you can on that.

19 MR. STEINER: Judge, I totally understand why  
20 you're asking these questions. If I expressed  
21 frustration, I apologize.

22 JUDGE CLARK: That's not --

23 MR. KEEVIL: I think I did.

24 JUDGE CLARK: That's not necessary on  
25 anybody's part. And those are all the questions that I



1 have right now concerning that.

2 With that in mind, I'm going to answer one of  
3 Mr. Keevil's questions from yesterday and that is that  
4 we are going to want Mr. Davis to appear.

5 MR. KEEVIL: Okay.

6 JUDGE CLARK: Thank you. With that in mind,  
7 are there any preliminary matters before we get into  
8 witnesses that the Commission needs to address?

9 MR. STEINER: Your Honor, could I inquire of  
10 the other witnesses that we indicated the parties didn't  
11 have questions if we could know if the Commission has  
12 questions for any of those people? If they don't, we'd  
13 like to release those witnesses.

14 JUDGE CLARK: I understand. I don't have an  
15 answer for you at this time. I will get you an answer  
16 as soon as one has been made.

17 MR. STEINER: Thank you.

18 JUDGE CLARK: Any other preliminary matters  
19 that the Commission needs to take up at this time? I  
20 hear none and see no hands. Therefore, Every Missouri  
21 West, you may call your first witness.

22 MR. STEINER: Every calls Ronald Klote.

23 JUDGE CLARK: Would you raise your right hand  
24 to be sworn.

25 Do you solemnly swear or affirm that the

1 testimony you are about to give at this evidentiary  
2 hearing is the truth?

3 THE WITNESS: I do.

4 JUDGE CLARK: Please be seated and be sure  
5 your mike is on.

6 You may proceed, Everygy.

7 Thereupon:

8 RONALD KLOTE,  
9 having been first duly sworn, was examined and testified  
10 as follows:

11 DIRECT EXAMINATION

12 BY MR. STEINER:

13 Q. Please state your name for the record.

14 A. It's Ronald Klote.

15 Q. Mr. Klote, where do you work?

16 A. At Everygy.

17 Q. What's your position there?

18 A. I'm Senior Director of Regulatory Affairs.

19 Q. Mr. Klote, did you cause to be filed direct  
20 testimony in this case? There's a confidential version  
21 marked as Exhibit 11C and a public version premarked as  
22 Exhibit 11P?

23 A. I did.

24 Q. Did you also cause to be prepared surrebuttal  
25 testimony that's been premarked as Exhibit 12C for the

1 confidential and 12P for the public?

2 A. I did.

3 Q. Do you have any changes or corrections to that  
4 testimony?

5 A. I do not.

6 Q. If I were to ask you the same questions in  
7 that direct and surrebuttal testimony, would your  
8 answers be the same?

9 A. Yes, they would.

10 Q. Are your answers true and complete to the best  
11 of your knowledge and belief?

12 A. Yes, they are.

13 MR. STEINER: Your Honor, I'd like to offer  
14 into evidence Exhibits 11C, 11P, 12C and 12P.

15 JUDGE CLARK: Say that again, please.

16 MR. STEINER: I'd like to offer into evidence  
17 Exhibits 11C, 11P, 12C, and 12P. Those are the direct  
18 and surrebuttal testimonies of Ronald A. Klote.

19 JUDGE CLARK: Any objections? I hear no  
20 objections. Exhibit 11C, 11P, 12C, and 12P are admitted  
21 onto the hearing record.

22 (COMPANY EXHIBITS 11C, 11P, 12C, AND 12P WERE  
23 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

24 JUDGE CLARK: I am going to say at this time,  
25 because I don't believe I said it before, that there's a

1 lot of confidential information in this case. If  
2 there's a need to go in camera, I may not immediately  
3 recognize it, so I'm relying to a large extent on the  
4 parties to let me know if we're getting into  
5 confidential information so I can go in camera. Those  
6 exhibits are admitted onto the hearing record. Go  
7 ahead.

8 MR. STEINER: Tender the witness for cross.

9 JUDGE CLARK: Okay. Going by the provided  
10 order of cross, I believe Velvet Tech.

11 MS. BELL: No questions, Your Honor.

12 JUDGE CLARK: Nucor.

13 MR. ELLINGER: No questions, Your Honor.

14 JUDGE CLARK: MECG.

15 MR. OPITZ: No, thank you, Judge.

16 JUDGE CLARK: The Commission Staff.

17 MR. KEEVIL: Very briefly, Judge.

18 CROSS-EXAMINATION

19 BY MR. KEEVIL:

20 Q. Good morning, Mr. Klote.

21 A. Good morning, Mr. Keevil.

22 Q. Do you have a copy of Mr. Riley's surrebuttal?

23 A. Yes, I do.

24 Q. On page 3 of Mr. Riley's surrebuttal, I don't  
25 have a line reference, I apologize, but it begins as

1 Company witness, Mr. Ron Klote CPA stated on page 23 of  
2 his direct testimony, and I stated, I being Mr. Riley  
3 there, stated in rebuttal testimony, there are no  
4 deferred income taxes associated with this Storm Uri  
5 securitization. Do you see that statement there by  
6 Mr. Riley on page 3?

7 A. Yes, I do.

8 Q. Do you agree with that?

9 A. No. That's not what I said in my direct  
10 testimony. In my direct testimony, I was simply  
11 pointing out that in the statutes there is a difference  
12 between the way deferred taxes are treated in regards to  
13 plants that are retired through securitization process  
14 and how qualified extraordinary costs are. There are  
15 deferred taxes associated with it.

16 Q. And in this case we're dealing with qualified  
17 extraordinary costs; is that true?

18 A. That's correct.

19 Q. The statement in your testimony, was that in  
20 regard to the retirement of generating plants?

21 A. That's correct.

22 Q. And you're saying there's a tax treatment  
23 difference between those two?

24 A. There is.

25 Q. Can you briefly explain that?

1           A.     Sure.  For retired plant, there is an amount  
2     associated with the deferred tax net benefits and the  
3     net present value of the cash flows associated with  
4     that.  That is not the total amount of deferred taxes.  
5     That is the net present value of that that's associated  
6     with retired plant.  In this case this is qualified  
7     extraordinary costs.  There are deferred taxes  
8     associated with it.  There are deferred taxes that are  
9     included in our current rate case associated with these  
10    that are included.  So definitely a distinction between  
11    how retired plant is handled through securitization and  
12    the deferred taxes with those versus the deferred taxes  
13    associated with extraordinary costs.  And we have a  
14    witness here, our Senior Director of Tax, that can take  
15    a deep dive on that if we need to.

16           **Q.     And who would that be?**

17           A.     Melissa Hardesty.

18           MR. KEEVIL:  Thank you.  No further questions,  
19     Judge.

20           JUDGE CLARK:  Public Counsel.

21           MS. VanGERPEN:  No questions, Your Honor.

22           JUDGE CLARK:  Any questions from the  
23     Commissioners?  I hear none.

24           CHAIRMAN SILVEY:  No questions, Judge.

25           COMMISSIONER HOLSMAN:  No questions, Judge.

1 JUDGE CLARK: Thank you very much.

2 QUESTIONS

3 BY JUDGE CLARK:

4 Q. I have a few questions starting with the one  
5 that I was told that you would be the person to ask  
6 about and that is under Section 393.1700.2(2)(e) what is  
7 the customary method of financing.

8 A. Right. There's a requirement in the statute  
9 that a net present value calculation must be done to  
10 show what benefits accrue to customers from  
11 securitization methodology versus the customary way  
12 which in this case is either the fuel clause methodology  
13 I will call it or the accounting authority order  
14 methodology. And the settlement in this case from the  
15 direct position that the Company filed creates  
16 additional net present value benefits to the customers  
17 almost reducing 50 million from the Company's original  
18 position.

19 Q. What costs result from the customary method of  
20 financing?

21 A. The customary method of financing as disclosed  
22 before are the fuel costs methodology or the AAO. Those  
23 would be the customary. And costs that would be  
24 embedded in there would be costs associated with the  
25 weighted average cost of capital. In the securitization

1 method, obviously there's a coupon rate that's  
2 associated with those.

3 Q. Now, in your surrebuttal you state that  
4 non-fuel operations and maintenance costs have been  
5 removed from securitization; is that correct?

6 A. That's correct.

7 Q. And you also state that those costs will be  
8 recovered through the Company's current general rate  
9 case?

10 A. That's correct.

11 Q. Is that true assuming that Staff's proposal is  
12 adopted?

13 A. Yes. They would either be recovered through  
14 securitization or through the general rate case and  
15 we've removed them from the securitization calculation  
16 and will request those in a true-up calculation in the  
17 general rate case.

18 Q. So is this -- Putting the stip aside for a  
19 second, is this a settled issue with the parties  
20 regardless of the stipulation?

21 A. Well, the Company has removed it from the  
22 request in the securitization and we will be proposing  
23 that in the general rate case and I believe from the  
24 testimony that I've read from Staff that they're in  
25 agreement with that.



1           **Q. Can you provide me with kind of a basic**  
2 **example of a bond offering into the debt markets?**

3           A. I'm probably not the witness to talk to that,  
4 but we have a Witness Lunde here that could provide  
5 that.

6           **Q. How does the pricing of the bonds correspond**  
7 **with the interest rate associated with the bonds that**  
8 **investors expect?**

9           A. Once again, you know, in my responsibilities  
10 at Evergy, I don't deal in this area as much. But we  
11 have both Witness Lunde and if you'd like a Company  
12 witness, Jason Humphrey, that could answer that  
13 question.

14           **Q. Thank you. Now, your counsel in opening**  
15 **yesterday said that Evergy still supported 100 percent**  
16 **recovery versus a 95/5 sharing that is proposed I**  
17 **believe in the stipulation submitted. Why does Evergy**  
18 **believe it should have 100 percent recovery of these**  
19 **amounts?**

20           MR. ZOBRIST: Judge, maybe I should remark on  
21 that, and I apologize for interrupting. That is not  
22 what I meant to say. I was the lawyer that delivered  
23 the opening statement. What I meant to say is that was  
24 Evergy's position that the 95/5 should not be adopted  
25 but as a result of the stipulation and agreement that

1 was no longer an issue in the case. So perhaps I  
2 misinterpreted your question, but I wanted to say what I  
3 thought I had said because I'm not sure I said what your  
4 question included.

5 JUDGE CLARK: I guess my question is, setting  
6 the stipulation aside, if the stipulation is not adopted  
7 by the Commission, is Evergy's position still 100  
8 percent recovery?

9 MR. ZOBRIST: If that is the question then,  
10 that is the position of the Company.

11 JUDGE CLARK: I'm going to ask that of  
12 Mr. Klote because he's the witness.

13 BY JUDGE CLARK:

14 **Q. Absent the stipulation, why does Evergy**  
15 **support 100 percent recovery as opposed to the 95/5?**

16 A. Sure. As we stated in testimony, you know,  
17 removing the storm costs out of the FAC and requesting  
18 an AAO, the 95/5 is a requirement of the FAC. It's not  
19 a requirement of the AAO. These costs were  
20 extraordinary to the Company. And that's why they were  
21 removed from the FAC. It was out of the control of the  
22 Company and thus we felt like requesting 100 percent was  
23 a reasonable request that was made.

24 The FAC has specific calculations that has  
25 inclusion of the 95/5 percent and thus the request was

1 made.

2 JUDGE CLARK: Thank you. I have no more  
3 questions. Any recross based upon bench questions?

4 CHAIRMAN SILVEY: Judge, this is Commissioner  
5 Silvey. Can I follow up on that question you just  
6 asked?

7 JUDGE CLARK: Please go ahead, Chairman.

8 CHAIRMAN SILVEY: Thank you.

9 QUESTIONS

10 BY CHAIRMAN SILVEY:

11 Q. So just to clarify, it's the Company's opinion  
12 that the securitization statute and the FAC statute are  
13 two separate statutes and are not in any way connected;  
14 is that correct?

15 A. Yes, that's what I believe.

16 CHAIRMAN SILVEY: Okay. Thank you, Judge.

17 JUDGE CLARK: Thank you, Chairman.

18 Any recross based upon Commission questions?

19 I hear no response.

20 MR. OPITZ: Sorry, Judge, for my delay. I do  
21 have a brief recross based on your Commission questions.

22 JUDGE CLARK: Go ahead, MECG.

23 RECROSS-EXAMINATION

24 BY MR. OPITZ:

25 Q. Good morning. So you were -- In response you

1 were talking about the fuel adjustment clause compared  
2 to the securitization statute?

3 A. Yes.

4 Q. And absent the securitization statute, the  
5 Company would have sought to recover this through an  
6 accounting authority order, correct?

7 A. Yes. That was a request that we had already  
8 filed, yes.

9 Q. And you did make that, correct?

10 A. We did.

11 MR. OPITZ: Okay. Thank you.

12 JUDGE CLARK: Any redirect?

13 MR. STEINER: I don't think so, Your Honor.

14 JUDGE CLARK: Thank you, Mr. Klote. You may  
15 step down.

16 (Witness excused.)

17 JUDGE CLARK: Everyy, you may call your next  
18 witness.

19 MS. WHIPPLE: Thank you. Jason Humphrey,  
20 please.

21 JUDGE CLARK: Just to let everybody know, it's  
22 my intention to take a short break after Mr. Humphrey's  
23 testimony.

24 MR. KEEVIL: Thank you, Judge.

25 JUDGE CLARK: Would you please raise your

1 right hand to be sworn.

2 Do you solemnly swear or affirm that the  
3 testimony you're about to give at this evidentiary  
4 hearing is the truth?

5 THE WITNESS: I do.

6 JUDGE CLARK: Please be seated. Everygy, go  
7 ahead.

8 Thereupon:

9 JASON HUMPHREY,  
10 having been first duly sworn, was examined and testified  
11 as follows:

12 DIRECT EXAMINATION

13 BY MS. WHIPPLE:

14 Q. Please state your name for the record.

15 A. Jason Humphrey.

16 Q. And who is your employer?

17 A. Everygy.

18 Q. What's your position there?

19 A. I'm the Senior Director of Renewables  
20 Development and Assistant Treasurer.

21 Q. Did you prepare direct testimony in this case  
22 on behalf of Everygy Missouri West, which has been marked  
23 as Exhibit C, 6C as in confidential and 6P as in public?

24 A. I did.

25 Q. Did you also prepare surrebuttal testimony on

1     **behalf of Evergy Missouri West, which has been marked as**  
2     **Exhibit 7C and 7P?**

3             A.     I did.

4             Q.     Do you have any corrections to your direct or  
5     **surrebuttal testimony today?**

6             A.     I do not, thank you.

7             Q.     If I were to ask you the questions from those  
8     **testimonies, would your answers be the same?**

9             A.     They would.

10            Q.     And are those answers true and correct to the  
11    **best of your knowledge and belief?**

12            A.     They are.

13            MS. WHIPPLE: At this time we would offer  
14    Exhibits 6C, 6P, 7C, and 7P into the record.

15            JUDGE CLARK: Any objection to admitting those  
16    exhibits onto the hearing record? Exhibit 6C, 6P, 7C,  
17    and 7P are admitted onto the hearing record.

18            (COMPANY EXHIBITS 6C, 6P, 7C, AND 7P WERE  
19    RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

20            MS. WHIPPLE: Thank you. We'll tender the  
21    witness for cross.

22            JUDGE CLARK: Velvet Tech.

23            MS. BELL: No questions, Your Honor.

24            JUDGE CLARK: Nucor.

25            MR. ELLINGER: No questions, Judge.

1 JUDGE CLARK: MECG.

2 MR. OPITZ: No, thank you, Your Honor.

3 JUDGE CLARK: Staff.

4 MR. KEEVIL: Not at this time, Judge.

5 JUDGE CLARK: Public Counsel.

6 MS. VanGERPEN: No questions, Your Honor.

7 JUDGE CLARK: Okay. I have a few questions  
8 for you. Let me ask first, any Commission questions at  
9 this time? I hear none.

10 COMMISSIONER HOLSMAN: No questions, Judge.

11 JUDGE CLARK: Thank you very much,  
12 Commissioner Holsman.

13 QUESTIONS

14 BY JUDGE CLARK:

15 Q. I have a few questions for you and I'll start  
16 with the one that I was told that you would be the best  
17 person to answer and that is can you provide a basic  
18 example of a bond offering into the debt market?

19 A. Yes. A bond offering such as this will have a  
20 couple key components, the first of which will be the  
21 tenor of the offering. What I mean by that is the  
22 length of the offering. You could offer a two-year  
23 bond, a five-year bond, a ten-year bond, at which point  
24 you are anchoring in generally a risk-free rate of  
25 return or the US Treasury for that period of time.

1           So if you have a ten-year bond, we would  
2 anchor off of the ten-year treasury and then a spread  
3 would be applied to that treasury relative to the rating  
4 of the bond which you are seeking. So in this case we  
5 would contemplate a securitization transaction being AAA  
6 rated. So for ease of math, if the ten-year treasury  
7 was at that day 1 percent and you had a hundred basis  
8 points or 1 percent spread to that treasury, we would  
9 then price our bond in this transaction at 2 percent, 1  
10 plus 1, and generally that is how a transaction is  
11 priced in the marketplace.

12           **Q. Thank you. That actually answered my second**  
13 **question regarding how the pricing of bonds corresponds**  
14 **to the interest rate. Now, in your surrebuttal you**  
15 **state that no additional sensitivity analysis is needed**  
16 **due to interest rates increasing. Now, the fed again**  
17 **recently increased rates by 75 basis points and has**  
18 **hinted that there could be more increases this year. Do**  
19 **you agree with that statement?**

20           A. I do agree with the statement I made in my  
21 surrebuttal testimony. In order to provide a range of  
22 rates that would provide net present value benefits to  
23 customers, Witness Lunde ran a break-even analysis that  
24 showed at what coupon rate securitization would still  
25 provide net present value benefits to customers relative



1 to the two customary methods of recovery.

2           What that showed was that even with the kind  
3 of conservative numbers that were used in our  
4 surrebuttal, which was a 4-1/2 percent coupon rate, that  
5 we still had another couple percentage points of rate  
6 increase that would show that securitization is still  
7 the better net present value benefit option for  
8 customers. Given that we've removed 50 million from the  
9 request in the settlement agreement, we would actually  
10 create additional coupon sensitivity range where  
11 securitization would still be shown that net present  
12 value benefits. Running the range of scenarios wasn't  
13 exactly the most efficient analysis to run. Showing at  
14 what level those things would be equal and at what  
15 coupon you could withstand securitization and still have  
16 net present value benefits was the analysis that we had  
17 Witness Lunde run and showed that securitization up to  
18 very high coupon levels was still the best method of  
19 recovery.

20           **Q. So based upon what you just said, even though**  
21 **interest rates have increased and could increase again,**  
22 **you still believe that there is no need to provide any**  
23 **additional sensitivity analysis; is that correct?**

24           A. Correct. The break-even analysis that Witness  
25 Lunde runs shows the entire range of coupons, the entire

1 sensitivity. As long as we're below that threshold,  
2 securitization will produce net present value benefits  
3 and I believe interest rates will stay below that level  
4 between now and the time we would issue it.

5 **Q. Thank you. In Schedule JOH-1 -- Do you have**  
6 **that?**

7 A. I do.

8 **Q. -- you estimate up-front financing costs to be**  
9 **approximately 6.6 million, which includes 300,000 for**  
10 **Commission advisors; is that correct?**

11 A. That is correct.

12 **Q. Does this -- Does Evergy plan to update this**  
13 **amount to reflect all of the Commission advisors?**

14 A. This is one of the set of schedules that will  
15 be updated through the issuance advice letter process.  
16 So after a financing order is issued, we will go through  
17 updating the issuance advice letter right up until  
18 actual issuing of the securitized utility tariff bonds.  
19 And so these numbers would be updated with actuals  
20 throughout that process.

21 **Q. At what point are they finalized?**

22 A. The issuance advice letter is submitted to the  
23 Commission within five days or less of the financing  
24 being done. We've had some discussion on making sure  
25 that language is pristine in the proposed financing

1 order, but that's updated right up until we actually go  
2 and issue the bonds and provide the final IAL to the  
3 Commission.

4 JUDGE CLARK: Thank you. I don't have any  
5 other questions at this time for you, Mr. Humphrey.

6 Any recross based upon Commission questions?  
7 Seeing none. Any redirect?

8 MS. WHIPPLE: None.

9 JUDGE CLARK: Thank you. You may step down.

10 THE WITNESS: Thank you.

11 (Witness excused.)

12 JUDGE CLARK: It is 10:07, which is a little  
13 earlier than I had planned to break, but I think I am  
14 going to go ahead and take a short recess at this time.  
15 Why don't we all come back about 10:25 and that's just  
16 given that I think Mr. Lunde's testimony may go a little  
17 bit longer. So let's recess until 10:25 and we are off  
18 the record.

19 (Recess 10:07 a.m. until 10:26 a.m.)

20 JUDGE CLARK: Okay. Let's go back on the  
21 record. Mr. Keevil asked me off the record if I knew  
22 how we were going to proceed in regard to dismissing  
23 witnesses today in light of the filed stipulation. What  
24 I'm going to say at this point is I think the parties  
25 should be prepared to fully litigate their case and it's

1 my intention to move forward with the witnesses as  
2 listed.

3 With that in mind, Everygy, you may call your  
4 next witness.

5 MR. ZOBRIST: Everygy calls Steffen Lunde.

6 JUDGE CLARK: Mr. Lunde, would you raise your  
7 right hand to be sworn.

8 Do you solemnly swear or affirm that the  
9 testimony you're about to give at this evidentiary  
10 hearing is the truth?

11 THE WITNESS: I do.

12 JUDGE CLARK: Please be seated. Everygy.

13 MR. ZOBRIST: Thank you, Judge.

14 Therefore:

15 STEFFEN LUNDE,  
16 having been first duly sworn, was examined and testified  
17 as follows:

18 DIRECT EXAMINATION

19 BY MR. ZOBRIST:

20 Q. Please state your name.

21 A. Steffen Lunde.

22 Q. Spell your last name.

23 A. L-u-n-d-e.

24 Q. By whom are you employed?

25 A. Citigroup Global Markets Inc.

1 JUDGE CLARK: Mr. Lunde, can you please speak  
2 into the mike.

3 THE WITNESS: Is that better?

4 JUDGE CLARK: You're going to want to move it  
5 close to your mouth. It really doesn't pick up unless  
6 you're pretty close.

7 THE WITNESS: So the answer was Citigroup  
8 Global Markets Inc.

9 BY MR. ZOBRIST:

10 Q. And what is your position with Citigroup?

11 A. I am a Director in the Securitized Markets  
12 Division.

13 Q. Did you cause to be prepared in this  
14 proceeding direct examination marked as Exhibit 13 and  
15 surrebuttal testimony examination marked as Exhibit 14?

16 A. I did.

17 Q. And am I correct that there are not any  
18 confidential provisions within those exhibits?

19 A. There's no confidential provisions, yeah.

20 Q. Do you have any corrections or changes to  
21 Exhibit 13 or Exhibit 14?

22 A. I do not.

23 Q. If I were to ask you the questions set forth  
24 in those two exhibits, would your answers be as  
25 contained in Exhibits 13 and 14?

1 A. They would.

2 **Q. Are they true and correct?**

3 A. They are.

4 **Q. Were they given under oath?**

5 A. Yes.

6 MR. ZOBRIST: Your Honor, at this time I move  
7 the admission of Exhibit 13, the direct examination of  
8 Steffen Lunde, and Exhibit 14, the surrebuttal testimony  
9 of Steffen Lunde.

10 JUDGE CLARK: Any objections to admitting  
11 Exhibits 13 and 14 onto the hearing record? Exhibits 13  
12 and 14 are admitted onto the hearing record.

13 (COMPANY EXHIBITS 13 AND 14 WERE RECEIVED INTO  
14 EVIDENCE AND MADE A PART OF THIS RECORD.)

15 MR. ZOBRIST: Thank you, Judge. I tender  
16 Mr. Lunde for cross-examination.

17 JUDGE CLARK: Any cross-examination from  
18 Velvet Tech?

19 MS. BELL: No questions, Your Honor.

20 THE STENOGRAPHER: Judge --

21 JUDGE CLARK: Can we go off the record for a  
22 moment.

23 (Off the record.)

24 JUDGE CLARK: Let's go back on the record.  
25 Any cross-examination from Velvet Tech?

1 MS. BELL: No, Your Honor.

2 JUDGE CLARK: Any cross-examination from  
3 Nucor?

4 MR. ELLINGER: None, Judge.

5 JUDGE CLARK: Any cross-examination from MECG?

6 MR. OPITZ: No, thank you, Your Honor.

7 JUDGE CLARK: Any cross-examination from the  
8 Commission Staff?

9 MR. KEEVIL: Very briefly, Judge.

10 CROSS-EXAMINATION

11 BY MR. KEEVIL:

12 Q. Good morning, Mr. Lunde. How much have your  
13 interest rate expectations changed since your direct  
14 testimony?

15 A. Well, when we prepared the testimony back in  
16 the early parts of this year, interest rates level were  
17 at a certain level. In my surrebuttal, I think we  
18 updated those expectations. Maybe I'll elaborate a  
19 little bit on these interest rates, because I think  
20 that's going to come up.

21 There has been rate hikes from the fed, and a  
22 lot of people assume that a 75 basis points rate hike  
23 means that all rates go up by 75 basis points, and that  
24 is not the case. It's the short end of the tenor  
25 spectrum that goes up. So when the fed raises rates, it

1 doesn't mean that a 30-year bond goes up by the same 75  
2 basis points. That's the first point.

3 The second point is that the market has  
4 expectations at all times. And when the rate goes up by  
5 75 basis points and affect decision, people have  
6 expected that there will be changes and they may, in  
7 fact, have expected that it was 100 basis points in  
8 which case it's actually viewed as a positive event that  
9 it was only 75 basis points.

10 And in between my original exhibit with  
11 interest rates and my surrebuttal exhibit, following the  
12 second one, interest rates have actually come down quite  
13 a bit. So compared to that exhibit that was stated in  
14 early July, I think interest rates right now on average  
15 is about 35, 40 basis points lower than what I showed  
16 back then.

17 But to your question, interest rates will  
18 move. Nobody can predict what they earn. I think  
19 Witness Humphrey stated that we have prepared a  
20 break-even analysis and I think really that is the way  
21 to think about it. This is the maximum amount of coupon  
22 you can have on these bonds and still comply with the  
23 statutory requirements on the MPV test.

24 **Q. You may have just answered this next question.**  
25 **How would you project the interest rate to change**



1    **between now and the proposed date of issuance of these**  
2    **bonds?**

3           A.    I would prefer not to because I couldn't.

4           **Q.    Let me ask, would your break -- You mentioned**  
5    **the break-even analysis there.  Would your break-even**  
6    **analysis change if you used Staff's estimate of carrying**  
7    **costs of 5.06 percent?  When I say 5 point, I'm not**  
8    **referring to the stipulation here.  This is going back**  
9    **to the testimony.**

10          A.    Using a different discount rate, is that what  
11    you're proposing?

12          **Q.    Different carrying cost percentage.**

13          A.    If you use a different carrying cost, the bond  
14    amount issued would be lower; is that right?

15          **Q.    Could be, I suppose.  Would it have to?**

16          A.    Well, you're talking about the carrying costs  
17    between the Winter Storm Uri occurrence and the actual  
18    issuance of the bonds.

19          **Q.    Right.**

20          A.    A different interest rate for the carrying  
21    costs would impact the amount of bonds issued and that  
22    would in turn also impact the break-even point.  I think  
23    my question is whether or not the break-even would go up  
24    or down is a function of whether that carrying cost  
25    would be higher or lower than what was originally

1 contemplated by the filing.

2 Q. Do you remember -- This may be confidential.  
3 If it is, I don't.

4 A. I don't remember. I think actually -- I think  
5 it was at the 8.9 in the original filing. So a lower  
6 carrying cost would mean a lower securitizable amount  
7 and therefore the break-even coupon would be higher.

8 Q. In your surrebuttal testimony the term of -- I  
9 wish I had that in front of me -- the term of the FAC  
10 method you show as a 21-year term under the break-even  
11 analysis. Why did you use 21 years instead of 20?

12 A. I used that because that came from Witness  
13 Klote's testimony.

14 Q. Let's see here. Hopefully this never happens  
15 at least in Missouri, but how would the capital markets  
16 react to the issuance advice letter being rejected or  
17 disapproved?

18 A. Let me -- I don't think that has ever happened  
19 in a rate reduction utility securitization bond  
20 transaction and I think it would be very unfortunate for  
21 all parties involved, the utility, the banks, the  
22 underwriters, and then probably most importantly for the  
23 state of Missouri, because I think any future attempts  
24 to do a securitization would be impacted negatively.

25 Q. Who pays for the cost of the securitization,

1 if you know? Is it 100 percent paid for by ratepayers  
2 or do any fees or expenses get paid directly to the  
3 utility?

4 A. Well, the securitization utility tariff  
5 charges is a line item on the bill and therefore paid by  
6 the ratepayers.

7 Q. Paid by the ratepayers. Okay. Going back to  
8 my question about the nuclear option of rejecting of the  
9 issuance advice letter. If the Commission Staff's  
10 participation and review of interim elements such as  
11 structuring and marketing and pricing help to reduce the  
12 risk of the issuance advice letter being rejected or  
13 disapproved by the Commission, would that help reduce  
14 investor risk -- investor view of the risk of the  
15 marketability of the bonds?

16 A. Two points. The first point I want to make  
17 sure is clear is that the issuance advice letter is  
18 delivered to the Commission sometimes actually on the  
19 day of pricing but certainly no later than the day  
20 following pricing. I want to make that clear. I think  
21 the second point to your specific question, I don't  
22 think the investor community thinks about the risk of  
23 rejection of the issuance advice letter and therefore,  
24 you know, essentially a termination of the transaction.

25 I think everybody anticipates that this is

1 going to go forward as it has been the case for \$60, \$70  
2 billion of deals in the past. I think it's more a  
3 reaction if there ever was a scenario where it was  
4 rejected where you would see investor concerns about  
5 future deals.

6 Q. Would you agree that you would -- it would  
7 certainly be preferable to take whatever steps necessary  
8 to reduce the likelihood of the issuance advice letter  
9 being rejected?

10 A. Yes.

11 MR. KEEVIL: I think that's all I have for  
12 Mr. Lunde. Thank you.

13 THE WITNESS: Thank you.

14 JUDGE CLARK: Any cross from Public Counsel?

15 MS. VanGERPEN: No, thank you, Your Honor.

16 JUDGE CLARK: Any Commission questions?

17 COMMISSIONER HOLSMAN: No questions at this  
18 time, Judge.

19 JUDGE CLARK: Thank you, Commissioner Holsman.

20 CHAIRMAN SILVEY: No questions, Judge.

21 JUDGE CLARK: Thank you, Chairman. I do have  
22 some bench questions for you.

23 QUESTIONS

24 BY JUDGE CLARK:

25 Q. Can you explain to the Commission the process

1 to structure, market, and price bonds once the financing  
2 order is approved?

3 A. Sure. And there are many aspects going into  
4 that. The first thing is to develop an offering  
5 document, registration statement that is filed with the  
6 SEC that outlines the transaction. The second part of  
7 it is to engage with rating agencies to go through the  
8 process of getting ratings on the bonds that will be  
9 issued.

10 The third step is really when you enter into  
11 active engagement with the investor community, and what  
12 we typically do is we prepare an investor presentation  
13 that in a summary form outlines how the transaction is  
14 going to work. We typically have the company do an  
15 audio recording for that presentation that is made  
16 available through a website where people can go in and  
17 see those pages and they can actually hear what the  
18 presentation is all about. They can skip pages, go back  
19 and forth.

20 But we also as part of that process engage  
21 directly with investors. We have a sales force at Citi  
22 that would reach out to all the investors that we have  
23 in the register. And we would encourage these investors  
24 to participate in calls, either one-on-one calls and/or  
25 group calls with the company where the company can

1 present the offering and the benefits of it. And that  
2 is really sort of leading us up to the point where we  
3 start talking about pricing with investors.

4 That is done in various steps. The first one  
5 is that when we go out to the market and announce that  
6 we are planning on doing this transaction, we would  
7 provide initial price talks this is what we think is a  
8 good starting point for engaging the investors in this  
9 transaction. We will start building up the book, i.e.,  
10 getting orders in from investors.

11 When we get to a level where we are confident  
12 that this transaction can move forward, we will announce  
13 transaction, which really means officially we are now  
14 going forward with this transaction. At that point in  
15 time we typically will provide what we call guidance,  
16 which is another set of price numbers. And usually when  
17 I say pricing, I'm talking about a spread over a  
18 benchmark.

19 We will continue hopefully building up the  
20 book, the investor book. And once we hopefully  
21 sufficiently oversubscribe that we can see that this  
22 transaction can close, we may also take the step of do a  
23 test. And a test is a process whereby we may have  
24 provided guidance at a spread of 100 basis points. But  
25 if there's significant investor interest, we may

1 actually be able to say we think this deal can get done  
2 at 90 and we will go out and test with the market  
3 whether there is sufficient interest to get this deal at  
4 a lower price than what we originally provided guidance  
5 at.

6 That's really the steps that we are going  
7 through in order to deliver on one of the single most  
8 important statutory requirements here, i.e., getting the  
9 lowest possible cost to the ratepayers. Did that  
10 respond to your question?

11 **Q. It did. Would meetings to select underwriters**  
12 **or other deal participants be a part of that process?**

13 A. That would be part of the process for the  
14 company and, you know, they ultimately will be making  
15 the decisions about who will be the underwriters.

16 **Q. What about rating agency presentations or**  
17 **meetings?**

18 A. That is typically something that the lead bank  
19 would work together with the company on preparing.  
20 Typically, and just for clarification, typically there's  
21 one single bank that is doing most of the heavy lifting,  
22 putting together the presentations, working with the  
23 lawyers, et cetera, et cetera. When it comes time to  
24 actually sell the bonds, you may supplement that bank  
25 with one or more other banks that will help in actually

1 selling the bonds.

2 **Q. Would that process also include regularly**  
3 **scheduled meetings or calls with the financing team or**  
4 **working group?**

5 A. It would be very, very usual for us to have  
6 calls with the company. And depending on the state,  
7 there are different requirements with respect to what  
8 involvement the Commission have. We certainly welcome  
9 the Commission's involvement. If there's a  
10 representative from the Commission that want to be part  
11 and listen to those, we have no problems with that.

12 **Q. Would that process also include distribution**  
13 **of documents, including indenture, servicing agreement,**  
14 **offering document, purchase agreement, marketing**  
15 **materials, and rating materials?**

16 A. I think that -- again I'm speaking broadly now  
17 based on what I have seen in a number of different  
18 states -- I think that the rating agency process is  
19 typically something that is done by the company and its  
20 lead bank. I think when it comes to investor  
21 interaction that is something that very often involves a  
22 Commission representative.

23 **Q. So when you're talking about when I asked you**  
24 **to describe the process of structuring, marketing, and**  
25 **pricing the bonds, you seemed to indicate that a lot of**



1 that involved interactions between the company and  
2 somebody else but not necessarily -- this is not  
3 necessarily part of the overall process; is that  
4 correct?

5 A. I'm not sure I totally follow.

6 Q. You seemed to indicate that some of these  
7 activities took place between the company and other, I  
8 hesitate to use the word parties.

9 MR. KEEVIL: Entities.

10 JUDGE CLARK: Entities.

11 BY JUDGE CLARK:

12 Q. Would you consider those activities to be part  
13 of the process to structure and market those bonds?

14 A. I think so, but I'm not a hundred percent sure  
15 I follow your question. So I apologize.

16 Q. What has been your experience in other similar  
17 securitization transactions with how the Commission may  
18 have the interest of the ratepayers represented during  
19 the marketing, pricing, and structuring phases of the  
20 bond issuance?

21 A. It has been varied. There are certain states  
22 where the commission is relatively uninvolved. They  
23 issue a financing order and then they are pretty hands  
24 off until that issuance advice letter comes in. And  
25 that's probably one end of the spectrum.

1           At the other end of the spectrum you have  
2           significant involvement. And you know, California is an  
3           example of that that has a very detailed set of  
4           requirements with respect to what is expected relative  
5           to the commission and representatives of the commissions  
6           and their advisors, but I think it ranges and, you know,  
7           each state has its own procedures.

8           **Q.     Should the Commission require that a bond**  
9           **advisory body be established consisting of Evergy, the**  
10          **Commission, the Missouri PSC Staff, and any designated**  
11          **staff or consultant advisor to Evergy?**

12          A.     It's probably not appropriate for me to, you  
13          know, advise you on what you should be doing. I think  
14          the legislation sort of lays out what the parameters are  
15          for the role of the various different parties and maybe  
16          I'll leave it at that.

17          **Q.     So you don't have any opinion as to whether**  
18          **the Commission should require a bond advisory team?**

19          A.     No.

20          **Q.     While Evergy has the responsibility regarding**  
21          **structuring, marketing, and pricing the bonds, should**  
22          **the Commission order that input and advice from other**  
23          **members -- well, scratch that. Should the Commission**  
24          **require that Evergy -- hold on just a moment.**

25                    Should the Commission require that Evergy and

1 the underwriters and an independent financial advisor  
2 deliver to the Commission independent written  
3 certifications without material qualifications  
4 confirming what they have done has, in fact, resulted in  
5 the lowest cost of funds and the lowest recovery charge  
6 consistent with the market conditions at the time of  
7 bond pricing?

8 A. There are multiple states where that is part  
9 of the legislation and the requirements. We at Citi  
10 have done that. I think that we have no objection to  
11 doing that as long as it's done following the customary  
12 process procedures that we have seen in other states,  
13 and, you know, there are always certain assumptions that  
14 goes into those letters and that's very, very common.  
15 And most law firms that are involved with this business  
16 are very familiar with the standards that's going into  
17 those letters.

18 Q. Do you believe that's appropriate?

19 A. I do.

20 Q. What conditions or requirements are the  
21 underwriters typically willing to certify?

22 A. You know, we are working within the  
23 constraints of a financing order and legislation. You  
24 know, we as an extreme example we can say we would want  
25 a longer tenor or shorter tenor, we would want to do

1 this, we want to do that, but that may not be possible  
2 within the constraints of the financing order  
3 legislation, and those are the kind of things that we  
4 would say that is consistent, for instance, with the  
5 requirements of the legislation and the financing order.  
6 That would be one example.

7 **Q. So you believe the underwriter would be able**  
8 **to certify that?**

9 A. You know, assuming that we are the  
10 underwriter, I think we would, yeah.

11 **Q. Let's look at this from another angle. What**  
12 **conditions or requirements would the underwriter not be**  
13 **willing to certify?**

14 A. You know, I'm not a lawyer and I will tell you  
15 that at the end of the day any certificate like that  
16 would be subject to review by both our in-house and  
17 external lawyers. They probably could respond much  
18 better to that question than I can. But I think, for  
19 instance, if the expectation was that there would be  
20 none of these assumptions that I referred to, I think  
21 that would make it very difficult for Citi and I frankly  
22 think it would be very difficult for any underwriter to  
23 do that.

24 These certificates, just as a little bit of  
25 background, they've been around for awhile and there is

1 an approach that most of the lawyers that are involved  
2 here understand and agree on. And I think that that  
3 would be the expectation of Citi and I think of any  
4 underwriter that it would follow that approach that we  
5 have seen in many other states.

6 **Q. Thank you. What will be the parameters of the**  
7 **bonds establishing the terms and conditions of the bonds**  
8 **including but not limited to repayment schedules,**  
9 **expected interest rates, and financing costs?**

10 A. I'm sorry. What was the first part?

11 **Q. What are the parameters.**

12 A. One, we have to make sure that we are  
13 complying with the requirements of the financing order  
14 obviously. There are certain requirements usually about  
15 tenor. There's typically requirements that talks about,  
16 and I think that's the case certainly in the proposed  
17 financing order that it's substantially level annual  
18 debt service payments. So the first thing we've got to  
19 make sure is that we comply with all of these things.

20 But in addition to that, we would be trying to  
21 structure a transaction that we believe would be the  
22 most appealing structure to the investor community such  
23 that we can get the best possible rates for the  
24 ratepayers.

25 **Q. Should a procedure be established that allows**

1 or requires the Commission Staff to audit the ongoing  
2 financing costs post issuance of the bonds and that  
3 would be inclusive of costs such as servicing fees,  
4 return on invested capital, accounting fees, legal fees,  
5 rating agency surveillance fees, and indenture trustee  
6 fees?

7 A. Some of that goes a little bit beyond my  
8 purview I think. It's very, very important to emphasize  
9 that the rating agencies are going to be looking at  
10 something like that. And if there are elements in the  
11 financing order that would allow disallowance for some  
12 of these expenses, the question becomes who's going to  
13 be paying for it. And if there is no source of cash to  
14 pay for these expenses, that means that the transaction  
15 would be in trouble. So one of the key elements of all  
16 these discussions here is to make sure that we can get  
17 this AAA rating on these bonds here, and I'm worried  
18 that if you were to put limits or abilities for the  
19 Commission to disallow cost that has to get paid that it  
20 would cause problems for that rating.

21 Q. I don't think I indicated disallowing any  
22 costs. I just asked if there should be a procedure  
23 established that allows or requires the Commission Staff  
24 to audit the ongoing financing costs.

25 A. I'm not sure I see any issues with that.

1           Q.    The proposed financing order allows for the  
2   issuance of securitization bonds and one or more series  
3   with a financing order to be established at the issuance  
4   of each series of bonds.  In your testimony you state  
5   that you expect the bonds to be issued in two or three  
6   tranches to target specific investors but you do not  
7   provide a similar expectation that the bonds would be  
8   issued in multiple series.  Is there a potential that  
9   multiple series of bonds will be issued?

10          A.    It would certainly not be our base case  
11   expectation.  I think when we prepare these financing  
12   orders, you know, we are sitting here today talking  
13   about it and eventually that presumably will be a  
14   financing order.  But once you have that financing  
15   order, it's almost impossible to deviate from that.  So  
16   what we try to do is to appropriately so have  
17   flexibilities to address market disruptions.  It could  
18   be that -- This is not the largest transaction that has  
19   ever been done, but it could be that for whatever reason  
20   we decide that doing the full \$307 million is not  
21   advisable at this point in time so we're going to do  
22   150.  That is possible.  I don't think that's an  
23   expectation we have at this point in time, but we do  
24   like to have that flexibility, because at the end of the  
25   day everybody is trying to make sure we get the best

1 possible deal for the ratepayers and that flexibility  
2 could be an element of achieving that objective.

3 **Q. Would it be incorrect for me to say that your**  
4 **answer is that you don't at this point foresee multiple**  
5 **series but that could happen?**

6 A. It could.

7 **Q. Under what circumstances would the Company**  
8 **need to issue more than one series?**

9 A. It would be if for whatever reason we could  
10 not place the full amount of bonds at the pricing we  
11 would like to do.

12 **Q. Would that require the submission of an**  
13 **issuance advice letter for each series?**

14 A. I believe the way it works, and I'm no lawyer,  
15 but I believe the way it works is that for each issuance  
16 that would be a separate process. So if we do two  
17 series at different times, there would be issuance  
18 advice letters for each of those series.

19 **Q. Now, if multiple series are possible, would**  
20 **there be increased costs from the issuance of bonds at**  
21 **different times in more than one series?**

22 A. There could be, yes.

23 **Q. Under what circumstances?**

24 A. Some of the costs up front and ongoing are  
25 sort of driven by volumes, others are fixed in nature.



1 But if you have two separate series, you probably need  
2 two separate ratings. And it's possible that that could  
3 end up in incremental rating agency fees as one example.  
4 There's legal expenses associated with these  
5 transactions. While a second series presumably would be  
6 largely a copy or clone of the first series, you still  
7 would have to prepare additional documents and what have  
8 you. There could be incremental expenses. And I think  
9 these are all considerations that we would take into  
10 account if we against all expectations were to consider  
11 doing a second series. I don't think this is very  
12 likely.

13 **Q. If that did occur, how would those costs be**  
14 **recovered?**

15 A. Through the securitization.

16 **Q. So it would affect the pricing?**

17 A. It would affect the securitization utility  
18 tariff charges. Ideally if we were to do two  
19 transactions, it is probably because we believe that  
20 doing the full amount in one deal would raise the price  
21 the coupon of the bonds and that it would be advisable  
22 to do a second series and we would do that because  
23 taking into account all the factors, coupons,  
24 incremental costs, that we think that would be a better  
25 result for the ratepayer.

1           Again, I just want to make one thing clear. I  
2 think that language exists in pretty much every  
3 financing order I've done. I can't remember a scenario  
4 where a second series was issued unless it was because  
5 incremental securitizable cost showed up. There has  
6 been a couple of cases like that. But it is very  
7 unlikely that this would happen. I think, as I started  
8 out saying, I think we do that because we want to make  
9 sure that there is some flexibility to achieve the  
10 objectives of the statute.

11           **Q. Thank you. Now, in your testimony you**  
12 **indicated that you had structured a scheduled final**  
13 **payment date for securitization bonds around 15 years**  
14 **after the closing with a legal final maturity date**  
15 **around 17 years after closing and that's subject to**  
16 **change based on market conditions at the time of**  
17 **issuance.**

18           Also in your testimony you indicate that the  
19 reason for the legal maturity date is to allow a period  
20 of time which securitization charges can be allocated to  
21 make up for any shortfall in collections during the 15  
22 years before the scheduled final payment date. Can you  
23 explain the consequences if the securitization bonds are  
24 not fully paid by the legal final maturity date?

25           **A. That's a default. Let me elaborate. In your**

1 example of 15 and 17 years, if the bonds are not fully  
2 paid after 15 years, that is not a default in and of  
3 itself. You have the ability to defer principal  
4 payments, but you can only do that up to the legal final  
5 maturity date. If you don't pay back the bonds in full  
6 by that date, it becomes a default.

7 So the reason why we have that two-year period  
8 is to -- if the unexpected happens that we go beyond the  
9 scheduled maturity, we can through the true-ups, and  
10 there are increased true-ups allowed at that point in  
11 time, we can make sure that we don't end up in a default  
12 scenario.

13 Q. Should a financing order be more explicit in  
14 requiring the Company to seek, bill, and collect the  
15 securitized utility tariff charges as a servicer on  
16 behalf of the bankruptcy remote special purpose issuer  
17 until the securitization bonds issued pursuant to the  
18 financing order are paid in full and all ongoing  
19 financing costs of the bonds have been recovered in  
20 full?

21 A. I'm sorry. That was a long sentence.

22 Q. Allow me to shorten it a little bit. It is a  
23 long sentence. Should the financing order be more  
24 explicit in requiring the Company to seek, bill, and  
25 collect the securitized utility tariff charges as a

1 **servicer until the securitization bonds have been paid**  
2 **in full or ongoing financing costs of the bonds have**  
3 **been recovered?**

4 A. I think the financing order is pretty specific  
5 that Evergy is obligated to act as servicer of this  
6 transaction. There are certain scenarios where there  
7 could be a replacement servicer. It could be that  
8 Evergy defaults in its obligation under the servicing  
9 agreement. That's very unlikely but it's possible. It  
10 could be that somebody else comes in and assumes the  
11 delivery of electric services in that service territory.  
12 I think the financing order is very explicit that this  
13 new service provider will be obligated to collect and  
14 bill and pay over to the trustee account all  
15 securitization utility tariff charges that would be  
16 coming in. So I think it's pretty specific and  
17 certainly is consistent with other financing orders that  
18 has gone through both the process with the rating  
19 agencies and investors.

20 Q. It sounds like your answer is as to Evergy's  
21 proposed order you believe that it is explicit in  
22 regards to that?

23 A. I think so.

24 Q. Do you believe that any Commission order, if  
25 the Commission issues a financing order, should be

1     **explicit as to that?**

2           A.     I think that the financing order as we  
3     proposed it, I think we are feeling comfortable with it.

4           **Q.     Do you have the financing order with you?**

5           A.     I do.

6           **Q.     The proposed one.  Would you turn to page 38.**

7           A.     Just to make sure that I have the right page,  
8     is that the one that starts with No. 69 at the top?

9           **Q.     Yes.  And actually that's where I'm going.**

10    **Paragraph 69 provides that the Commission, or its**  
11    **designated representative, may require a certificate**  
12    **from the Company for which the Company will rely on a**  
13    **certificate from each book writing underwriter**  
14    **confirming that the structuring, marketing, and pricing**  
15    **of the securitization bonds resulted in the lowest**  
16    **securitized utility tariff charges consistent with the**  
17    **market conditions and the terms of the financing order.**  
18    **So have these certificates been delivered in other**  
19    **utility securitizations?**

20          A.     They have.

21          **Q.     What information or statements would the book**  
22    **writing underwriters provide so that the Company can**  
23    **make such a certification?**

24          A.     We would -- In other states we have provided a  
25    certificate that says subject to, you know, certain

1 assumptions and caveats that the transaction to the best  
2 of our knowledge would be consistent with the lowest  
3 possible price subject to. I think that usually talks  
4 about the market conditions and the terms of the  
5 financing order. So that's pretty standard language.

6 **Q. Should the financing order include a form of**  
7 **underwriter certification together with the form of the**  
8 **issuance advice letter?**

9 A. I think that would be pretty unusual and I  
10 don't think I've seen that in any other transaction to  
11 be honest with you, and I will give you -- sometimes  
12 it's better to give you a reason. Typically these  
13 underwriting certificates will lay out what actually has  
14 been done to achieve the statutory objective. And we  
15 don't necessarily know that at this point in time. We  
16 will know that as we go through the process. We will  
17 say that in this particular transaction to achieve the  
18 statutory objective we have prepared investor  
19 presentations. We may have arranged for group calls or  
20 one-on-one calls. There are differences in the process  
21 between almost every single transaction, and what we try  
22 to do in these certificates is lay out what did we  
23 actually do to achieve these statutory objectives and I  
24 think it's very hard to identify these at this point in  
25 time.

1           **Q. In the absence of a specified form, how is the**  
2 **language of the certification agreed to between the**  
3 **Company and the underwriters?**

4           A. Usually from the Company's perspective they  
5 probably would like to see something that is almost a  
6 back to back that whatever they represent is what the  
7 underwriters represent to them. There are a great deal  
8 of overlaps between the two, but there are certain  
9 things that we the underwriters are not, one,  
10 responsible for and, two, making decisions on. So we  
11 are not -- For instance, as an example, we're not saying  
12 that this is a 15-year deal. That is input that is  
13 provided to us by the Company in the financing order.  
14 So there are decisions that the Company may make that we  
15 execute upon, but it's not at the end of the day our  
16 decision.

17           **Q. Can you walk me through that process just a**  
18 **little bit. So the underwriter submits certifications**  
19 **to the Company and the Company submits those to the**  
20 **Commission?**

21           A. I think the, if I'm not mistaken, legislation  
22 says that the Company submits a certificate to the  
23 Commission. I think it also says based on what you just  
24 quoted that it may be based on a certificate that the  
25 Company receives from the underwriters. And that

1 certificate from the underwriters will to a large extent  
2 be similar to what the Company provides to the  
3 Commission. But there may be differences and those  
4 differences are driven by the fact that there may be  
5 things that we the underwriters are not the decision  
6 maker on.

7           You know, we are taking instructions from the  
8 Company to do X, Y, and Z. In the extreme, you know,  
9 while we make recommendations to the Company, when it  
10 comes time to, I went through the different pricing  
11 steps, initial price talks, guidance, testing, we make  
12 recommendations to the Company and we say this is what,  
13 you know, we think makes sense to do but we are not  
14 making the decision to do this because it's not us  
15 that's issuing the bonds.

16           **Q. Now, you touched a little bit on this earlier.**  
17 **The proposed financing order indicates that the**  
18 **Commission or its designated representatives may**  
19 **participate with the Company in discussions regarding**  
20 **the structuring and pricing of the bonds and provide**  
21 **input to the Company and collaborate with Evergy in all**  
22 **facets of the process undertaken by Evergy. Would that**  
23 **participation include meetings to select underwriters**  
24 **and other deal participants?**

25           **A. I don't know, to be honest with you. We are**



1 not selecting the underwriters obviously. I don't know  
2 what the arrangements between Evergy and the Commission  
3 will be with respect to that. My understanding, again  
4 I'm no lawyer, but just reading the legislation I think  
5 that it says that input can be provided by the  
6 Commission but the decision ultimately is the Company's.  
7 Again, I'm no lawyer so what do I know.

8 **Q. Do you know if that participation would**  
9 **include being present at rating agency presentations or**  
10 **meetings?**

11 A. We will do what we are asked to do. I think,  
12 and I mentioned, you know, in other states that would be  
13 unusual for that to be the case but.

14 **Q. Why do you think that would be unusual?**

15 A. Because at the end of the day the sponsor and  
16 issuer of the transaction is the Company. And they are  
17 the ones that are in discussions with the rating  
18 agencies making statements that the rating agencies rely  
19 on to get to that rating. And I don't think that a  
20 third party can be part of that process. I think it's,  
21 you know, if the Commission's representative started  
22 making comments around, you know, certain deal elements,  
23 I don't think that that would be good for the Commission  
24 nor for the Company.

25 **Q. Do you believe it would be appropriate for the**

1 designated representative to be included on regular  
2 scheduled meetings or calls of the working group?

3 A. Yeah, we have done that in other states.

4 Q. Should the legal representative or designated  
5 representative, I'm sorry, be included on document  
6 distribution, including indenture, servicing agreement,  
7 the offering document, the purchase agreement, and  
8 marketing materials and rating materials?

9 A. Again, it's ultimately not our decision from  
10 Citigroup to opine on this, but there has been states  
11 where that was the case and there has been states where  
12 that was not the case. I think marketing materials is  
13 probably the one thing that I will point out. I think,  
14 you know, again the issuer and sponsor of the  
15 transaction and the party that's legally responsible for  
16 statements and representations made in the various  
17 different marketing materials is the Company. And I  
18 think it would be a strange outcome if the Commission  
19 went in and said we think you should say this instead of  
20 that because ultimately they're not responsible for it.

21 Q. Thank you. While the term and coupon rate of  
22 the securitization bonds will be determined at the time  
23 of pricing, should the financing order specify what the  
24 final legal maturity date of the bonds be as no later  
25 than a date certain?

1           A.    It could.  It could.  And there probably has  
2    been cases where that was the case, yeah.  I think  
3    ideally again there would be some flexibility to put in  
4    place the deal that at that time serves the ratepayers  
5    the best.

6           **Q.    Based upon the Company's proposed structure,**  
7    **at what interest rate for securitization bonds are the**  
8    **savings compared to conventional financing eliminated?**

9           A.    I think that's that break-even analysis that  
10   we have provided, and I think that, actually I have the  
11   numbers in front of me, but I think my recollection is  
12   that on the fuel adjustment clause it's at 7 percent and  
13   I think it's, I forget exactly what the number is, 9  
14   percent I believe for the AAO.

15          **Q.    Can you turn to the financing order at page**  
16   **37, No. 62, paragraph 62.**

17          A.    Yeah.

18          **Q.    Now, there's a provision C14 nonstandard**  
19   **true-up provisions.  Would you explain that, please?**

20                MR. ZOBRIST:  Judge, I'm sorry, I missed that  
21   page number.  Could you repeat that, please?

22                JUDGE CLARK:  Page 37 of the financing order.

23                THE WITNESS:  And what clause?  63 you said?

24                JUDGE CLARK:  I think I'm wrong on that.

25   Schedule SL-2 of your direct testimony.  I'm sorry.  Can

1 you go to Schedule SL-2 of your direct testimony?

2 MR. ZOBRIST: Is it the page below Schedule  
3 SL-2 that you're speaking of, Judge?

4 JUDGE CLARK: It may take me a second to find  
5 it. I'm speaking of provision C14, nonstandard true-up  
6 provisions.

7 MR. ZOBRIST: I see that. 67 below?

8 JUDGE CLARK: I'm going to be relying on you  
9 in regard to whether that's correct. I don't have it in  
10 front of me. Is that correct?

11 THE WITNESS: Yes. A nonstandard true-up is  
12 something that is very unlikely to be utilized in a  
13 transaction like that. I know there has been  
14 discussions around allocations of the securitization  
15 charges. If, you know, five years down the road Evergy  
16 thinks that the allocation methodology is no longer  
17 appropriate for reasons that nobody had expected, a  
18 nonstandard true-up would allow them to come back to the  
19 Commission and propose an alternative and at that point  
20 in time the Commission review it and will make its  
21 decision.

22 It's a true-up mechanism that is different and  
23 distinct from the others. The others are set up to be  
24 fairly administrative in nature, because that's what the  
25 rating agencies will require.

1           If a nonstandard true-up request was to be  
2     rejected by the Commission, you would literally just  
3     have to continue with the original set-up. So again  
4     it's -- The laws are set out up front for a deal that's  
5     going to last 15 years. So it's a mechanism that would  
6     allow people in circumstances that cannot be foreseen to  
7     make changes, but it's something that would be subject  
8     to Commission review and sign-off at that time. And I  
9     don't believe I've seen circumstances where that was  
10    used.

11   BY JUDGE CLARK:

12           **Q.    So it would allow for a change in the**  
13    **methodology?**

14           A.    It could.

15           **Q.    Do you know what that methodology is?**

16           A.    No, because I think there's no expectations at  
17    this point to use this provision. It's only there if  
18    something unexpected were to happen.

19           **Q.    Would it just change the allocation among the**  
20    **classes or would it change how the charge is calculated**  
21    **in its entirety?**

22           A.    I think it could be almost anything. It could  
23    be not just relating to allocations. Again, it's a way  
24    for people post closing to make changes but everybody  
25    has to agree to it. And you know, obviously the rating

1 agencies would be very interested in something like  
2 that, pay a lot of attention to that. It's not  
3 something that anybody expect at this point in time to  
4 use.

5 **Q. Is this provision typically used in**  
6 **securitization financing orders?**

7 A. It's typically in the financing orders, yes.  
8 It's not used going forward.

9 **Q. But it's typically in these financing orders?**

10 A. Yes, yes.

11 **Q. Have you ever seen an order that it's not in?**

12 A. Not to my recollection, no. Again, I think  
13 it's important to point out that it's actually -- it's a  
14 feature that is there for the benefit of I think all  
15 parties because you all have to agree to it. So if the  
16 Company proposes something and the Commission says no, I  
17 don't think that's a good idea, you actually have the  
18 ability to say no.

19 **Q. Can you give me an example of a situation**  
20 **where this provision might come into play?**

21 A. Aside from the one I mentioned where for some  
22 reason the allocation methodology agreed to day one  
23 turns out to have unintended consequences, I can't  
24 really think of anything.

25 **Q. That's the only situation you can think of --**

1           A. That's the only one I can think of at this  
2 point, yeah.

3           THE STENOGRAPHER: I'm sorry. Could you  
4 repeat that again?

5           JUDGE CLARK: I'm sorry. We talked over each  
6 other. I asked if that was the only situation he could  
7 think of in which that provision would apply.

8 BY JUDGE CLARK:

9           **Q. Can you turn to Schedule SL-4, which is your**  
10 **table, and this is in your surrebuttal.**

11          A. Yep.

12          **Q. And I know you've touched on the break-even a**  
13 **little bit analysis, but you included a break-even**  
14 **analysis for the net present value calculations**  
15 **comparing securitization to both the FAC and the**  
16 **accounting authority order method. Would you please**  
17 **explain to the Commission the results of that analysis,**  
18 **and I know you've touched on it briefly.**

19          A. Yes. The starting point for this analysis is  
20 the analysis that Witness Klote prepared for the NPV  
21 calculations. And what we did was essentially to -- You  
22 can see in the first two columns we're comparing  
23 securitization to the FAC method and then the next two  
24 securitization to the AAO method. What we were doing is  
25 we were seeing how much can we increase the coupon on

1 the bonds until we get to the point where the NPV  
2 benefits of the securitization is zero. And you can see  
3 for the first one it's the 6.99 percent and you can see  
4 that that provides some NPV of 322, which is the same  
5 thing as is the case for the fuel adjustment clause.  
6 That's literally what we did.

7 **Q. Can you say those words again, please?**

8 A. Yes. So we changed -- You can see the fourth  
9 line where we say maximum weighted average coupon for  
10 the securitization at the 6.9 percent. We increased  
11 that rate to the break-even point where the net present  
12 value benefits of the securitization no longer exists.

13 **Q. Let me ask you what's the maximum coupon rate**  
14 **that would be allowed for securitization to break even**  
15 **with the FAC?**

16 A. 6.9.

17 **Q. Is that the same for the AAO?**

18 A. It's the 9.7. It's a different number.

19 **Q. What happens if the bonds are issued at those**  
20 **break-even rates followed by a decline in interest**  
21 **rates?**

22 A. Let me try to parcel that into two pieces.  
23 Hypothetically we need to show NPV benefits. So if we  
24 get to that break-even point, there's no NPV benefits  
25 left. So we could no longer provide that issuance



1 advice letter. The Company could not make that  
2 representation that there is an NPV benefit and you  
3 could not do this transaction.

4 Q. I think my question was if the bonds were  
5 issued at the break-even rate. So this is assuming that  
6 that's already happened that the bonds are out there at  
7 the break-even interest rate and there's a subsequent  
8 decline in interest rates. What would happen at that  
9 point?

10 A. You know, these bonds are non-callable. You  
11 cannot pay them off prior to the legal schedule and the  
12 amortization schedule that's put in place with these  
13 bonds.

14 THE STENOGRAPHER: I'm sorry. Can you repeat  
15 that.

16 THE WITNESS: I said these bonds cannot be  
17 called. In other words, they cannot be voluntarily  
18 redeemed ahead of the amortization schedule that's laid  
19 out in the documentation. So unlike perhaps a corporate  
20 bond where you can issue a bond today at 5 percent and  
21 there may be call provisions embedded in the  
22 documentation that says that you can redeem them after  
23 five years at par and you could refinance it and maybe  
24 sell bonds at 3 percent, that is not a feature in these  
25 transactions and has not been a feature in any of the

1 prior bonds sold in this market that I'm aware of.

2 BY JUDGE CLARK:

3 Q. If that were to happen, would customers be  
4 locked into the higher interest rate?

5 A. People -- Once the deal has priced and  
6 assuming that the Commission does not issue a no-go  
7 letter, the bonds will be closed and ratepayers are  
8 locked into these utility tariff charges for the life of  
9 the deal.

10 Q. Even if the rates decline?

11 A. Even if the rates decline or if the rates  
12 increase.

13 Q. How would the results of your break-even  
14 analysis be impacted if the discount rate was the 5.06  
15 percent that Staff proposed?

16 A. You know, we can certainly prepare that and  
17 get back to you, but I would prefer not to venture a  
18 guess as to what would happen here because there's a  
19 number of variables that goes into these calculations.

20 Q. Does Citibank act as an underwriter in similar  
21 transactions?

22 A. Yes.

23 Q. Now, the petition proposes for the bonds to be  
24 issued with a term of 15 years and as we said a legal  
25 maturity date of 17 years. What level of flexibility is

1 being proposed around the term of the bonds in the  
2 financing order -- in Evergy's proposed financing order  
3 included in your direct?

4 A. I believe that, and I'm not 100 percent sure  
5 to be honest with you.

6 Q. If you need time to look, that's fine.

7 A. I believe that the 15 years are proposed in  
8 there but I'm not 100 percent sure.

9 Q. You don't know offhand what the level of  
10 flexibility is?

11 A. I don't, no.

12 Q. Is or could there be a request to have a  
13 greater than 17-year legal maturity date?

14 A. From the Company?

15 Q. Yes.

16 A. Again, I don't know. I don't know if that  
17 flexibility is embedded in this financing order, so I  
18 don't know.

19 Q. Once you've determined there's a 15-year rate,  
20 how do you determine the 17-year maturity rate? Why 17  
21 years?

22 A. It's a market convention that rating agencies  
23 and investors have seen. Sometimes it's two years as is  
24 the case proposed here. Sometimes it's slightly less  
25 than that. But the intent is for there to be a

1 sufficiently long period of time between scheduled  
2 maturity and the legal final maturity so that one has  
3 time to implement true-ups and collect the last  
4 remaining amount outstanding prior to the legal  
5 maturity.

6 **Q. Do you base that determination on data or is**  
7 **it just kind of we think three years is appropriate?**

8 A. You know, it should never take two years is  
9 the real answer to that, because once you go beyond the  
10 scheduled maturity there will be a true-up and the  
11 true-up will intend to pay off the remaining amount  
12 within a quarter. Again, in order to give rating  
13 agencies and investors comfort, we have added an  
14 additional period of time beyond that. And again, you  
15 know, the financial markets oftentimes are driven by  
16 precedents. People have seen certain things in the past  
17 and are comfortable with it. And in order to get you  
18 the best possible execution, we are trying to make sure  
19 we don't stray from a proven path that has worked in the  
20 past. So the two years is something that has been in  
21 many cases, including recent deals, and is what we would  
22 strongly recommend to do here as well.

23 **Q. You believe two years is what investors**  
24 **expect?**

25 A. And rating agencies.

1           **Q. I want to go back for a second to the -- If**  
2 **multiple series are issued or need to be issued. Have**  
3 **you included the net present value analysis? If they're**  
4 **increased costs due to the issuing of multiple series,**  
5 **have you included that analysis in your net present**  
6 **value analysis?**

7           A. I did not do a net present value analysis. I  
8 just did the break-even. I think the answer is that it  
9 was not included in the net present value calculation.

10           **Q. But you did include it in the break-even**  
11 **analysis?**

12           A. No, no, I did not, and I emphasize the point  
13 that it is very unlikely that we would be using this  
14 feature.

15           JUDGE CLARK: Thank you. Those are all the  
16 questions I have at this time. Is there any recross  
17 based upon bench questions?

18           I'm sorry? Yes, I can go through. That would  
19 be -- Any recross from Velvet?

20           MS. BELL: No, Your Honor.

21           JUDGE CLARK: Any recross from Nucor?

22           MR. ELLINGER: No, Judge.

23           JUDGE CLARK: Any recross from MECG?

24           MR. OPITZ: No, thank you, Judge.

25           JUDGE CLARK: Any recross from Staff?

1                   MR. KEEVIL: Very briefly. Very briefly,  
2 Judge.

3                                   RE CROSS-EXAMINATION

4 BY MR. KEEVIL:

5           Q.    Mr. Lunde, the Judge asked you several  
6 questions about the underwriting -- underwriter  
7 selection process. I'd like to follow up just a little  
8 bit there. You said that Citigroup acts as an  
9 underwriter, correct?

10           A.   Yes.

11           Q.    Could you briefly explain basically the  
12 underwriter selection process itself in a transaction  
13 such as this?

14           A.    I think ultimately, you know, the Company  
15 usually makes that decision who they would like to do.  
16 I imagine that they do that on the basis of who has  
17 experience, who has a track record, and who is best  
18 positioned to deliver on the statutory objectives at the  
19 lowest possible cost.

20           Q.    Do they put out bids or seek responses from  
21 various underwriters?

22           A.    Sometimes people do that, yeah.

23           Q.    Would you say that's common?

24           A.    It's done in some states and in others not.  
25 It varies.

1           **Q. Has Citigroup been selected as the underwriter**  
2 **for this transaction?**

3           A. At this point in time, no.

4           **Q. Do you expect Evergy or has Evergy given you**  
5 **any indication as to what process they intend to use in**  
6 **this transaction to select an underwriter?**

7           A. We obviously -- One, we believe that we are  
8 very, very qualified. We have a dominant market share  
9 at this point in time. We have closed this year more  
10 than I think about \$10 billion of these type bonds,  
11 which is -- as the lead bank, as the lead bank I should  
12 say, which is significantly more than any other bank has  
13 done. So we have I think a very strong track record in  
14 this business. And I think that that is one of the  
15 reasons why we are hired as the advisor here. The  
16 process is a continuum in the sense that, you know, we  
17 have now been involved with the Company in this process  
18 here for a number of months. And this will presumably  
19 continue for a period of time. And once we get to the  
20 execution stage of this, we will actually have  
21 accumulated quite a bit of knowledge about this  
22 transaction, the Company, the legislation, the financing  
23 order that is probably going to be a very important  
24 feature when it comes time to actually meet with rating  
25 agencies, meet with investors that you have that

1 history. So I think in short I think that, one, our  
2 record is very strong and then, two, this process is  
3 actually giving us a lot of insight to how best place  
4 these bonds.

5 Q. But has Evergy given you any indication?

6 A. No, they have not.

7 Q. Whether it's Citigroup or whoever, will the  
8 underwriter have any fiduciary responsibility to Evergy  
9 Missouri West or to the ratepayers of Evergy Missouri  
10 West?

11 A. No.

12 Q. Does the underwriter have a fiduciary  
13 responsibility to anyone or any entity?

14 A. I actually don't believe so, but we can  
15 confirm that with our in-house lawyers and get back to  
16 you on that.

17 MR. KEEVIL: I think that's all I have. Thank  
18 you.

19 JUDGE CLARK: Any recross from the Public  
20 Counsel?

21 MS. VanGERPEN: No, thank you, Your Honor.

22 JUDGE CLARK: Any redirect from the Company?

23 MR. ZOBRIST: Just briefly, Judge.

24 REDIRECT EXAMINATION

25 BY MR. ZOBRIST:



1           Q.    Mr. Lunde, is it fair to say that it is the  
2 Missouri securitization statute that determines the  
3 rules regarding the Public Service Commission's  
4 designated representatives and advisors in a detailed  
5 manner?

6           A.    I believe that's correct, yeah. I think that  
7 as part of the legal process, and again I'm no lawyer --

8           JUDGE CLARK: Can you speak into the  
9 microphone, please.

10          THE WITNESS: Yeah, I'm sorry. I said as part  
11 of the legal process, certain opinions will be required  
12 and one is that this transaction is done consistent with  
13 the statutes. And I think that -- I think the statute  
14 says exactly what you said.

15          BY MR. ZOBRIST:

16          Q.    And it gives specific roles as far as the  
17 authority of what the Company can do compared with what  
18 the Commission and its advisors are empowered to do and  
19 how they should act?

20          A.    Yeah, correct.

21          Q.    The Judge asked you early in his questions  
22 about interest rates. And you quoted your surrebuttal  
23 and I'm not sure if you quoted a coupon rate in your  
24 Schedule SL-4 that was presumed. And I believe the  
25 number is 4.50 percent, but I wanted to confirm that

1 **with you and on the record.**

2 A. You're talking about the break-even analysis?

3 **Q. Correct. Schedule SL-4 to your surrebuttal.**

4 A. Yes. So in the break-even analysis, the 4.5  
5 percent is no longer relevant. What we are doing is we  
6 are saying that had the coupon instead of 4.5 been 6.9,  
7 there would be no present value of benefits at that  
8 point in time. At the bottom of the exhibit, we are  
9 saying there's about I think it's, what is it, it's 2.4  
10 percent, 2.5 percent cushion. In other words, the rates  
11 can increase over what we had assumed by 2-1/2 percent  
12 before the NPV benefits would vanish.

13 **Q. When you told the Judge about today rates have**  
14 **come down and it's now 35 to 40 percent -- 40 points.**  
15 **Let me repeat that. 35 to 40 points lower than the**  
16 **break-even point, what is that number?**

17 A. So at the time of the original filing, we had  
18 a benchmark rate, weighted average benchmark rate of  
19 roughly 2 percent. When we redid the numbers in early  
20 July, that number was now 2.9 percent. When we in  
21 preparation for this hearing looked at the numbers  
22 yesterday, the numbers were 2.42. So significantly down  
23 from that 2.9 that we have prepared back in early July.  
24 You know, rates will change and that's just the nature  
25 of this market, which is why we think that the

1 break-even analysis ultimately is the relevant thing to  
2 keep in mind because that's about as far as you can go  
3 before you no longer can provide the attestations  
4 required.

5 **Q. And so as of the analysis that you did**  
6 **yesterday, the cushion is greater?**

7 A. It's about, yeah, 45 basis points greater  
8 today.

9 **Q. Thank you.**

10 A. And this, I should say, that is not taking  
11 into account the settlement, stipulation, agreement  
12 that, of course, has changed some of these numbers as  
13 well.

14 MR. ZOBRIST: Nothing further, Judge.

15 JUDGE CLARK: Thank you, Mr. Lunde. You can  
16 step down.

17 THE WITNESS: Thank you.

18 (Witness excused.)

19 MR. ZOBRIST: Are you ready for our next  
20 witness, Judge?

21 JUDGE CLARK: I am.

22 MR. ZOBRIST: Call John Bridson to the stand.

23 THE WITNESS: Good morning.

24 JUDGE CLARK: Mr. Bridson, would you raise  
25 your right hand to be sworn.

1 THE WITNESS: Yes, sir.

2 JUDGE CLARK: Do you solemnly swear or affirm  
3 that the testimony you're about to give at this  
4 evidentiary hearing is the truth?

5 THE WITNESS: Yes.

6 JUDGE CLARK: Please be seated. Everygy.

7 MR. ZOBRIST: Thank you, Judge.

8 Thereupon:

9 JOHN BRIDSON,  
10 having been first duly sworn, was examined and testified  
11 as follows:

12 DIRECT EXAMINATION

13 BY MR. ZOBRIST:

14 Q. Would you please state your full name and  
15 speak into the microphone?

16 A. John T. Bridson.

17 Q. Where are you employed, Mr. Bridson?

18 A. Everygy, Incorporated.

19 Q. And what is your position there?

20 A. Vice President of Generation.

21 Q. And Mr. Bridson, did you cause to be prepared  
22 direct testimony which has been marked as Exhibit 1C for  
23 the confidential version and 1P for the public version  
24 in this case?

25 A. Yes.

1 Q. And do you have any corrections or changes to  
2 that testimony?

3 A. No, sir.

4 Q. And just for the record, you did not submit  
5 surrebuttal testimony, correct?

6 A. I did not.

7 Q. If I were to ask you those questions, would  
8 your answers be as set forth in Exhibit 1C and 1P?

9 A. Yes, sir.

10 Q. And are those answers true and correct today?

11 A. Yes, sir.

12 Q. Were they given under oath?

13 A. Yes, sir.

14 MR. ZOBRIST: Judge, I offer at this time  
15 Exhibits 1C and 1P, the direct testimony of John Bridson  
16 both confidential and public versions.

17 JUDGE CLARK: Any objection to admitting 1C  
18 and 1P onto the hearing record? 1C and 1P are admitted  
19 onto the hearing record.

20 (COMPANY EXHIBITS 1C AND 1P WERE RECEIVED INTO  
21 EVIDENCE AND MADE A PART OF THIS RECORD.)

22 MR. ZOBRIST: I tender the witness for  
23 cross-examination.

24 JUDGE CLARK: Any cross-examination by Velvet?

25 MS. BELL: No, Your Honor.

1 JUDGE CLARK: Any cross-examination by Nucor?

2 MR. ELLINGER: No, Judge.

3 JUDGE CLARK: Any cross-examination by MECG?

4 MR. OPITZ: No, thank you, Judge.

5 JUDGE CLARK: Any cross-examination by the  
6 Commission Staff?

7 MR. KEEVIL: No questions, Judge.

8 JUDGE CLARK: Any cross-examination by Public  
9 Counsel?

10 MS. VanGERPEN: No, thank you, Your Honor.

11 JUDGE CLARK: I have no questions for you  
12 either. Are there any questions from the Commission?

13 COMMISSIONER HOLSMAN: No questions, Judge.

14 JUDGE CLARK: Thank you, Commissioner Holsman.  
15 I hear no questions from the Commission.

16 MR. ZOBRIST: I have no questions.

17 JUDGE CLARK: Okay. Mr. Bridson, you may step  
18 down.

19 THE WITNESS: Thank you.

20 (Witness excused.)

21 JUDGE CLARK: I think this is probably an  
22 appropriate time to break for lunch. Everyg, are your  
23 witnesses for Tuesday here and available to testify this  
24 afternoon?

25 MR. ZOBRIST: Yes, Judge, they all are.

1 JUDGE CLARK: I'd like to catch up some. All  
2 right. Thank you. Is there anything before we break  
3 for lunch that the Commission needs to take up? Okay.  
4 Why don't we all come back about one o'clock, and we  
5 will go off the record.

6 (Recess 11:44 a.m. until 1:00 p.m.)

7 JUDGE CLARK: Okay. Let's go back on the  
8 record. Everyy, you may call your next witness.

9 MS. WHIPPLE: Thank you, Judge. We call Matt  
10 Gummig.

11 JUDGE CLARK: Mr. Gummig, would you raise your  
12 right hand to be sworn.

13 Do you solemnly swear or affirm that the  
14 testimony you are about to give at this evidentiary  
15 hearing is the truth?

16 THE WITNESS: I do.

17 JUDGE CLARK: Please be seated. Everyy.  
18 Thereupon:

19 MATT GUMMIG,  
20 having been first duly sworn, was examined and testified  
21 as follows:

22 DIRECT EXAMINATION

23 BY MS. WHIPPLE:

24 **Q. Please state your name for the record.**

25 **A. Matt Gummig.**

1 Q. And who is your employer?

2 A. Evergy.

3 Q. What is your position there?

4 A. Senior Manager of External Reporting.

5 Q. Did you prepare direct testimony in this case  
6 that has been marked as Exhibit 3?

7 A. I did.

8 Q. Did you also prepare surrebuttal testimony in  
9 this case which has been marked as Exhibit 4?

10 A. I did.

11 Q. Do you have any corrections to your direct or  
12 surrebuttal testimony?

13 A. I do not.

14 Q. If I were to ask you the questions in those  
15 testimonies, would your answers be as set forth in  
16 Exhibits 3 and 4?

17 A. They would.

18 Q. Are those answers true and correct, to the  
19 best of your knowledge and belief?

20 A. They are.

21 MS. WHIPPLE: Judge, we would move to admit  
22 Exhibits 3 and 4 into the record.

23 JUDGE CLARK: Any objection to admitting  
24 Exhibits 3 and 4 onto the hearing record? Exhibits 3  
25 and 4 will be admitted onto the hearing record.



1 (COMPANY EXHIBITS 3 AND 4 WERE RECEIVED INTO  
2 EVIDENCE AND MADE A PART OF THIS RECORD.)

3 MS. WHIPPLE: Thank you. And we will tender  
4 the witness for cross-examination.

5 JUDGE CLARK: Any cross-examination from  
6 Velvet Tech?

7 MS. BELL: No, Your Honor.

8 JUDGE CLARK: Any cross-examination from  
9 Nucor?

10 MR. ELLINGER: No questions, Your Honor.

11 JUDGE CLARK: Any cross-examination from MECG?

12 MR. OPITZ: No, thank you, Your Honor.

13 JUDGE CLARK: Any cross-examination from the  
14 Commission Staff?

15 MR. KEEVIL: No questions, Judge.

16 JUDGE CLARK: Any cross-examination from the  
17 Office of the Public Counsel?

18 MS. VanGERPEN: No questions, Your Honor.

19 JUDGE CLARK: Any questions from  
20 Commissioners?

21 CHAIRMAN SILVEY: No questions, Your Honor.

22 JUDGE CLARK: Thank you. And I have no  
23 questions either. Mr. Gummig, you may step down.

24 (Witness excused.)

25 JUDGE CLARK: Everyy, you may call your next

1 witness.

2 MR. STEINER: Company calls John Carlson.

3 JUDGE CLARK: Mr. Carlson, would you raise  
4 your right hand to be sworn.

5 Do you solemnly swear or affirm that the  
6 testimony you are about to give at this evidentiary  
7 hearing is the truth?

8 THE WITNESS: I do.

9 JUDGE CLARK: Please be seated. Everyy, you  
10 may inquire.

11 Thereupon:

12 JOHN CARLSON,  
13 having been first duly sworn, was examined and testified  
14 as follows:

15 DIRECT EXAMINATION

16 BY MR. STEINER:

17 Q. Please state your name for the record.

18 A. John Carlson.

19 Q. Where do you work and what is your position  
20 there?

21 A. I work at Everyy and my position is Senior  
22 Manager of Market Operations.

23 Q. Mr. Carlson, did you cause to be filed in this  
24 case surrebuttal testimony which has been premarked as  
25 Exhibit 2C which is confidential and 2P which is public?

1 A. Yes, I did.

2 Q. Do you have any changes to that testimony or  
3 corrections?

4 A. I have one change. On page 6, line 13,  
5 there's a date there that says March of 2021. That  
6 should be March of 2020.

7 Q. Thank you. With that change, are the answers  
8 in your testimony true and correct to the best of your  
9 knowledge, information, and belief?

10 A. Yes, they are.

11 MR. STEINER: Your Honor, at this time I would  
12 request the admission of Exhibits 2C and 2P into the  
13 record.

14 JUDGE CLARK: Any objection to admitting  
15 Exhibits 2C and 2P onto the hearing record? Exhibit 2C  
16 and Exhibit 2P are admitted onto the hearing record.

17 (COMPANY EXHIBITS 2C AND 2P WERE RECEIVED INTO  
18 EVIDENCE AND MADE A PART OF THIS RECORD.)

19 JUDGE CLARK: Go ahead.

20 MR. STEINER: Would tender Mr. Carlson for  
21 cross-examination.

22 JUDGE CLARK: I'm sorry. You already said  
23 that. Any cross-examination from Velvet?

24 MS. BELL: No, Your Honor.

25 JUDGE CLARK: Any cross-examination from

1 Nucor?

2 MR. ELLINGER: Not at this time, Judge.

3 JUDGE CLARK: Any cross-examination from MECG?

4 MR. OPITZ: No, thank you, Your Honor.

5 JUDGE CLARK: Any cross-examination from the  
6 Commission Staff?

7 MR. KEEVIL: No questions, Judge.

8 JUDGE CLARK: Any cross-examination from  
9 Public Counsel?

10 MS. VanGERPEN: No questions, Your Honor.

11 JUDGE CLARK: Any Commission questions for  
12 Mr. Carlson? I hear none. I have no questions for you,  
13 Mr. Carlson. So you may step down.

14 (Witness excused.)

15 JUDGE CLARK: You may call your next witness.

16 MR. FISCHER: The Company would call Mr. Brad  
17 Lutz.

18 JUDGE CLARK: Mr. Lutz, would you raise your  
19 right hand to be sworn, please.

20 Do you solemnly swear or affirm that the  
21 testimony you are about to give at this evidentiary  
22 hearing is the truth?

23 THE WITNESS: I do.

24 JUDGE CLARK: Everyy.

25 Thereupon:

1 BRAD LUTZ,  
2 having been first duly sworn, was examined and testified  
3 as follows:

4 DIRECT EXAMINATION

5 BY MR. FISCHER:

6 Q. Please state your name and address for the  
7 record.

8 A. My name is Brad Lutz, and my address is 1200  
9 Main in Kansas City.

10 Q. Okay. And did you cause to be filed in this  
11 proceeding certain direct testimony that's been marked  
12 as Exhibit 15 and surrebuttal testimony which has been  
13 marked 16C and 16P?

14 A. Yes, I did.

15 Q. Did you have any corrections or changes that  
16 need to be made to those pieces of testimony?

17 A. I do not.

18 Q. And are they true and correct to the best of  
19 your knowledge, information, and belief?

20 A. They are.

21 Q. And if I ask you the same questions today,  
22 would you have the same answers?

23 A. Yes, I would.

24 MR. FISCHER: Judge, with that I would move  
25 for the admission of Exhibit 15, 16C, and 16P and tender

1 the witness for cross.

2 JUDGE CLARK: Any objection to the admission  
3 of Exhibits 15, 16C, and 16P onto the hearing record?  
4 Exhibit 15, Exhibit 16C, and Exhibit 16P are admitted  
5 onto the hearing record.

6 (COMPANY EXHIBITS 15, 16C, AND 16P WERE  
7 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

8 JUDGE CLARK: Any cross-examination from  
9 Velvet?

10 MS. BELL: Yes, Your Honor.

11 CROSS-EXAMINATION

12 BY MS. BELL:

13 Q. Good afternoon, Mr. Lutz. You would agree  
14 that Velvet was not an Evergy customer at the time of  
15 Winter Storm Uri?

16 A. I would agree.

17 Q. Okay. Any amount paid by Velvet for  
18 securitization ultimately lowers the cost for every  
19 other customer, would you agree?

20 A. I would agree.

21 Q. Okay. I'm going to -- Well, Mark is going to  
22 hand you what's been marked Exhibit 500.

23 A. Thank you.

24 Q. Do you recognize that document, Mr. Lutz?

25 A. I do.

1           **Q.    What is that?**

2           A.    It is the Large General Service Tariff for  
3 Missouri West Jurisdiction.

4           MS. BELL:  At this time I'd like to offer  
5 Exhibit 500, Your Honor.

6           JUDGE CLARK:  Any objections to admitting  
7 Exhibit 500 onto the hearing record?  Exhibit 500 will  
8 be admitted onto the hearing record.

9                   (VELVET EXHIBIT 500 WAS RECEIVED INTO EVIDENCE  
10 AND MADE A PART OF THIS RECORD.)

11 BY MS. BELL:

12           **Q.    Okay.  Next we are handing you what's been**  
13 **marked as Exhibit 501.**

14           A.    Thank you.

15           **Q.    Mr. Lutz, do you recognize Exhibit 501?**

16           A.    I do.

17           **Q.    What is that document?**

18           A.    It is the Large Power Service Rate Schedule  
19 for the Missouri West Jurisdiction.

20           MS. BELL:  And at this time, Your Honor, I'd  
21 like to offer Exhibit 501.

22           JUDGE CLARK:  Any objection to admitting  
23 Exhibit 501 onto the hearing record?  Exhibit 501 is  
24 admitted onto the hearing record.

25                   (VELVET EXHIBIT 501 WAS RECEIVED INTO EVIDENCE

1 AND MADE A PART OF THIS RECORD.)

2 BY MS. BELL:

3 Q. All right. At this time we are handing you  
4 what's been marked as Exhibit 502.

5 A. Thank you.

6 Q. Do you recognize this document, Mr. Lutz?

7 A. I do.

8 Q. Can you identify it for the record?

9 A. It is our Special Rate for Incremental Load  
10 Service Schedule for the Missouri West Jurisdiction.

11 Q. Is that also known as the SIL tariff?

12 A. Correct.

13 MS. BELL: At this time, Your Honor, I'd like  
14 to offer Exhibit 502.

15 JUDGE CLARK: Any objections to the admission  
16 of Exhibit 502 onto the hearing record? Exhibit 502 is  
17 admitted onto the hearing record.

18 (VELVET EXHIBIT 502 WAS RECEIVED INTO EVIDENCE  
19 AND MADE A PART OF THIS RECORD.)

20 BY MS. BELL:

21 Q. At this time we are handing you what has been  
22 marked Exhibit 503.

23 A. Thank you.

24 Q. Mr. Lutz, do you recognize this document?

25 A. I do.



1           **Q.    And can you identify the document for the**  
2 **record?**

3           A.    Yes, it is our Special High-Load Factor Market  
4 Rate Schedule for the Missouri West Jurisdiction.

5           MR. KEEVIL:   Judge, I'm going to object to  
6 that. With all due respect to Mr. Lutz, the special  
7 high-load factor market rate, it's not effective yet.  
8 So it's nothing currently. It's submitted by Evergy as  
9 a compliance tariff, I believe, in the docket the Case  
10 EO-2022-0061, I believe, but it's not an effective  
11 tariff so it's really -- it's not their special  
12 high-load factor rate tariff.

13          MR. FISCHER:   Judge, I think we can stipulate  
14 that that's the case. We have submitted the tariff. It  
15 hasn't been approved as yet.

16          JUDGE CLARK:   Response from Velvet?

17          MS. BELL:   Your Honor, we aren't purporting  
18 that it is the established tariff. We are offering it  
19 as the proposed compliance tariff filing in the 0061  
20 docket.

21          JUDGE CLARK:   The objection will be overruled.

22          MR. KEEVIL:   What relevance does a proposed  
23 tariff have, Judge? I would object on the basis as  
24 irrelevant.

25          JUDGE CLARK:   Your objection has been

1 overruled.

2 BY MS. BELL:

3 Q. At this time we are handing you what's been  
4 marked --

5 JUDGE CLARK: I haven't admitted this onto the  
6 hearing record. Exhibit 503 is admitted onto the  
7 hearing record.

8 MS. BELL: Thank you, Your Honor.

9 (VELVET EXHIBIT 503 WAS RECEIVED INTO EVIDENCE  
10 AND MADE A PART OF THIS RECORD.)

11 BY MS. BELL:

12 Q. At this time we are handing you what's been  
13 marked Exhibit 504. Mr. Lutz, I'm going to ask that you  
14 follow along with me for a moment on this demonstrative  
15 chart. So you just identified Exhibits 500 through 503,  
16 and you would agree with me that for each of those  
17 tariffs there's a threshold by which a customer has to  
18 meet for usage in order to be on one of those tariffs.  
19 Would you agree?

20 A. I would modify that only to say that those are  
21 thresholds set for minimum billing, but customers can  
22 exist in any of those rates currently. There is no  
23 restriction on their participation in those rates.

24 Q. Okay. So under customer threshold for this  
25 chart, you would agree that that minimum billing that's

1 reflected in each of those tariffs is accurately  
2 reflected on this chart?

3 A. I believe so, yes.

4 Q. Okay. And then do you see the second column  
5 marked Lutz Direct. If I could your attention to  
6 Exhibit 15, Schedule BDL-1, page 2, would you agree that  
7 this chart accurately reflects your direct testimony as  
8 to what would be charged to LGS and LPS customers?

9 A. Allow me a moment. Yes, I would agree with  
10 that.

11 Q. Okay. And skipping the next column but going  
12 to the column titled Staff's "FAC Method," you  
13 calculated a rate in Exhibit 16, which is your  
14 surrebuttal, and that is reflected on page 4, line 1.  
15 With the caveat that, and this is marked in the chart,  
16 that this assumes transmission level service, would you  
17 agree that that is the rate that you calculated?

18 A. Yes, I would.

19 Q. Okay. And then if a customer was trying to  
20 calculate what their ultimate annual rate would be under  
21 the securitization charge, if you see the calculation,  
22 which is the first star, they would calculate the  
23 threshold number times by the rate times by the hours  
24 per year, and if we're assuming a load factor of .85,  
25 you would agree that's how you would calculate an annual

1 securitization charge?

2 A. Yes, I would accept that.

3 Q. Okay. And not asking you to do the math here  
4 on the stand but looking at the numbers, is there any  
5 reason to believe that the math there is wrong?

6 A. No.

7 Q. As far as the load factor, the .85, do you  
8 know where that number might have come from?

9 MR. FISCHER: Calls for speculation.

10 BY MS. BELL:

11 Q. Are you aware that for the proposed MKT tariff  
12 --

13 JUDGE CLARK: Hold on just a second. There's  
14 been an objection offered.

15 MS. BELL: I'll strike my question and reask  
16 it.

17 JUDGE CLARK: Go ahead.

18 BY MS. BELL:

19 Q. Are you aware that in the proposed MKT tariff,  
20 in order to be on that tariff it requires a load factor  
21 of .85?

22 A. Correct.

23 Q. Now, you would agree that under Staff's FAC  
24 method, which is repeated in your surrebuttal, that  
25 Velvet would be responsible for securitization costs

1     **from the time it takes service for the life of the**  
2     **bonds?**

3             A.     Yes.

4             MS. BELL:   At this time, Your Honor, I'd like  
5     to offer Exhibit 504.

6             JUDGE CLARK:   Any objection to admitting  
7     Exhibit 504 onto the hearing record?

8             MR. FISCHER:   Your Honor, I think I'll object.  
9     This exhibit was not prepared by Mr. Lutz. He hadn't  
10    seen it before he took the stand today, and I'm not sure  
11    he can attest to everything that's on the exhibit. So  
12    I'm going to object. It's in the record as far as their  
13    cross is concerned.

14            JUDGE CLARK:   I'm going to admit it onto the  
15    hearing record with the limitation that it's purely  
16    demonstrative.

17            MS. BELL:   Thank you, Your Honor.

18            JUDGE CLARK:   Exhibit 504 is admitted onto the  
19    hearing record with such limitation.

20            (VELVET EXHIBIT 504 WAS RECEIVED INTO EVIDENCE  
21    AND MADE A PART OF THIS RECORD.)

22            BY MS. BELL:

23            **Q.     Mr. Lutz, you would agree that under your**  
24    **proposal new MKT customers will pay in excess of \$2.8**  
25    **million annually for Winter Storm Uri costs?**

1           A.    I would agree with that.

2           MS. BELL:  No further questions, Your Honor.

3           JUDGE CLARK:  Any cross-examination from  
4 Nucor?

5           MR. ELLINGER:  Just a couple questions very  
6 quickly of Mr. Lutz.

7   CROSS-EXAMINATION

8 BY MR. ELLINGER:

9           Q.    My name is Mark Ellinger.  I represent Nucor.  
10 Are you familiar with the statutory exemption for  
11 customers taking service under a special contract  
12 entered into prior to August 28, 2021?

13          A.    I am.

14          Q.    Are you aware that Nucor takes service under a  
15 special contract that was approved in 2019?

16          A.    I do, yes.

17          Q.    And the tariff SIL, which I don't recall what  
18 exhibit number that was now --

19          A.    502.

20          Q.    -- 502 applies to Nucor currently, correct?

21          A.    Correct.

22          Q.    In your direct or in your surrebuttal, you are  
23 not proposing to apply the securitized utility tariff  
24 charge to the SIL tariff, are you?

25          A.    Correct.

1           Q.    As a result, you're not proposing to apply the  
2 securitized utility tariff to Nucor, correct?

3           A.    Correct.

4           Q.    And then with respect to the statutory  
5 exemption for special contract customers, do you believe  
6 that Evergy's proposal complies with that exemption?

7           A.    I do.

8           Q.    And with respect to the statutory exemption  
9 for special contract customers, do you believe that the  
10 non-unanimous stipulation proposal complies with that  
11 exemption?

12          A.    I do.

13          Q.    And are you aware of any other testimony by  
14 any other party on behalf of Evergy or anyone else that  
15 you have reviewed in this case that would apply the  
16 securitized utility tariff charge to Nucor or to the SIL  
17 tariff?

18          A.    No, I'm not aware of any testimony.

19               MR. ELLINGER: Thank you very much. No  
20 further questions, Judge.

21               JUDGE CLARK: Any cross-examination from MECG?

22               MR. OPITZ: Yes, Your Honor.

23                               CROSS-EXAMINATION

24 BY MR. OPITZ:

25           Q.    Mr. Lutz, in your role as Director of

1     **Regulatory Affairs in this case, you verified the**  
2     **Company responses to data requests are true and**  
3     **accurate; is that right?**

4             A.     That is correct.

5             MR. OPITZ:   May I approach, Judge.

6             JUDGE CLARK:   Please go ahead.

7             THE WITNESS:   Thank you, sir.

8     BY MR. OPITZ:

9             **Q.     I've handed you a document I'll call it**  
10     **Exhibit 300.  And can you tell me what that document is?**

11             A.     It appears to be a response to Data Request  
12     1-4 in this proceeding.

13             **Q.     And if you flip to the back side, do you agree**  
14     **that this shows your verification that this is a true**  
15     **and accurate response?**

16             A.     Yes.

17             MR. OPITZ:   Your Honor, I at this time offer  
18     Exhibit 300 into the record.

19             JUDGE CLARK:   Any objection to admitting  
20     Exhibit 300 onto the hearing record?  Exhibit 300 is  
21     admitted onto the hearing record.

22             (MECG EXHIBIT 300 WAS RECEIVED INTO EVIDENCE  
23     AND MADE A PART OF THIS RECORD.)

24     BY MR. OPITZ:

25             **Q.     Looking at Exhibit 300, Mr. Lutz, do you agree**



1 that this response shows Company retail sales by  
2 residential, commercial, industrial, and street lighting  
3 for the billing period of January and February of 2021?

4 A. It does, yes.

5 Q. And you would agree that that's the time  
6 period when Storm Uri occurred, correct?

7 A. Correct.

8 Q. Because this time -- Would you agree that  
9 because this time period includes Storm Uri, all of the  
10 extraordinary fuel and purchased power costs are  
11 contained within those kW hours used?

12 A. I would agree that this is representative of  
13 the kWh sales. Your statement said something of costs.

14 Q. KWh sales. So this represents the kWh sales  
15 during that time period, correct?

16 A. That I would agree to, yes.

17 Q. And the extraordinary fuel and purchased power  
18 costs incurred during Storm Uri would be reflected in  
19 these sales?

20 A. They would have occurred at the same time.

21 Q. Okay.

22 A. Is that what?

23 Q. They would have occurred at the same time. So  
24 if we are looking at the total securitized cost to be  
25 for fuel and purchased power?

1           A.    See, I'm viewing these sales as kW hours, not  
2   dollars.

3           Q.    Okay.  As kW hours.  But those -- There are  
4   dollars associated with those kW hours that the Company  
5   had to pay to procure that power and provide it to  
6   customers, correct?

7           A.    Right, and identified outside of this response  
8   somewhere.

9           Q.    Okay.  And that amount that the Company paid  
10   is associated with these kW hours?

11          A.    Yes.

12          Q.    Do you agree if I divided the kWh for each  
13   class listed by the total retail sales listed on that  
14   response that that would give me an idea of the percent  
15   of the overall energy usage for each class during that  
16   time period?

17          A.    Would you repeat that one more time?

18          Q.    Sure.  If I divided the kWh for each class  
19   listed by the total retail sales listed there, that  
20   would give me an idea of the percent of the overall  
21   energy usage for each class during that time period?

22          A.    In my interpretation, the sales are kW hours.  
23   So in your example it would have been kW hours divided  
24   by kW hours.  I think you're trying to identify dollars  
25   versus kW hours.

1           **Q.    Okay.**

2           A.    And I think if I'm interpreting your question  
3           correctly, you're referencing kW hours on both sides of  
4           that equation under my interpretation of sales.

5           **Q.    So under that interpretation, what would that**  
6           **calculation show a percentage of?  Sales to each class,**  
7           **correct?**

8           A.    No.  I mean, it would just be -- It would in a  
9           sense be dividing the same numbers, because the kW hours  
10          are the sales.  So you need like a revenue number, not  
11          sales.

12          **Q.    The revenue number would cause what as an**  
13          **output?**

14          A.    I'm going to lead I guess.  If your revenues  
15          were on the top of the equation and you were dividing by  
16          the kW hours, then you would generate a per kWh rate, if  
17          that's maybe where you're going.

18          **Q.    No, I'm not looking for a per kWh rate.  I'm**  
19          **looking for of the total billed sales here the**  
20          **percentage by each class.  So these figures by each**  
21          **class.**

22          A.    So to do that then, it would take the total  
23          sales, in this example the 779 million would be the  
24          total, and you would just divide one of the classes, say  
25          residential, the 386 by the 779.  Is that what you're --

1 Q. That would show you how much of the kWh  
2 sales --

3 A. For residential.

4 Q. -- for that class during Storm Uri, correct?

5 A. Correct, correct.

6 Q. And --

7 A. Right.

8 MR. OPITZ: May I approach again, Your Honor.

9 JUDGE CLARK: Yes.

10 THE WITNESS: Thank you.

11 BY MR. OPITZ:

12 Q. I'll call this 301. And Mr. Lutz, the  
13 calculation you just described, does this 301 appear to  
14 show that dividing the kWh sales for each class by the  
15 overall billed sales?

16 A. Yes.

17 Q. And do you have any reason to believe those  
18 calculations are not done correctly?

19 A. I do not.

20 Q. And what this is showing is that the billed  
21 kWh sales during that Storm Uri would have been for  
22 residential 49.54 percent, correct?

23 A. Correct.

24 Q. For commercial, 36.12 percent, correct?

25 A. Correct.

1 Q. Industrial would be 14.11 percent?

2 A. Correct.

3 Q. Public street lighting is .23 percent?

4 A. Correct.

5 Q. Okay. And does that mean that during the time  
6 period of Storm Uri, that billing month, that the  
7 industrial class used 14.11 percent of the energy that  
8 was billed for?

9 A. It does, yes.

10 Q. And would you agree that that percentage is  
11 the best information we have about how much of the Storm  
12 Uri costs were caused by that customer class?

13 A. I'm reviewing the data request to make sure.  
14 Would you repeat your question one more time?

15 Q. So those percentages that we just read would  
16 be the best information that we have about how much of  
17 the Storm Uri costs were caused by that customer class?

18 A. If you accept that sales are the primary  
19 factor for the causation of those costs, yes.

20 Q. Do you accept that sales are the primary  
21 factor of the causation of those costs?

22 A. I do.

23 Q. Okay. Do you still have, and I don't remember  
24 the exhibit number, a copy of your direct testimony with  
25 you?

1 A. I do. Let me open it up real quick.

2 Q. I believe it was Exhibit 15.

3 A. Okay, I have it.

4 Q. Can you turn to page 9.

5 A. I'm there.

6 Q. Do you see figure 1 on that page, line 10?

7 A. I do.

8 Q. And can you tell me what figure 1 represents  
9 in your testimony?

10 A. Yes. It represents our determination of the  
11 securitized utility tariff charge.

12 Q. And within that chart is a revenue allocation  
13 that was how the Company initially proposed to allocate  
14 these securitized charges among the different customer  
15 classes; is that correct?

16 A. That is correct.

17 Q. And what your chart and what your initial  
18 proposal showed was that, for example, large power  
19 service class would receive 17.56 percent of the  
20 securitized revenue, whatever that may be, authorized?

21 A. Yes, that is correct.

22 Q. And that's higher than the 14.11 percent that  
23 industrial class customers would have actually caused  
24 during that billing period for Storm Uri, correct?

25 A. Yes.

1 Q. And can we look at your surrebuttal if you  
2 have that with you, and specifically turn to page 3.

3 A. Okay.

4 Q. Lines 13 through 12. Are you there?

5 A. I'm there.

6 Q. And you testified that Staff's method is  
7 consistent with the FAC, correct, for allocation?

8 A. Yes.

9 Q. And under the FAC method, the revenue is  
10 recovered through loss-adjusted energy sales, would you  
11 agree?

12 A. I agree.

13 Q. Can you tell me the percent of the annual  
14 securitized revenue requirement that would be recovered  
15 from each class using the Staff's FAC approach?

16 A. I cannot at this point, because of the  
17 relationship between the voltages and the classes is not  
18 delineated in my schedules. So I would have to  
19 determine that elsewhere.

20 Q. Would dividing the class kWh sales by the  
21 total kWh sales give me an estimate of that percentage  
22 setting aside the voltage adjustment?

23 A. Please ask that one more time.

24 Q. Setting aside that you would need to make  
25 voltage adjustments to get a precise percentage, would

1     **dividing the class kWh sales established in the most**  
2     **recent rate case by the total kWh sales, would that give**  
3     **me an estimate of the percentage to be allocated**  
4     **collected from each class?**

5           A.    An estimate, yes.

6           **Q.    An estimate?**

7           A.    Yes.

8           **Q.    Would it be a reasonably close estimate?**

9           A.    I could accept that.

10           MR. OPITZ:   Okay.   Your Honor, I've lost track  
11   of what number I'm on.   Is it 303, I think?

12           JUDGE CLARK:   301.

13           MR. OPITZ:   302.

14           JUDGE CLARK:   Oh.   Have you moved for the  
15   admission of 301?

16           MR. OPITZ:   I have not, Your Honor.

17           MR. KEEVIL:   I don't think he's moved for the  
18   admission of 300 yet.

19           MR. OPITZ:   I did.

20           THE WITNESS:   Thank you.

21   BY MR. OPITZ:

22           **Q.    So 302, Mr. Lutz, if you would turn back to**  
23     **your direct testimony, page 9.**

24           A.    Yes, I'm looking at that now.

25           **Q.    That figure 1.   Are the settled sales per**



1 Staff listed on this chart the same as the figure 1  
2 column ER-2018-0146 final sales kW hours?

3 A. Yes.

4 Q. And I believe we discussed that to get a  
5 reasonably close estimate of the percentage under the  
6 FAC method, FAC approach in this case, we could divide  
7 each class kWh sales by the total kWh sales?

8 A. Yeah, and this is where I need to insert some  
9 clarification is that the sales that are on 302 are from  
10 the rate case and therefore are normalized and adjusted  
11 for the ratemaking in a rate case, where the sales that  
12 I saw from the data request Exhibit 300 are actuals.

13 Q. Okay.

14 A. So there is an adjustment made to the numbers  
15 that are on 302 that has not occurred to those numbers  
16 that are on 300.

17 Q. But the numbers on 302 are the same as in your  
18 Company's initial allocation proposal?

19 A. Yes.

20 Q. So that's apples to apples?

21 A. Correct, correct.

22 Q. And under the, I guess on Exhibit 302 I've  
23 done a column that shows class kWh divided by the total  
24 kWh. Do you see that?

25 A. Yeah, I do.

1 Q. Do you have any reason to believe that  
2 calculation is done incorrectly?

3 A. I'm just checking the percentage totals real  
4 quick.

5 Q. Sure.

6 A. I do not.

7 Q. Okay. And under -- There's another column  
8 there, do you see that, that just has the percentages?

9 A. Yes.

10 Q. Under the large power service, the allocation  
11 percentage there would be 25.64 percent?

12 A. Correct.

13 Q. And so would you agree that this would show  
14 reasonably accurately the amount of the securitized  
15 revenue requirement that would be collected from the  
16 large power class under the Staff's FAC approach?

17 A. Yeah, with some consideration of that loss  
18 adjustment not being factored in, but yeah, generally as  
19 an estimate I would agree.

20 Q. Okay. So would you agree that that is  
21 significantly higher than the percentage that would be  
22 allocated under the approach in your direct testimony?

23 A. Sure, yes.

24 Q. And while it's certainly higher than what  
25 would have been shown under Exhibit 301, under the data

1 from the MCEG's Data Request 1-4, that's correct?

2 A. Correct.

3 Q. And all of that difference would be paying  
4 more for the Storm Uri costs than that class cost,  
5 correct?

6 A. Correct, that would be the outcome.

7 Q. So the FAC method would be a significant  
8 departure from assigning costs to the cost causer,  
9 correct?

10 A. No.

11 Q. It would not be a significant departure?

12 A. No, because I think where we went with the  
13 surrebuttal position was that the energy basis was more  
14 reflective of the cost causation.

15 Q. We just talked about all of the, I think you  
16 agreed that the industrial cost was for that class  
17 reflected that they caused 14.11 percent of the Uri  
18 charges, correct?

19 A. Yeah, I need to be careful there because again  
20 we're not comparing like number sets.

21 Q. Okay.

22 A. I mean, I get -- I see the relationship and I  
23 can offer that from an estimate point of view it can be  
24 similar or indicative, but I would not necessarily draw  
25 these as equal numbers because of that normalization

1 because of those adjustments that occur in the  
2 ratemaking process. That could be a significant impact.  
3 Especially because weather is the biggest adjustment to  
4 the numbers in 302.

5 Q. Sure.

6 A. And this is a weather event.

7 Q. The kWh under the Staff's FAC method that  
8 you've adopted in your surrebuttal testimony is going to  
9 recover those costs on usage moving forward, correct?

10 A. Yes, yes.

11 Q. And so customers who are new to the system  
12 would not have caused any of that cost but they're going  
13 to be paying for it?

14 A. Correct, across all classes, that is correct.

15 Q. And customers under larger classes, or maybe  
16 the large general service class who curtailed and didn't  
17 use any power during that storm or used less than they  
18 otherwise would have, are going to be paying for those  
19 costs that were incurred during Storm Uri?

20 A. Yeah. Any customers in any class who behaved  
21 in any way during Storm Uri would be affected by the  
22 recovery in the same way.

23 Q. Right. And so this recovery is not  
24 necessarily tracking the cost causer?

25 A. It's not tracking the behavior of the

1 customer. Well --

2 Q. Let me say for example --

3 A. Yeah.

4 Q. -- Velvet Tech will pay this rate. They did  
5 not cause any, not one penny of that charge, correct?

6 A. Right.

7 Q. If this were -- there are customers who  
8 curtailed, they did not cause additional costs related  
9 to fuel and purchased power during Storm Uri, correct?

10 A. Correct. The securitization statutes don't  
11 take into account any of those factors.

12 Q. Does not take that into account. So the  
13 closest we can get given the statute that we have to  
14 allocating costs, would you agree that would be to  
15 determine it on a class basis?

16 A. I don't think that a class basis is required.

17 Q. Is that the closest we can get to allocating  
18 the costs to the cost causer?

19 A. No. I think the method that we have in my  
20 surrebuttal also does that. It does it based on voltage  
21 but it's similar --

22 Q. How can that be when it's charging the cost to  
23 customers who did not incur those costs?

24 A. Same thing would have happened on my  
25 allocation of direct. Either method would have treated

1 those customers in the same way.

2 **Q. But it would be closer to the costs that they**  
3 **caused, right? It's not allocating them the full amount**  
4 **or assigning them the full amount?**

5 A. But that's not my mandate from the statute.  
6 I'm not there to take into account potential behaviors  
7 of the customer. Instead I'm supposed to look at  
8 allocations that are closest to what I believe are the  
9 causations of that cost.

10 **Q. Among the customer classes, correct?**

11 A. Correct. And in my position, I believe that  
12 the energy gets closest to that causation.

13 **Q. Even though you've said that those classes**  
14 **caused less of the Storm Uri?**

15 A. Well, again, with some liberties in the  
16 numbers, yes. In your comparison you have a delta here.  
17 But I'm saying that those normalizations shouldn't be  
18 ignored that are in 302.

19 **Q. Those normalizations in comparing 302 to the**  
20 **ones in your direct testimony are the same though?**

21 A. Right.

22 **Q. Right.**

23 A. Right, but you're trying --

24 **Q. Sorry about that. So you're assigning --**  
25 **Moving from your direct to your surrebuttal, you're**

1     **assigning more costs to people who did not cause those**  
2     **costs?**

3           A.     That is the effect.

4           **Q.     That is the effect?**

5           A.     But my decision to move was based on an  
6     evaluation of the causation, and to me the charges that  
7     the Company is seeking to recover in this securitization  
8     are directly related to energy-based actions which is a  
9     refinement on where we were in the direct testimony.

10          **Q.     Energy-based actions that have already**  
11     **occurred though?**

12          A.     That's fair.

13          **Q.     But you're going to be recovering and moving**  
14     **forward?**

15          A.     Yes.

16          **Q.     So the cost is not tracking how they're using**  
17     **energy in the future?**

18          A.     Ask that question again. I'm sorry. The part  
19     about the future.

20          **Q.     So that the costs have already been incurred?**

21          A.     Correct.

22          **Q.     Which is -- And you're not going to incur more**  
23     **extreme fuel and purchased power costs related to Storm**  
24     **Uri?**

25          A.     Correct.

1           **Q.    So in that regard it's unlike a typical energy**  
2 **FAC charge, correct?**

3           A.    Yes, because I would say this is only like the  
4 FAC within the structure that we used.  It's not -- To  
5 Mr. Klote's testimony earlier, this isn't an FAC  
6 exercise.  We're just adopting a mechanism similar to  
7 what has been used in the FAC as our process.  So yes,  
8 this is not an FAC exercise.

9           **Q.    And if the Company -- If the customers,**  
10 **setting aside normalization issues during that storm**  
11 **period, in, for example, large power industrial class**  
12 **use 14 percent or cause 14 percent of the cost, making**  
13 **them pay for 25 percent of the cost is making them pay**  
14 **more of that cost?**

15          A.    The exhibits support that, but I hesitate to  
16 draw that clear of a parallel between costs and the  
17 recovery.

18           MR. OPITZ:  Okay.  That's all I have.  I know  
19 I offered one, Your Honor.  I'd offer I guess Exhibit  
20 302 and 301 into the record.

21           JUDGE CLARK:  Any objection to admitting  
22 Exhibit 301 onto the hearing record?

23           MR. KEEVIL:  Yeah.  Request permission to voir  
24 dire the witness just briefly on 301.

25           JUDGE CLARK:  Proceed.



1 VOIR DIRE EXAMINATION

2 BY MR. KEEVIL:

3 Q. Mr. Lutz, do you have 301 in front of you?

4 A. I do.

5 Q. Do you see the columns that Mr. Opitz kept  
6 referring to as customer classes? It says residential,  
7 commercial, industrial, and public street lighting?

8 A. I do.

9 Q. Are those Evergy West's customer classes  
10 pursuant to its tariffs?

11 A. Not from a rate design perspective. These are  
12 what I would call the classes for the purpose of like  
13 FERC reporting or our accounting purposes. So that is  
14 correct.

15 Q. So you don't have -- I mean, Evergy West has  
16 no commercial customer class?

17 A. Correct. So if you look at my direct  
18 testimony, that's more reflective of our classes for the  
19 purpose of ratemaking.

20 Q. So by Mr. Opitz referring to these as customer  
21 classes, do you believe that's an appropriate  
22 representation of what is contained on Exhibit 301?

23 A. That's a reasonable point. There's a level of  
24 commingling that's occurring when you see the  
25 residential, commercial, industrial presentation.

1 That's fair. I would accept that.

2 **Q. So you don't believe this accurately reflects**  
3 **the customer class?**

4 A. I would say it contributes more to that  
5 difference that we would have comparing the 25.64 number  
6 on Schedule 302 versus the number the 14 on 301. It  
7 further complicates that comparison.

8 JUDGE CLARK: Can you explain that for me,  
9 please?

10 THE WITNESS: Yes. On 302 -- Is it okay to  
11 use those references for this purpose?

12 JUDGE CLARK: Yes.

13 THE WITNESS: Okay. On 302, the 25.64 percent  
14 is associated only with the large power service class  
15 which is a ratemaking class and would be associated with  
16 the Nucor Exhibit 501 tariff just to provide that  
17 cross-reference. But by contrast the industrial  
18 category on 301 representing the 14.11 percentage would  
19 be inclusive of customers that are probably in our large  
20 power and large general classes. Both of those rate  
21 classes would contribute to the numbers represented by  
22 the industrial row on 301. We have multiple classes,  
23 rate classes that contribute to the industrial category.  
24 In fact, there's probably some in our smaller like  
25 medium classes that are also called industrial. It's

1 possible.

2 BY MR. KEEVIL:

3 Q. Just to clarify, Mr. Lutz, would the inverse  
4 of that be true as well, there would be commercial in  
5 the industrial categories or in the larger?

6 A. In the large, yes, yes.

7 MR. KEEVIL: So yeah, Judge, I would object to  
8 301. I think it was misrepresented by Mr. Opitz as to  
9 what it shows. I don't believe the proper foundation  
10 has been set for 301.

11 JUDGE CLARK: MECG's response?

12 MR. OPITZ: You know, I think the foundation  
13 was set in saying that these are the classes that were  
14 -- or the rate. And if I have the Exhibit 300, the rate  
15 classes provided by the Company in response to DR 1-4  
16 and I believe Mr. Lutz said that those accurately on  
17 Exhibit 301 were accurately reflected of the information  
18 provided in that data request response and Mr. Lutz  
19 testified and also on the verification of that exhibit  
20 that these were true and accurate -- this was true and  
21 accurate information.

22 JUDGE CLARK: Exhibit 301 will be admitted  
23 onto the hearing record. Objection overruled.

24 (MECG EXHIBIT 301 WAS RECEIVED INTO EVIDENCE  
25 AND MADE A PART OF THIS RECORD.)

1 MR. OPITZ: Thank you, Your Honor.

2 JUDGE CLARK: You also moved for the admission  
3 of Exhibit 302 and you also -- You voir dired on Exhibit  
4 302. I assume you're objecting?

5 MR. KEEVIL: Yeah, I didn't think he moved for  
6 302. I'm sorry, Judge. Yeah, 302, voir dire Mr. Lutz.

7 BY MR. KEEVIL:

8 Q. Winter Storm Uri was what months maybe, what  
9 year?

10 A. February of '21.

11 Q. Okay. When was the information contained on  
12 -- What period does the information contained on Exhibit  
13 302 cover?

14 A. It was the test year for the 2018 rate case.  
15 So it was probably about the twelve months ending mid  
16 year 2017 maybe.

17 Q. So it's four and a half years prior to Winter  
18 Storm Uri?

19 A. Correct.

20 Q. Also Mr. Opitz referred to the last column in  
21 the gray box there on 302. It says settled sales per  
22 Staff kWh. What does the settled sales per Staff kWh  
23 header?

24 A. Yeah. What that represents is usually towards  
25 the end of the rate case we establish a foundation of

1 what the determinants are, and this just reflects those  
2 kWh sales that were established in the rate case that  
3 would serve as the basis for the final rate designs out  
4 of that case.

5 **Q. And then that was the 2018 case based on the**  
6 **2017 test year?**

7 A. Correct.

8 MR. KEEVIL: Judge, I would object to 302 as  
9 well because Mr. Opitz keeps comparing his calculated  
10 percentages on 302 from now we hear from 2017 to the  
11 Winter Storm Uri costs which were February 2021.

12 JUDGE CLARK: MECG response?

13 MR. OPITZ: Sure, Your Honor. I believe Mr.  
14 Lutz testified that these were the same numbers he used  
15 in creating figure 1 of his testimony which was part of  
16 how the allocation was proposed in the Company's direct  
17 testimony. I'd say it's relevant to the case here  
18 because that's how the method was proposed and as you've  
19 heard that's the method MECG is supporting to use.

20 JUDGE CLARK: Mr. Lutz, is that correct?

21 THE WITNESS: Yes. It ties with figure 1 from  
22 my direct.

23 JUDGE CLARK: Exhibit 302 is admitted onto the  
24 hearing record and the objection is overruled.

25 MR. OPITZ: Thank you, Your Honor.

1 (MECG EXHIBIT 302 WAS RECEIVED INTO EVIDENCE  
2 AND MADE A PART OF THIS RECORD.)

3 JUDGE CLARK: Do you have any further  
4 questions?

5 MR. OPITZ: I do not.

6 JUDGE CLARK: Any cross-examination from the  
7 Commission Staff?

8 MR. KEEVIL: Yes. Hang on just a second if  
9 you would.

10 CROSS-EXAMINATION

11 BY MR. KEEVIL:

12 Q. Mr. Lutz, I guess working backwards here,  
13 looking at Exhibit 302 from MECG, that first column with  
14 numbers says average number of WN-EE-CG current  
15 customers. I notice there's one large power service  
16 customer; is that correct?

17 A. That's what this shows.

18 Q. How many large power service customers do you  
19 have? That's not you. Sorry. Evergy West.

20 A. It's what the schedule reflects. I don't know  
21 that number offhand.

22 Q. Are those numbers in that column, you said  
23 these are from what time? Also from the end of the --  
24 excuse me, the test year ending for the 2018 rate case?

25 A. Actually these are a different role. These

1 numbers are not utilized in the final rate designs of  
2 the case. So they don't really play the same role that  
3 the settled sales do. So these numbers were just taken  
4 from our direct filing in the case.

5 **Q. In this case?**

6 A. Of the 2018 rate case.

7 **Q. Of the 2018 rate case. All those average**  
8 **number of customers and that would be from 2018 rate**  
9 **case?**

10 A. Correct. Again, those aren't really utilized  
11 in any of the calculations. Those were just there from  
12 the data that we used.

13 **Q. Going to that next column, the settled sales**  
14 **column on Exhibit 302?**

15 A. Yes.

16 **Q. Mr. Opitz referred you to the, what he calls 1**  
17 **the total kWh and the class kWh shown in that column.**  
18 **Are the kWh numbers reflected in that column what you**  
19 **would expect for projected sales going forward?**

20 A. No.

21 **Q. Bear any relationship at all to projected**  
22 **sales going forward?**

23 A. Maybe only a loose representation order of  
24 magnitude potentially.

25 **Q. Would the residential class be larger or**

1 smaller, not the number of customers, the kWh sales,  
2 would it be larger or smaller going forward?

3 A. You would have to presume that there's growth  
4 involved. So any movement forward in time would cause  
5 these to increase.

6 Q. Would the LPS be larger or smaller?

7 A. I would apply the same logic to all of these  
8 numbers that there would be growth expected in all of  
9 these.

10 Q. If you could look at Exhibit 300 from  
11 Mr. Opitz. He's got -- You said those are not, those  
12 four categorizations are not customer classes. What  
13 should we call those?

14 A. Yeah, I'm glad you asked that question,  
15 because it does highlight a naming convention issue.  
16 And class is something that we've used for representing  
17 both these and the ratemaking classes. These numbers  
18 are just used for different purposes and they seldom are  
19 commingled. So we've traditionally been able to just  
20 refer to them as classes in both respects. This is more  
21 from accounting perspective. This is used for our FERC  
22 reporting and other accounting level purposes and we use  
23 the small, medium, large residential designations for  
24 ratemaking purposes to tie with our tariffs. So  
25 unfortunately we use class in multiple contexts.



1 Q. True, okay.

2 JUDGE CLARK: Mr. Keevil.

3 MR. KEEVIL: I'm sorry?

4 JUDGE CLARK: I received an email that people  
5 are having some difficulty hearing you. If you could  
6 talk more directly into the microphone.

7 MR. KEEVIL: Really? Okay. Sure. I'll try.

8 BY MR. KEEVIL:

9 Q. Mr. Lutz, again, with reference to Exhibit 300  
10 just in mind, would you agree that sales to residential  
11 customers are billed at different rates than sales to  
12 SGS customers?

13 A. Yes.

14 Q. And SGS is small general service?

15 A. Correct.

16 Q. And sales to small general service customers  
17 are billed at different rates than sales to large  
18 general service or large power service customers,  
19 correct?

20 A. Correct.

21 Q. Now, if you go back to Ms. Bell's Exhibit 501  
22 -- oh, excuse me. Go to Opitz Exhibit 301. Sorry. LPS  
23 customers are approximately billed three to four cents  
24 per kWh, right?

25 A. For the energy component.

1           **Q.    Right.**

2                   MR. KEEVIL:   Excuse me, Judge.   That was  
3   Exhibit 501 I should have referenced.

4   BY MR. KEEVIL:

5           **Q.    Okay.   So three to four cents for energy for**  
6   **LPS customers.   What are residential and small general**  
7   **service customers billed per kW hours in February?**

8           A.    I don't have those schedules in front of me,  
9   but I would estimate around 10 to 11 cents.

10          **Q.    Okay.   It was quite a bit more than the LPS?**

11          A.    Yes, and that's due to the rate design  
12   structures.

13          **Q.    So if Mr. Opitz is asserting that residential**  
14   **and small general service customers caused**  
15   **disproportionate sales during Winter Storm Uri or cost**  
16   **during Winter Storm Uri, did those --**

17                   MR. OPITZ:   Judge, I'd object to that.   I  
18   never said that they were causing residential or SGS  
19   were causing disproportionate sales.

20                   JUDGE CLARK:   Can you rephrase, Mr. Keevil.

21                   MR. KEEVIL:   He was comparing one to the other  
22   talking about costs throughout his cross-examination of  
23   Mr. Lutz.   I said if he's asserting that residential  
24   small SGS cause disproportionate costs.   That's exactly  
25   what he was saying throughout.

1 MR. OPITZ: Your Honor, I didn't say  
2 disproportionate. The costs that they caused are the  
3 costs that they caused, and that's what I was getting at  
4 throughout my testimony. I don't think I ever said  
5 disproportionate.

6 JUDGE CLARK: Mr. Keevil, can you use a  
7 different word?

8 MR. KEEVIL: Sure.

9 BY MR. KEEVIL:

10 Q. Comparatively large sales during Uri, did  
11 those customers, the small general service and  
12 residential, did those customers contribute more or less  
13 revenue than LPS and LGS customers per kWh?

14 A. Per kWh. The residential and smaller  
15 customers generally pay more per kWh than industrial or  
16 larger customers, correct.

17 Q. So they would have paid more during the period  
18 of Uri as well?

19 A. On a per kWh basis, yes.

20 Q. Now, Mr. Lutz, do you understand or is it your  
21 understanding that MECG believes that the costs at issue  
22 in this case should be allocated to customers as the  
23 costs would be allocated in a general rate case?

24 A. I'm hesitating at the word costs. I think  
25 they're asking about revenue -- or recovery, the

1 recovery be allocated. Is that a fair --

2 Q. Let me try this. Would you agree that -- or  
3 is it fair to generally characterize the costs at issue  
4 in this case as fuel expense and net purchased power  
5 expense?

6 A. Yes, I would agree with that.

7 Q. Okay. In your experience, how would fuel  
8 expense and net purchased power expense be allocated in  
9 a general rate case?

10 A. On an energy basis.

11 Q. Are the costs at issue, the fuel expense and  
12 net purchased power, are those costs what a class cost  
13 of service expert would call capacity costs when doing a  
14 class cost of service study?

15 A. Ask that one more time for me, please.

16 Q. Sure. Are the costs at issue what a class  
17 cost of service expert would call capacity costs when  
18 doing a class cost of service study?

19 A. No, I would not agree with that.

20 Q. In the pending rate case, I believe it's  
21 ER-2022-0130 --

22 A. Correct.

23 Q. -- how did Evergy Missouri West allocate fuel  
24 expense and net purchased power expense?

25 A. On an energy basis.

1           Q.    In that rate case, did MEGC's Witness Maini  
2   adopt the same allocation of fuel expense and net  
3   purchased power expense on loss adjusted energy sales?

4           A.    I think she accepted the study more  
5   holistically but in effect, yes.

6           Q.    If fuel and purchased -- excuse me -- if fuel  
7   expense and net purchased power expense go through the  
8   fuel adjustment clause, they're going to go to customers  
9   on the basis of loss-adjusted energy sales, correct?

10          A.    Correct.

11          Q.    Okay. And I think you just testified that  
12   it's your experience that if they go through a general  
13   rate case they're going to get allocated to the classes  
14   on the basis of loss-adjusted energy sales?

15          A.    On an energy basis, yes.

16          Q.    Mr. Opitz talked about class allocations and  
17   allocations under the statute. Would you agree that  
18   under the Company and Staff approach the securitized  
19   balance and associated costs are implicitly being  
20   allocated to the classes on the basis of projected  
21   loss-adjusted energy consumption?

22          A.    Yes.

23          Q.    And if the Commission was concerned with the  
24   language that Mr. Opitz has talked about from the  
25   statute, is it fair to say that the same result as the

1 Company and Staff approach could be obtained by stating  
2 in the Commission's order that the securitized balance  
3 and associated costs are allocated to the classes on the  
4 basis of projected loss-adjusted energy consumption and  
5 that true-ups should be conducted on a system-wide  
6 basis?

7 A. Sorry. Could you read that one more time.

8 Q. Sure. Is it fair to say that the same result  
9 -- let me back up. If the Commission is concerned about  
10 the language from the statute that Mr. Opitz has  
11 discussed, is it fair to say that the same result as the  
12 Company and Staff approach could be obtained by stating  
13 in the Commission's order that the securitized balance  
14 and associated costs are allocated to the classes on the  
15 basis of projected loss-adjusted energy consumption and  
16 that the true-ups shall be conducted on a system-wide  
17 basis?

18 A. Yes, I would agree with that.

19 MR. KEEVIL: Thank you, Judge. No further  
20 questions.

21 JUDGE CLARK: Any cross from Public Counsel?

22 MS. VanGERPEN: No questions, Your Honor.

23 JUDGE CLARK: Thank you. Any questions from  
24 the Commissioners? I hear none.

25 I have a few questions from the bench.

1 QUESTIONS

2 BY JUDGE CLARK:

3 Q. In your surrebuttal you indicate that Evergy  
4 is not in complete agreement with Staff Witness Sarah  
5 Lange on how to treat late and partial payments.

6 A. Yes.

7 Q. Would you briefly, to the best of your  
8 knowledge, explain to me how Staff is proposing to treat  
9 late and partial payments?

10 A. It's my understanding that Staff is attempting  
11 to take into consideration the cold weather rule and its  
12 provisions in their proposal. And in doing so it  
13 established a variation in the approach depending on  
14 whether or not the customer was affected by that statute  
15 or that rule. So it set up a situation where we had to  
16 determine the condition of the customer, the  
17 relationship to the time and the cold weather rule in  
18 applying the payment algorithms.

19 Q. Now, you said you're not in complete  
20 agreement. What part of Staff's proposal do you agree  
21 with?

22 A. We're comfortable with establishing a process  
23 to accommodate the cold weather rule, but it's the act  
24 of changing and varying -- introducing a variation  
25 throughout the year that we're trying to avoid. We

1 would like to stay with a consistent process throughout  
2 the periods so that we do not introduce that complexity  
3 of recovery that might fluctuate from month to month.  
4 In our settlement language, that's where we came to was  
5 language that established a fixed process for the entire  
6 year.

7 **Q. You've kind of covered this a little bit.**  
8 **What parts, and it sounds like a part, what parts of**  
9 **Staff's proposal for late and partial payments do you**  
10 **disagree with?**

11 A. Maybe I misanswered the first question. I  
12 think that they're intertwined. I think that it's that  
13 element of changing the payment through the year that we  
14 disagreed with and so we sought to establish a fixed  
15 approach for the entire calendar year. So forgive me.  
16 I may have misanswered on one of those.

17 **Q. No, I think you did. I just was trying to see**  
18 **if there was more there.**

19 A. No, not really. I mean, it's a fair point  
20 around the treatment of the cold weather rule and in our  
21 view it was not a significant concern but certainly  
22 something we needed to address. And so finding a  
23 settlement point that allowed us that consistency but  
24 also addressed the concerns around cold weather was kind  
25 of a win-win in the settlement.



1           **Q.    Okay.  Outside of the settlement, does Evergy**  
2 **have a proposal with how to address the parts of Staff's**  
3 **proposal it doesn't agree with?**

4           A.    Yeah, and it was offered in my surrebuttal.  
5 Let me see if I can give you a reference on that.  It  
6 would have been on page 5 of my surrebuttal is where we  
7 would have laid out our position on that matter.

8           **Q.    Would you briefly go over that with me?**

9           A.    Yes.  Allow me to refresh my memory on that as  
10 well.  I worked with Mr. Gummig on that approach.  I  
11 want to make sure that I get it right.  Let's see.  I'm  
12 struggling to figure out exactly how to express this.  
13 Would you repeat your question, please?

14           **Q.    In regard to not taking into account the**  
15 **result that's part of the stipulation, in regard to**  
16 **addressing the parts of Staff's proposal that you**  
17 **disagree with, how do you address that?**

18           A.    I believe that our proposal is just around  
19 fixing the approach for that calendar year back to that  
20 point that again our position was not necessarily  
21 against the application of a cold weather rule into the  
22 process but just that we did not want it to vary.  So  
23 our position absent the stipulation was similar to where  
24 we ended up in the stipulation which is to fix the  
25 process for the calendar year.

1           Q.    And excuse me.  What do you mean fix the  
2   process for the calendar year?

3           A.    Meaning not to fluctuate from one method  
4   during a cold weather period and into another when we  
5   exit the cold weather period.  It establishes the same  
6   process for all months of the year.

7           Q.    And how does that consider the cold weather  
8   rule?

9           A.    By adopting the cold weather rule approach for  
10   all months of the year.

11          Q.    Thank you for clarifying.  In your surrebuttal  
12   you also say that you agree with Staff's testimony  
13   regarding the non-bypassable nature of the securitized  
14   utility tariff charge in relation to net metered  
15   customers; is that correct?

16          A.    Yes, correct.

17          Q.    And would you explain to me how the security  
18   -- or how the securitized utility tariff charge would  
19   apply to net metering customers whose net energy  
20   production exceeds -- produced exceeds their net energy  
21   consumed?

22          A.    I believe in that example both in the  
23   testimony of Sarah Lange and in my testimony in the  
24   tariff that we provided for that I think that we  
25   identified that the charge would not apply or it would

1 not be -- well, doggone it. Let me double check that.  
2 So in the case the SUTC, the securitized utility tariff  
3 charge shall not be credited against the net metered  
4 account if the net energy produced exceeds the energy  
5 consumed for that month.

6 **Q. How do you rationalize that with the**  
7 **non-bypassable nature of the securitized utility tariff**  
8 **charge?**

9 A. The key is the word credited, because I think  
10 what we're setting up in this scenario is a situation  
11 where the customer is producing more, is putting in a  
12 sense negative kW hours maybe is maybe a way of saying  
13 it. Mathematically the securitized charge would also be  
14 applied to a negative amount and in a sense become a  
15 credit and we wouldn't want to do that. We wouldn't  
16 want to introduce that in that way. So the charge would  
17 just not occur there.

18 **Q. So in actuality the result would be that it is**  
19 **a bypassable if they're not being charged that and**  
20 **you're not collecting it from them; is that correct?**  
21 **Maybe I phrased that wrong.**

22 A. No, I can see your point. Because of the way  
23 the charge is applied on a kWh basis, these customers  
24 are not in effect consuming kW hours. So I would maybe  
25 say it in that way if that helps. It's not that they're

1 being bypassed. It's not that they're incurring the  
2 billing determinant that would cause the charge to be  
3 applied.

4 Q. Okay. Now, in your -- As we've kind of gone  
5 over in your surrebuttal, you switch positions from your  
6 direct testimony to agree with Staff's application --

7 A. Correct.

8 Q. -- or proposal to use loss-adjusted energy  
9 sales to calculate the securitized utility tariff  
10 charge. How do you address the arguments made by MECG  
11 and Velvet that the allocation of the SUTC charge  
12 through loss-adjusted energy sales disproportionately  
13 affects larger customers?

14 A. When considering --

15 Q. Maybe I should not use the word  
16 disproportionately. Largely affects larger customers.

17 A. Right. For my purpose I was not -- I don't  
18 want to say I was ignoring it but it was not the driving  
19 factor in choosing the allocation method. I was not  
20 necessarily focused on the impact to any customer group  
21 relative to that but instead was just trying to better  
22 align the allocation method with the cost causation. I  
23 felt that that was the more important aspect and that in  
24 a sense the results would be just mathematically what  
25 they are. I wasn't trying to take into account any

1 special consideration for one group over another.

2 Q. Will new customers who take service after the  
3 securitized utility charge goes into effect have to pay  
4 that charge?

5 A. Correct, yes.

6 Q. Are there any type or class of customers that  
7 would be exempt from paying that charge after it goes  
8 into effect?

9 A. No. Only the Nucor exemption is the only one  
10 that I'm aware of.

11 JUDGE CLARK: Thank you. I have no further  
12 questions at this point. Are there any recross based  
13 upon bench questions? I'll just go through the list  
14 here. Any recross from Velvet?

15 MS. BELL: Yes, Your Honor.

16 THE WITNESS: Thank you.

17 RECROSS-EXAMINATION

18 BY MS. BELL:

19 Q. Mr. Lutz, I've handed you Section 393.1700.  
20 Are you familiar with that?

21 A. I am.

22 Q. And that's the securitization statute,  
23 correct?

24 A. It is.

25 Q. I've highlighted subsection 2(3)(c)h. Do you

1 **see that section?**

2 A. I do.

3 **Q. Can you read it?**

4 A. How securitized utility tariff charges will be  
5 allocated among retail customer classes. The initial  
6 allocation shall remain in effect until the electrical  
7 corporation completes a general rate proceeding, and  
8 once the commission's order from that general rate  
9 proceeding becomes final, all subsequent applications of  
10 an adjustment mechanism regarding securitized utility  
11 tariff charges shall incorporate changes in the  
12 allocation of costs to customers as detailed in the  
13 commission's order from the electrical corporation's  
14 most recent general rate proceeding.

15 **Q. You would agree that this section requires**  
16 **allocation by class, correct?**

17 A. No.

18 **Q. Okay. You would agree then that the statute**  
19 **requires that the allocation be adjusted in future**  
20 **cases, correct?**

21 A. Yes. Ask that one more time. I'm sorry.

22 **Q. You would agree that the statute requires the**  
23 **allocation to be adjusted in future cases, correct?**

24 A. Sorry. I'm just trying to make sure that it  
25 was absolute because I think you said must. Shall

1 incorporate, yes, I would agree.

2 **Q. And you would agree that under your**  
3 **surrebuttal proposal every customer regardless of class**  
4 **pays the same rate?**

5 A. No. Every customer regardless of class pays  
6 the same SUTC rate?

7 **Q. Correct.**

8 A. No.

9 **Q. Ignoring the loss adjustment factor.**

10 A. I'm not sure how to do that.

11 **Q. If I am a customer in LPS versus LGS and I**  
12 **take service at the same level, I'd be paying the same**  
13 **rate?**

14 A. You'd be paying based on your voltage as  
15 opposed to the class. You wouldn't be charged the same  
16 rate. All customers won't be charged the same rate, but  
17 similarly situated customers from a voltage perspective  
18 would pay the same rate. It's not all the same. There  
19 are four differentiations. There's secondary, primary,  
20 substation and transformer -- or transmission, sorry,  
21 and customers within those categories would pay the same  
22 rate.

23 **Q. Regardless of class, correct?**

24 A. Correct, yes, I would agree with that.

25 **Q. Okay. I'm going to read the first part of h**

1 again. It says how securitized utility tariff changes  
2 will be allocated among retail classes.

3 A. Yes.

4 Q. And I'm going to ask again this section  
5 requires allocation by class, correct?

6 A. No, I don't read it that way.

7 Q. Okay. You would agree that before the  
8 securitization statute an AAO is one way to handle the  
9 winter storm costs, correct?

10 MR. KEEVIL: Judge, I'm going to object. I  
11 think this is way beyond the scope of bench questions.

12 JUDGE CLARK: Velvet response?

13 MS. BELL: Your Honor, if I could continue my  
14 line of questioning, it gets to how Mr. Lutz interprets  
15 the statute and what's required under the statute and  
16 the comparison of the AAO statute versus how his  
17 proposal complies with the statute here.

18 JUDGE CLARK: Say that again, please. You  
19 want to draw a comparison between how an AAO -- how  
20 charges would be applied under an AAO?

21 MS. BELL: Correct.

22 JUDGE CLARK: As long as we don't go too far,  
23 I'm going to go ahead and allow you to ask the question.  
24 It will be overruled.

25 MS. BELL: It will be quick, Your Honor.



1 BY MS. BELL:

2 Q. So an AAO follows cost causation principles,  
3 correct, Mr. Lutz?

4 MR. KEEVIL: I'm going to object to that.  
5 That's just a mischaracterization of an AAO. AAO is not  
6 even a rate design methodology. AAO is merely an  
7 accounting deferral.

8 JUDGE CLARK: That will be sustained.

9 BY MS. BELL:

10 Q. Would you agree that Section 393.17 should  
11 also follow cost causation principles?

12 A. What section?

13 Q. 393.1700, the statute that you are looking at.

14 A. Yes.

15 Q. And how much of Winter Storm Uri costs were  
16 caused by Velvet?

17 A. None.

18 Q. And under your proposal which you now endorse,  
19 or it's the Staff FAC method which you now endorse,  
20 Velvet would pay in excess of \$2.8 million for a storm  
21 in which it had no cost causation, correct?

22 A. Yes, but I would be careful that there's some  
23 liberties being taken with the concept of causation,  
24 because I think what you're trying to do with that  
25 example is to single out a customer's behavior when in

1 the purpose of allocation you're looking at the cost  
2 type and the driver for that cost category. You're not  
3 looking at individual customer elements within it. So  
4 for example, if I'm doing a capacity allocation, I'm not  
5 looking at the behavior of individual customers but  
6 instead I'm looking at my coincident or noncoincident  
7 peaks for a period. You're I think conflating the word  
8 causation inappropriately there between those views.  
9 The statute is not seeking to reflect the behavior of  
10 individual customers when it seeks cost causation. I  
11 think we're looking at what are the general drivers of a  
12 cost as opposed to behaviors of individual customers.

13 MS. BELL: No further questions, Your Honor.

14 JUDGE CLARK: Any recross from Nucor?

15 MR. ELLINGER: No questions, Judge.

16 JUDGE CLARK: Any recross from MECG?

17 MR. OPITZ: No, thank you, Judge.

18 JUDGE CLARK: Any recross from the Commission  
19 Staff?

20 MR. KEEVIL: No questions, Judge.

21 JUDGE CLARK: Any recross from the Office of  
22 the Public Counsel --

23 MS. VanGERPEN: No questions, Your Honor.

24 JUDGE CLARK: -- which I don't believe had a  
25 cross initially. Redirect, Evergy?

1 MR. FISCHER: Thank you, Judge. Just a few.

2 REDIRECT EXAMINATION

3 BY MR. FISCHER:

4 Q. Let's clarify one of the areas that the Judge  
5 asked about and that was the partial payments area of  
6 inquiry. Do you recall those questions?

7 A. I do.

8 Q. Just to make it clear, is it your  
9 understanding that our stipulation that we have filed  
10 with the Staff and Public Counsel addresses that issue?

11 A. It does, yes.

12 Q. And it has taken that issue off the table so  
13 to speak because we have all agreed on how we would  
14 recommend that the Commission deal with that issue; is  
15 that right?

16 A. Correct.

17 Q. And to your knowledge, has any other party  
18 opposed that position?

19 A. Not to my knowledge.

20 Q. Okay. Thanks. In answer to Mr. Opitz, I  
21 believe you indicated that the Company's proposed method  
22 in your surrebuttal testimony, which I think has been  
23 characterized as an energy allocator or sometimes an FAC  
24 method, was not a significant deviation from cost  
25 causation, or he suggested I believe that it was and I

1 **believe you may have indicated otherwise; is that right?**

2 A. Yes.

3 **Q. Why do you believe that?**

4 A. If you look at the original allocation that we  
5 used in our direct, it's based on revenue, and that  
6 revenue is inclusive of energy but in retrospect and  
7 after further consideration it's also inclusive of other  
8 costs. So in our view, my view, the energy allocation  
9 is a cleaner delineation of that causation.

10 **Q. And I believe Staff counsel asked you about**  
11 **how allocation of purchased power or net purchased power**  
12 **expense would typically be done in a class cost of**  
13 **service study?**

14 A. Yes.

15 **Q. Do you recall that?**

16 A. I recall that, I do.

17 **Q. Did you indicate that that would typically be**  
18 **done on a sales or energy basis?**

19 A. Energy basis, yes.

20 **Q. Does that go to your point about cost**  
21 **causation?**

22 A. Yes. I mean, the choices that are made in a  
23 class cost of service study process are seeking to  
24 identify that cost causation for that cost category in  
25 allocating costs, yes.

1           Q.    And I believe in answer to his questions you  
2 indicated that many of the Storm Uri costs were in  
3 effect purchased power costs that we're dealing with in  
4 this case?

5           A.    Yes.

6           Q.    Now, if you were dealing with some other kind  
7 of cost in some other securitization situation, would  
8 you might propose a different method of allocating those  
9 costs?

10          A.    Absolutely, absolutely.  You would want to  
11 examine what it is that's being sought and look for  
12 indicators of what its causation would be.  So you know,  
13 if it were maybe a generating plant, there could be  
14 consideration of an allocation method around capacity.  
15 That could be part of it, because that generation plant  
16 provides capacity in its operations.  So that's just an  
17 example.

18          Q.    Would that also reflect cost causer  
19 principles?

20          A.    Yes.

21          Q.    Okay.  And I believe there was some questions  
22 regarding Section 393.1700 and whether that statute in  
23 your opinion required that costs be allocated to  
24 customer classes.  Do you recall those questions?

25          A.    I recall that, yes.

1           **Q.    And I believe you indicated that you did not**  
2 **agree with that. Why did you not agree with that?**

3           A.    Right. The step of requiring it to be two  
4 classes to me would require much more direct language in  
5 the statute. As I read the section, it refers to the  
6 customer classes but in almost a way that is referring  
7 to just the customers. I'm not seeing any language, any  
8 modifiers, anything around the word class that dictates  
9 that class must be the basis. It's just not there.

10          **Q.    Do you believe that that section of the**  
11 **statute mandates the specific allocation method that**  
12 **must be used by the Public Service Commission?**

13          A.    No.

14          **Q.    I believe Mr. Opitz also pointed out that you**  
15 **have changed your position in your surrebuttal testimony**  
16 **to agree with the Staff's position; is that correct?**

17          A.    Correct.

18          **Q.    Would you explain to the Commission why you**  
19 **decided that was appropriate?**

20          A.    Yeah. Part of it, you know, I've spoken to it  
21 a little bit before in the earlier redirect here is that  
22 the energy allocation is more precise than the revenue  
23 allocation that we used in the direct which maybe in  
24 some manner could have been considered more of a generic  
25 allocation. Revenue allocation is used frequently for

1 purposes in riders and such; but as you examined the Uri  
2 costs, to me it's clearly related to energy. So I  
3 support the position that Witness Lange took on that  
4 matter.

5 **Q. Have you also reviewed the position statement**  
6 **of the Public Counsel's office?**

7 A. Yes.

8 **Q. Are you aware what position they take on this**  
9 **issue?**

10 A. I believe so.

11 **Q. Would you explain what your understanding is?**

12 A. On the Public Counsel position?

13 **Q. Yes.**

14 A. Let me see. I might have to retract that.

15 **Q. I can make it easier.**

16 A. Please do. I was thinking of MECG when I  
17 answered. I'm sorry.

18 JUDGE CLARK: Go ahead.

19 THE WITNESS: I was conflating.

20 BY MR. FISCHER:

21 **Q. I'm handing you the Office of the Public**  
22 **Counsel's position statement. I've highlighted that**  
23 **area.**

24 A. Okay. Yeah, it appears that it's in line with  
25 the Staff method as well on loss-adjusted energy based

1 sales.

2 Q. Thank you.

3 A. Forgive me for forgetting that.

4 Q. And referring back to that statute, do you  
5 believe that that method is consistent with that  
6 statute?

7 A. Yes, I do.

8 Q. There was also a question about I think Velvet  
9 Tech not having been on the system during Storm Uri?

10 A. Yes.

11 Q. Does that statute in your mind dictate how a  
12 customer like that would be handled going forward?

13 A. Yeah. I mean, yes, I think that the  
14 non-bypassable elements and the recovery language is  
15 pretty clear that all customers after the charge is  
16 established will see that appear on their bill on the  
17 basis that is set, you know, by the financing order and  
18 by the Commission.

19 Q. Does the method that was suggested by Staff in  
20 their testimony have any advantages relating to anything  
21 like rate switchers?

22 A. Yes. Both rate switchers and another instance  
23 that Staff brought up about new rates that might be  
24 introduced between general rate proceedings, by using  
25 the voltage method it alleviates those problems.



1 Customers that either move or move within the rate  
2 classes or are introduced as a new rate would fit in one  
3 of those voltage levels. So it does make future  
4 administration more easy than using a traditional class  
5 approach.

6 **Q. And is it your understanding the Commission in**  
7 **a future rate case could change the allocation methods?**

8 A. Yes.

9 MR. FISCHER: Judge, that's all the questions  
10 I have. Thank you very much.

11 JUDGE CLARK: Mr. Lutz, you can step down.

12 MR. LUTZ: Thank you.

13 (Witness excused.)

14 JUDGE CLARK: It's now 2:36. I'm just going  
15 to ask right now, next witness is Hardesty, right? Does  
16 anyone have substantial questioning or lengthy  
17 questioning for Ms. Hardesty?

18 MS. VanGERPEN: The OPC does.

19 JUDGE CLARK: Okay. Then I think that this is  
20 probably as good a time to take a short break as we're  
21 going to get. So why don't we all come back at three  
22 o'clock. We'll be in recess until 3:00 and we'll go off  
23 the record.

24 (Recess 2:36 p.m. until 3:00 p.m.)

25 JUDGE CLARK: Let's go back on the record.

1 Everyg, you may call your next witness.

2 MS. WHIPPLE: Thank you. Call Melissa  
3 Hardesty.

4 JUDGE CLARK: Would you raise your right hand  
5 to be sworn.

6 Do you solemnly swear or affirm that the  
7 testimony you are about to give in this evidentiary  
8 hearing is the truth?

9 THE WITNESS: I do.

10 JUDGE CLARK: Please be seated. Everyg.  
11 Thereupon:

12 MELISSA HARDESTY,  
13 having been first duly sworn, was examined and testified  
14 as follows:

15 DIRECT EXAMINATION BY MS. WHIPPLE:

16 **Q. Please state your name for the record.**

17 A. Melissa Hardesty.

18 **Q. Who is your employer?**

19 A. Everyg.

20 **Q. What is your position there?**

21 A. Senior Director of Taxes.

22 **Q. Did you prepare surrebuttal testimony in this  
23 case which has been marked as Exhibit 5?**

24 A. I did.

25 **Q. Do you have any corrections to your**

1 surrebuttal testimony?

2 A. No.

3 Q. If I were to ask you the questions in that  
4 surrebuttal testimony, would your answers be the same?

5 A. Yes.

6 Q. And are those answers true and correct to the  
7 best of your knowledge and belief?

8 A. Yes.

9 MS. WHIPPLE: Judge, I would offer Exhibit 5  
10 to be admitted, please.

11 JUDGE CLARK: Any objection to admitting  
12 Exhibit 5 onto the hearing record? Exhibit 5 is  
13 admitted onto the hearing record.

14 (COMPANY EXHIBIT 5 WAS RECEIVED INTO EVIDENCE  
15 AND MADE A PART OF THIS RECORD.)

16 MS. WHIPPLE: And we will tender the witness  
17 for cross-examination.

18 JUDGE CLARK: Any cross-examination by Velvet?

19 MS. BELL: No, Your Honor.

20 JUDGE CLARK: Any cross-examination by Nucor?

21 MR. ELLINGER: No questions, Judge.

22 JUDGE CLARK: Any cross-examination by MECG?

23 MR. OPITZ: No, thank you, Your Honor.

24 JUDGE CLARK: Any cross-examination by the  
25 Commission Staff?

1 MR. KEEVIL: Yeah, just very briefly. Very  
2 briefly, Judge.

3 CROSS-EXAMINATION

4 BY MR. KEEVIL:

5 Q. Ms. Hardesty, were you in the hearing room or  
6 watching on the internet for the opening statements?

7 A. I was in the room.

8 Q. You were in the room. So did you see page 1  
9 of Office of the Public Counsel's opening statement  
10 presentation on what they called True Cost  
11 Determination?

12 A. I did.

13 Q. Do you agree with that presentation?

14 A. There are many aspects of it which I did agree  
15 with. However, there appears to be several factors that  
16 are missing on the schedule. I did agree that the  
17 financing would not be considered a gain on the transfer  
18 of the asset to the special purpose entity. However, it  
19 appears to be missing the fact that when the revenues  
20 are collected in order to pay back that bond financing  
21 the utility will pick up that income and pay taxes on it  
22 at that time under the IRS revenue procedures. It  
23 states both portions of that in Revenue Procedure  
24 2005-62.

25 Q. Okay. Basically, can you summarize that for a

1     **dumb attorney? Does that mean -- Does the**  
2     **securitization charge revenue received by Evergy West**  
3     **will be taxed or will not be taxed?**

4           A.     So when the costs were incurred, it was able  
5     to take a tax deduction. So it got a tax deduction on  
6     the return. We did not take a deduction for book  
7     purposes. So it created a timing difference which  
8     created deferred taxes which are sitting on Missouri  
9     West's books. It's a deferred tax liability.

10                  When the financing occurs and we transfer that  
11     deferral over to the special purpose entity, the IRS  
12     revenue procedure says that sale of that asset to the  
13     special purpose entity is not taxed. So we do not have  
14     to pay any taxes when it receives cash from the  
15     financing or the sale to the special purpose entity.

16                  However, when the revenues are collected at  
17     the special purpose entity, the non-bypassable charge,  
18     those revenues, the Company has to pick up that revenue  
19     on Missouri West's taxable income and pay the deferred  
20     tax liability as it's collected back to the IRS. So  
21     deferred taxes reverse as those revenues are collected.

22                  MR. KEEVIL: Okay. Thank you. That's all I  
23     have, Judge.

24                  JUDGE CLARK: Any cross-examination from the  
25     Office of the Public Counsel?

1 MS. VanGERPEN: Yes, Your Honor.

2 CROSS-EXAMINATION

3 BY MS. VanGERPEN:

4 Q. Ms. Hardesty, would you turn -- Do you have a  
5 copy of your surrebuttal testimony?

6 A. I do.

7 Q. Could you look at that. Okay. Would you  
8 please turn to page 3. Referring to lines 3 through 5,  
9 you would agree with me that Evergy Missouri West  
10 received a tax deduction when it incurred the fuel costs  
11 related to Storm Uri?

12 A. That's correct.

13 Q. If we assume that those costs are securitized,  
14 and no one here is arguing that they shouldn't be,  
15 Evergy Missouri West will recover the fuel costs related  
16 to Storm Uri through the proceeds from the securitized  
17 bonds?

18 A. That's correct.

19 Q. So now I'd like to turn your attention to line  
20 4 of your testimony there on page 3. You would agree  
21 with me that Evergy Missouri West will not pay taxes on  
22 those bond proceeds; is that correct?

23 A. When the bonds are issued, it will not pay  
24 taxes at that time.

25 Q. Ms. Hardesty, would you agree with me that

1 **Evergy Missouri West will not repay the tax deduction**  
2 **that it received for the Storm Uri fuel costs?**

3 A. It does not have to repay the tax deduction.  
4 It will have to pay taxes when the non-bypassable  
5 charges are collected.

6 MS. VanGERPEN: Could you give me just a  
7 moment, Judge.

8 JUDGE CLARK: Take your time.

9 BY MS. VanGERPEN:

10 **Q. Ms. Hardesty, I just want to clarify what you**  
11 **just said there. Is it Evergy Missouri West or the SPE**  
12 **who will be paying those taxes?**

13 A. When the financing occurs at Missouri West,  
14 the gain that would otherwise be taxable is deferred.  
15 So it's not taxed at that time. The SPE will get  
16 revenue and will pay taxes, but Missouri West has to  
17 pick up the revenues and reverse -- basically pick up  
18 the gain on Missouri West at that time. So the IRS  
19 revenue procedure is favorable to the taxpayer because  
20 it does not have to pick up the income upon the  
21 financing or upon the bond issues. It does have to pick  
22 up the -- It doesn't pick up the revenues per se, but it  
23 has to reverse that deferred tax liability as the  
24 revenues are collected on its tax returns in accordance  
25 with Revenue Procedure 2005-62.

1 Q. So I'd like to shift gears just a little bit.

2 Ms. Hardesty, you talked about the SPE. Moving on.

3 MS. VanGERPEN: Your Honor, I plan to discuss  
4 393.1700, the statute. I don't intend to offer that as  
5 an exhibit, but it's just a printout of the statute  
6 itself, but I have brought a paper copy for everyone, so  
7 I'm going to pass that out now.

8 JUDGE CLARK: Go ahead.

9 MS. VanGERPEN: Judge, I did want to clarify  
10 as well that it is just the first part of the statute  
11 through the definition of Special Contract. So it's not  
12 the full printout of the statute.

13 JUDGE CLARK: Okay. Thank you.

14 BY MS. VanGERPEN:

15 Q. So Ms. Hardesty, getting back to that, I want  
16 to direct you to the definition of Financing Costs which  
17 is in subsection (8) of the definitions section, and I  
18 believe that is page 2 of the handout that I just handed  
19 out.

20 I'd like to direct your attention specifically  
21 to subsection (d) of the definition and it says any  
22 taxes and license fees or other fees imposed on the  
23 revenues generated from the collection of the  
24 securitized utility tariff charge or otherwise resulting  
25 from the collection of securitized utility tariff



1 charges, in any such case whether paid, payable, or  
2 accrued. You agree that I read that correctly, right?

3 A. I believe so.

4 Q. Now I want to shift to the definition of  
5 Securitized Utility Tariff Charge which is at subsection  
6 (16) and that's on page 3 of the printout. You would  
7 agree that the first part of this definition reads the  
8 amounts authorized by the commission to repay, finance,  
9 or refinance securitized utility tariff costs and  
10 financing costs and that are, except as otherwise  
11 provided for in this section, non-bypassable charges  
12 imposed on and part of all retail customer bills; is  
13 that correct?

14 A. I believe that's what's there.

15 Q. So you would agree with me that the taxes owed  
16 by the SPE on the revenue collected from customers to  
17 repay the bonds will itself be collected from customers  
18 through a charge on the customers' bills; is that  
19 correct?

20 A. I believe the amount that we will put on the  
21 bill will include the taxes for the SPE, correct.

22 MS. VanGERPEN: No further questions, Your  
23 Honor.

24 JUDGE CLARK: Any questions from the  
25 Commissioners?

1 CHAIRMAN SILVEY: No questions, Judge.

2 JUDGE CLARK: Thank you, Chairman. I have  
3 just really one question.

4 QUESTIONS

5 BY JUDGE CLARK:

6 Q. Do you have a copy of Ms. Bolin's surrebuttal?

7 A. I actually do not have that with me.

8 Q. I think we can do it without it. In response  
9 to Data Request 96 regarding special purpose entity  
10 income taxes, Ms. Bolin states that Staff's  
11 understanding is that these taxes will not be charged to  
12 Every Missouri West retail customers in future rate  
13 cases or other regulatory proceedings. Do you agree  
14 with that statement?

15 A. I do agree in future rate proceedings the  
16 taxes will not be included in the revenue requirement,  
17 but the reason we've included them here is because the  
18 costs will be repaid by the Company and those deferred  
19 taxes will remain in rate base as a reduction to rate  
20 base until they're ultimately paid back to the  
21 government.

22 JUDGE CLARK: Okay. Thank you. That's my  
23 only question. Any recross based upon Commission  
24 questions? Velvet.

25 MS. BELL: No, Your Honor.

1 JUDGE CLARK: Nucor.

2 MR. ELLINGER: No questions. Thank you,  
3 Judge.

4 JUDGE CLARK: MEEG.

5 MR. OPITZ: No, thank you, Judge.

6 JUDGE CLARK: Staff of the Commission.

7 RECROSS-EXAMINATION

8 BY MR. KEEVIL:

9 Q. Ms. Hardesty, in response to a question from  
10 Ms. VanGerpen, you said that the Company, I believe  
11 Everygy Missouri West, maybe the special purpose entity,  
12 but would be putting something on the bills of the  
13 customers that reflected the taxes?

14 A. So the amount that's securitized needs to  
15 include -- So if the revenue comes in and you have a tax  
16 amount, the taxes in that revenue requirement is  
17 included in the amount that's securitized to ensure we  
18 can pay back the bond.

19 Q. But that is included or is that included in  
20 the amount that is the 306.1 under the settlement?

21 A. It's a little bit confusing. Under general  
22 rate making principles you have revenue that would be  
23 taxed. And then in order to ensure that you can -- to  
24 get a tax deduction for that amount from the customer  
25 perspective but then you gross it up to get the revenue

1 requirement to be able to pay it all. It ends up being  
2 the same number. So we just exclude that tax component  
3 from the number. I believe I have a couple of data  
4 requests that kind of show how that works in some of the  
5 data requests that were requested.

6 **Q. In your responses you mean?**

7 A. Yes. The Company will be able to -- if it  
8 gets the full securitized costs without a reduction for  
9 taxes, it will be able to pay all the taxes of the SPE.

10 **Q. And that when you say gets all the full amount**  
11 **or whatever, going off the settlement --**

12 A. Correct.

13 **Q. -- that would be roughly 306.1 million?**

14 A. Correct.

15 **Q. And so it's in there?**

16 A. It's in there, yes.

17 **Q. Okay. Thank you.**

18 A. We don't need additional amounts for that. We  
19 can't reduce the amount, otherwise we will not be able  
20 to. We'll have a large write-off on the financial  
21 statements if we don't collect the full amount.

22 MR. KEEVIL: Nothing further, Judge.

23 JUDGE CLARK: Any recross from Public Counsel?

24 MS. VanGERPEN: Could you give me just one  
25 moment, Judge.

1 JUDGE CLARK: Of course.

2 MS. VanGERPEN: No questions, Your Honor.

3 JUDGE CLARK: Any redirect from Everygy?

4 MS. WHIPPLE: Briefly. And permission to  
5 approach with what we are marking as Exhibit 19.

6 JUDGE CLARK: Go ahead.

7 REDIRECT EXAMINATION

8 BY MS. WHIPPLE:

9 **Q. Ms. Hardesty, do you recognize Exhibit 19?**

10 A. I do.

11 **Q. Can you please tell us what it is?**

12 A. Yes. This document is the IRS Revenue  
13 Procedure 2005-62, which talks about how the taxability  
14 of securitized funds are done from an IRS perspective.

15 **Q. And is this the revenue procedure that you**  
16 **referred to in your testimony I believe in response to**  
17 **Staff's and OPC's questions?**

18 A. It is.

19 MS. WHIPPLE: At this time we would move to  
20 admit Exhibit 19, Your Honor.

21 JUDGE CLARK: Any objection to admitting  
22 Exhibit 19 onto the hearing record? Exhibit 19 is  
23 admitted onto the hearing record.

24 (COMPANY EXHIBIT 19 WAS RECEIVED INTO EVIDENCE  
25 AND MADE A PART OF THIS RECORD.)

1 BY MS. WHIPPLE:

2 Q. Ms. Hardesty, could you please direct us to  
3 the portion of this Revenue Procedure 2005-62, which you  
4 were referring to in your testimony where you indicate  
5 that the taxes are ultimately paid to the government?

6 A. So in Section 6 where it says Application .01  
7 is where it states that the utility will be treated as  
8 not recognizing gross income upon the receipt of a  
9 financing order in part (1) and part (2) won't recognize  
10 based on the receipt of cash or other valuable  
11 consideration. Section 6 part .03 talks about where the  
12 non-bypassable charges are gross income to the utility  
13 recognized under the utility's usual method of  
14 accounting. Basically it states we don't have to pick  
15 up the income upon the issuance of the bonds or the  
16 receipt of the cash but we do have to pick up the income  
17 as the non-bypassable charges are incurred or put on the  
18 customers' bills.

19 Q. So do you agree that through securitization  
20 the Company is experiencing a permanent tax benefit?

21 A. No.

22 Q. And that's because of this revenue procedure;  
23 is that right?

24 A. Correct.

25 MS. WHIPPLE: Thank you. No further

1 questions.

2 JUDGE CLARK: Ms. Hardesty, you may step down.

3 THE WITNESS: Great. Thank you.

4 (Witness excused.)

5 MR. ZOBRIST: Judge, Everyg would call Larry  
6 Kennedy to the stand.

7 JUDGE CLARK: Would you raise your right hand  
8 and be sworn.

9 Do you solemnly swear and affirm that the  
10 testimony you are about to give at this evidentiary  
11 hearing is the truth?

12 THE WITNESS: I do.

13 JUDGE CLARK: Please be seated. Everyg, you  
14 may proceed.

15 MR. ZOBRIST: Thank you, Judge.

16 Thereupon:

17 LARRY KENNEDY,  
18 having been first duly sworn, was examined and testified  
19 as follows:

20 DIRECT EXAMINATION BY MR. ZOBRIST:

21 **Q. Mr. Kennedy, please state your name.**

22 A. Larry Edwin Kennedy.

23 **Q. And by whom are you employed?**

24 A. Concentric Energy Advisors.

25 **Q. What is your position?**

1 A. Senior Vice President.

2 Q. And did you cause to be prepared surrebuttal  
3 testimony in this case?

4 A. I was.

5 Q. And that has been premarked as Exhibit 10. Do  
6 you have any corrections or additions to the testimony?

7 A. I do not.

8 Q. If I were to ask you those questions, would  
9 your answers be as set forth in Exhibit 10?

10 A. They would.

11 Q. Are your answers true and correct?

12 A. They are.

13 Q. And were they given under oath pursuant to a  
14 verification?

15 A. They were.

16 MR. ZOBRIST: Your Honor, at this time I would  
17 offer Exhibit 10, it is public only, and tender the  
18 witness for cross-examination.

19 JUDGE CLARK: Any objections to admitting  
20 Exhibit 10 onto the hearing record? Exhibit 10 is  
21 admitted onto the hearing record.

22 (COMPANY EXHIBIT 10 WAS RECEIVED INTO EVIDENCE  
23 AND MADE A PART OF THIS RECORD.)

24 JUDGE CLARK: Any cross-examination from  
25 Velvet?



1 MS. BELL: No, Your Honor.

2 JUDGE CLARK: Any cross-examination from  
3 Nucor?

4 MR. ELLINGER: No questions, Judge.

5 JUDGE CLARK: Any cross-examination from MECG?

6 MR. OPITZ: No, thank you, Judge.

7 JUDGE CLARK: Any cross-examination from the  
8 Staff of the Commission?

9 MR. KEEVIL: No questions, Judge.

10 JUDGE CLARK: Any cross-examination from the  
11 Office of the Public Counsel?

12 MS. VanGERPEN: No questions, Your Honor.

13 JUDGE CLARK: I have no questions for you,  
14 Mr. Kennedy. Are there any questions from  
15 Commissioners? I hear none. Mr. Kennedy, you may step  
16 down.

17 THE WITNESS: Thank you.

18 (Witness excused.)

19 JUDGE CLARK: We have reached all of our --  
20 completed all of our Tuesday witnesses. So I think it's  
21 probably appropriate at this time to break until  
22 tomorrow.

23 MR. ZOBRIST: Judge, that's certainly fine  
24 with Evergy. Our other two witnesses who were scheduled  
25 for tomorrow are here and ready to be heard if the

1 Commission is willing to hear them, Ms. Messamore and  
2 Mr. Reed. Mr. Reed is from out of town, but we're at  
3 your disposal.

4 JUDGE CLARK: Hold on just a moment. Let's go  
5 ahead.

6 MR. FISCHER: At this time then the Company  
7 would call Kayla Messamore to the stand.

8 JUDGE CLARK: Well, I'm going to ask, because  
9 I didn't ask, are there any objections to proceeding on  
10 with Everygy's Ms. Messamore and Mr. Reed? I see no  
11 objections.

12 Would you raise your right hand to be sworn.

13 Do you solemnly swear or affirm that the  
14 testimony you are about to give at this evidentiary  
15 hearing is the truth?

16 THE WITNESS: I do.

17 JUDGE CLARK: Please be seated. Everygy.

18 Thereupon:

19 KAYLA MESSAMORE,  
20 having been first duly sworn, was examined and testified  
21 as follows:

22 DIRECT EXAMINATION

23 BY MR. FISCHER:

24 Q. Please state your name and address for the  
25 record.

1           A.    Kayla Messamore, 1200 Main Street, Kansas  
2    City.

3           **Q.    For whom are you employed and in what**  
4    **capacity?**

5           A.    Evergy and I'm the Vice President of Strategy  
6    and Long-Term Planning.

7           **Q.    Did you happen to cause to be filed in this**  
8    **case surrebuttal testimony which we have marked as**  
9    **Exhibit 17C and 17P?**

10          A.    I did.

11          **Q.    Do you have any changes or corrections that**  
12    **you need to make to those exhibits at this time?**

13          A.    I do not.

14          **Q.    If I were to ask you the questions that are**  
15    **contained in those exhibits, would your answers be the**  
16    **same and are they true and correct to the best of your**  
17    **knowledge and information and belief?**

18          A.    Yes.

19                 MR. FISCHER:  Judge, at this time then I would  
20    move for the admission of Exhibit 17C and 17P and tender  
21    the witness for cross-examination.

22                 JUDGE CLARK:  Are there any objections to  
23    admitting Exhibit 17C and 17P onto the hearing record?  
24    Exhibit 17C and 17P are admitted onto the hearing  
25    record.

1 (COMPANY EXHIBITS 17C AND 17P WERE RECEIVED  
2 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

3 JUDGE CLARK: Any cross-examination from  
4 Velvet?

5 MS. BELL: No, Your Honor.

6 JUDGE CLARK: Any cross-examination from  
7 Nucor?

8 MR. ELLINGER: No questions, Judge.

9 JUDGE CLARK: Any cross-examination from MECG?

10 MR. OPITZ: No, thank you, Judge.

11 JUDGE CLARK: Any cross-examination from the  
12 Commission Staff?

13 MR. KEEVIL: No questions, Judge.

14 JUDGE CLARK: Any cross-examination from the  
15 Office of the Public Counsel?

16 MS. VanGERPEN: No questions, Your Honor.

17 JUDGE CLARK: Are there any Commission  
18 questions for this witness? I hear none, and I have no  
19 questions for this witness. Ms. Messamore, you may step  
20 down.

21 (Witness excused.)

22 JUDGE CLARK: Everyg, you may call your next  
23 witness.

24 MR. ZOBRIST: We call John Reed to the stand.

25 JUDGE CLARK: Would you raise your right hand

1 to be sworn.

2 Do you solemnly swear or affirm that the  
3 testimony you are about to give at this evidentiary  
4 hearing is the truth?

5 THE WITNESS: I do.

6 JUDGE CLARK: Please be seated. Everyy, you  
7 may inquire.

8 MR. ZOBRIST: Thank you, Judge.

9 Thereupon:

10 JOHN REED,  
11 having been first duly sworn, was examined and testified  
12 as follows:

13 DIRECT EXAMINATION

14 BY MR. ZOBRIST:

15 Q. Please state your name.

16 A. My name is John J. Reed.

17 Q. And by whom are you employed?

18 A. I am employed as the Chairman and Chief  
19 Executive Officer of Concentric Energy Advisors.

20 Q. Mr. Reed, did you cause to be prepared  
21 surrebuttal testimony in this case which has been marked  
22 as Exhibit 18?

23 A. I did.

24 Q. Do you have any changes or corrections to your  
25 testimony?

1 A. No, I do not.

2 Q. If I were to ask you any -- If I were to ask  
3 you the questions that are set forth in Exhibit 18,  
4 would your answers be as set forth in Exhibit 18?

5 A. Yes, they would.

6 Q. Are they true and correct and were they  
7 provided pursuant to verification or under oath?

8 A. Yes, they are.

9 MR. ZOBRIST: Judge, at this time I would  
10 offer Exhibit 18 into evidence.

11 JUDGE CLARK: Any objections to admitting  
12 Exhibit 18 onto the hearing record? Exhibit 18 is  
13 admitted onto the hearing record.

14 (COMPANY EXHIBIT 18 WAS RECEIVED INTO EVIDENCE  
15 AND MADE A PART OF THIS RECORD.)

16 MR. ZOBRIST: Thank you, Judge. We tender  
17 Mr. Reed for cross-examination.

18 JUDGE CLARK: Any cross-examination from  
19 Velvet?

20 MS. BELL: No, Your Honor.

21 JUDGE CLARK: Any cross-examination from  
22 Nucor?

23 MR. ELLINGER: No questions, Judge.

24 JUDGE CLARK: Any cross-examination from MECG?

25 MR. OPITZ: No, thank you, Judge.

1 JUDGE CLARK: Any cross-examination from the  
2 Commission Staff?

3 MR. KEEVIL: No questions.

4 JUDGE CLARK: Any cross-examination from the  
5 Office of the Public Counsel?

6 MS. VanGERPEN: We do have some questions.

7 JUDGE CLARK: Please go right ahead.

8 MS. VanGERPEN: Thank you.

9 CROSS-EXAMINATION

10 BY MS. VanGERPEN:

11 Q. Good afternoon, Mr. Reed.

12 A. Good afternoon.

13 Q. Mr. Reed, do you have a copy of your  
14 surrebuttal testimony, I believe it was marked as  
15 Exhibit 18?

16 A. I do.

17 Q. On page 14 at line 21 and continuing to page  
18 15, line 4, you cite excerpts from the guidelines  
19 proffered by the National Regulatory Research Institute.  
20 Do you see that?

21 A. I do.

22 MS. VanGERPEN: Your Honor -- I apologize,  
23 Your Honor. Your Honor, I would like to mark as  
24 Exhibit, and I think this is our first exhibit, so  
25 Exhibit 200 the National Regulatory Research Institute

1 report entitled The Prudent Investment Test in the  
2 1980s, and I'll hand those out now. And before I hand  
3 those out, I did want to let you know, Your Honor, this  
4 is a report that's approximately 200 pages long. So  
5 what I have printed for everyone today is the cover page  
6 through the Executive Summary and that is what we'll be  
7 asking to be admitted into the record. We do have a  
8 full copy available if the Commission would like to see  
9 that.

10 JUDGE CLARK: Your questions are only going to  
11 be in reference to the parts you're offering, right?

12 MS. VanGERPEN: That is correct, Your Honor.

13 JUDGE CLARK: Thank you.

14 BY MS. VanGERPEN:

15 Q. Mr. Reed, have you had a chance to look at the  
16 document that I handed to you?

17 A. Very briefly, yes.

18 Q. Would you agree that this document is the  
19 cover page and Executive Summary of the report that you  
20 cited?

21 A. Yes, it appears to be.

22 Q. The portions to which you cite appear in the  
23 second full paragraph on page iv which is page 4 in  
24 small Roman numerals. Turning to the previous page,  
25 which is actually iii, page 3 in small Roman numerals,



1 you would agree -- On the very bottom of the page, you  
2 would agree with me that it reads in these areas of law,  
3 the concept of prudence protects the rights of  
4 individuals not in control of investment decision  
5 making. It does not require perfection in decision  
6 making but does require, for example, avoidance of  
7 deliberate exposure to substantial risk where the  
8 individuals not in control could suffer financially.  
9 Did I read that correctly?

10 A. I think you did.

11 Q. Turning now to page iv, page 6 in small Roman  
12 numerals?

13 A. I'm sorry. Did you iv?

14 Q. Yes.

15 A. At page 4 in Roman numerals?

16 Q. I apologize. I'm sorry, Your Honor, I think  
17 it's the reverse of that. It is. It is vi, page 6 in  
18 small Roman numerals. In the second full paragraph, you  
19 would agree that it states the concept of prudence  
20 provides the Commission with a principle that does not  
21 necessarily require an "all" or "nothing" decision in  
22 favor of one side, but can allow some sharing of the  
23 risks between investors and ratepayers. Did I read that  
24 correctly?

25 A. Yes. It continues with additional statements

1 in that same paragraph.

2 Q. I'm sorry, sir. I don't want to cut you off.  
3 I was just asking if I read that sentence correctly.

4 A. I think you read that sentence correctly.

5 MS. VanGERPEN: Thank you. Your Honor, I  
6 would like to offer OPC's Exhibit 200 for admission into  
7 the record.

8 MR. ZOBRIST: No objection.

9 JUDGE CLARK: Any objections to admitting  
10 Exhibit 200 onto the hearing record? Exhibit 200 is  
11 admitted onto the hearing record.

12 (OPC EXHIBIT 200 WAS RECEIVED INTO EVIDENCE  
13 AND MADE A PART OF THIS RECORD.)

14 BY MS. VanGERPEN:

15 Q. Now, Mr. Reed, turning back to your  
16 surrebuttal testimony, can you please turn to page 17.

17 A. Yes, I have that.

18 Q. On lines 10 to 13 you make the argument that  
19 Ms. Mantle asserts that to be prudent a utility must  
20 meet the market in every hour of every year. Do you see  
21 that?

22 A. I do.

23 Q. I see that you are citing to Ms. Mantle's  
24 Whitepaper on Resource Planning of a Vertically  
25 Integrated Utility in the RTO World that's attached to

1 her rebuttal testimony in this case; is that correct?

2 A. Is that her Exhibit R-2?

3 Q. I believe so, yes.

4 A. Okay, yes.

5 Q. Let's turn to Ms. Mantle's Whitepaper to see  
6 what she actually says. Do you have a copy of Ms.  
7 Mantle's Whitepaper with you?

8 A. I'm not sure I do.

9 MS. VanGERPEN: Your Honor, may I approach  
10 with a copy of Ms. Mantle's Whitepaper?

11 JUDGE CLARK: Go ahead.

12 MS. VanGERPEN: Thank you. And Your Honor, as  
13 I mentioned, that Whitepaper is attached to Ms. Mantle's  
14 rebuttal testimony in this case and the OPC will be  
15 offering Ms. Mantle's testimony when she takes the  
16 stand. So I have not handed copies to everyone else at  
17 this time.

18 BY MS. VanGERPEN:

19 Q. Mr. Reed -- actually one moment, Your Honor.

20 Mr. Reed, turning to page 6 starting under the  
21 heading LSE Types and the subheading Type 1: Prudent  
22 Utility, you would agree with me that it reads the  
23 resource planning objective of the prudent utility is to  
24 meet its customers' loads 8,760 hours of the year at a  
25 reasonable cost that minimizes risks and values

1 flexibility across a variety of various futures--some of  
2 which include extreme market prices. Its resource  
3 planning objective is to be able to provide generation  
4 required by its customers every hour at a cost below  
5 market prices. You would agree with me that I read that  
6 correctly, correct?

7 A. I think so, correct.

8 Q. Based on that statement, those statements, you  
9 agree with me that Ms. Mantle does not say that a  
10 prudent utility must actually meet the market but rather  
11 that it is a prudent utility's objective to plan to meet  
12 customers' needs?

13 A. No, that's not correct.

14 MS. VanGERPEN: One moment, Your Honor. Okay.  
15 Moving on.

16 BY MS. VanGERPEN:

17 Q. Now let's look at Ms. Mantle's rebuttal  
18 testimony. Do you have a copy of that with you?

19 A. I do.

20 Q. So could you please turn to page 10 at line  
21 22. On that page at line 22 and continuing until page  
22 11 at line 12, you would agree with me that it reads:  
23 Question. Are you saying that to be  
24 considered prudent Evergy West should have generating  
25 resources to satisfy its customers' load at all times

1 including all extreme events?

2 Answer. No, there's no way to accurately plan  
3 for all extreme circumstances. Adding generation  
4 resources should be a balance between cost and  
5 reliability. While economics is important, so is  
6 looking at the probability customers will be without  
7 energy. A proper balance in the resource planning  
8 process will mitigate any volatility in the energy  
9 market. Evergy West has made the assumption in its  
10 resource planning that because it is a member of SPP it  
11 does not need to add dispatchable resources or even have  
12 enough resources to meet its forecasted peak load that  
13 is based on normal weather. It is depending on its  
14 customers always having energy available to them because  
15 it assumes that it can always get energy from SPP. The  
16 strategy pushes market price and volatility risk upon  
17 its customers. Storm Uri exposed the cost of those  
18 risks. Now Evergy West is asking the Commission to make  
19 sure that its customers not only pay for the cost of  
20 this strategy but also pay a weighted average cost of  
21 capital on that return -- or capital return on that  
22 cost. Would you agree with me that I read that  
23 correctly?

24 A. I think you did.

25 Q. Based on this, you would agree that Ms. Mantle

1 clearly did not argue that to be prudent a utility has  
2 to meet its customers' needs with its own generation but  
3 rather should seek to meet customer needs with its own  
4 generation?

5 A. I don't agree that that's what the paragraphs  
6 that you just read say. I would agree with you that she  
7 sets out as the objective in her Whitepaper that you  
8 should meet the market every hour and that can be done  
9 as she acknowledges with energy from SPP or capacity  
10 from contracts or other sources, but I would agree you  
11 don't have to own the resources and I think she and I  
12 are in agreement on that point.

13 Q. One moment, Your Honor. So Mr. Reed, you  
14 would agree that Ms. Mantle -- with Ms. Mantle that a  
15 prudent utility has the objective of meeting the needs  
16 of its customers?

17 A. Yes. Certainly in resource planning the  
18 objective is to meet the needs of its customers.

19 Q. Mr. Reed, let's turn back to page 18 of your  
20 testimony. At the question posed in lines 8 through 10  
21 you insinuate that Ms. Mantle has created a prudency  
22 standard that does not fit within the mainstream of  
23 utility conduct for utilities that are part of an RTO.  
24 Do you see that?

25 A. I do.

1           Q.    Again, let's turn back to Ms. Mantle's  
2    Whitepaper.  I apologize for asking you to flip between  
3    documents.  Starting under the heading LSE types and the  
4    subheading Type 1:  Prudent Utility, you would agree  
5    with me that it reads while this utility can meet its  
6    customers' needs on a stand-alone basis, it sees value  
7    in being a part of a market where it can sell generation  
8    when it is needed by its customers and being able to  
9    take advantage of other utilities' diversity of energy  
10   resources and loads.  This utility does not build to  
11   meet the RTO planning reserve margin but meets the RTO  
12   planning reserve margin because it builds to meet its  
13   customers' needs.  Did I read that correctly?

14           A.    I think you did.

15           Q.    You would agree with me then that Ms. Mantle  
16    actually says in her Whitepaper that a prudent utility  
17    will be an active participant in the RTO market?

18           A.    That is part of what she says, yes.

19           Q.    So the way I understand it, the central  
20    dispute here is not whether Evergy Missouri West should  
21    be a participant in the RTO market but how much Evergy  
22    Missouri West should rely on the RTO market.  The OPC's  
23    position is that a prudent utility will have sufficient  
24    generation to meet the needs of its customers without  
25    being dependent on an RTO market.  Is it your position

1 that Evergy Missouri West should have sufficient  
2 generation to meet the needs of its customers -- should  
3 not -- I apologize -- should not have sufficient  
4 generation to meet the needs of its customers and should  
5 instead depend on the market to meet the needs of its  
6 customers?

7 A. I'm sorry but I need you to repeat that  
8 question from the beginning.

9 Q. Sure. The way I understand it, the central  
10 dispute here is not whether Evergy Missouri West should  
11 be a participant in the RTO market but how much Evergy  
12 Missouri West should rely on the RTO market. The OPC's  
13 position --

14 MR. ZOBRIST: If that's the question, the  
15 witness should be able to answer that. I got lost in  
16 the six sentences too. I apologize. Is that the  
17 question for Mr. Reed to respond to?

18 MS. VanGERPEN: I can try to break it down,  
19 Your Honor.

20 MR. ZOBRIST: Thank you. Appreciate it.  
21 Thank you.

22 BY MS. VanGERPEN:

23 Q. Mr. Reed, is it your position that Evergy  
24 Missouri West should not have sufficient generation to  
25 meet the needs of its customers and should instead



1 **depend on the market to meet the needs of its customers?**

2 A. And by "generation," are you referring to  
3 capacity?

4 **Q. No. The ability -- We are referring to the**  
5 **ability to generate energy.**

6 A. Energy. So your question then is do I believe  
7 that Evergy West should -- Evergy Missouri West should  
8 not have sufficient ability to generate energy to meet  
9 its customers needs; is that the question?

10 **Q. Yes.**

11 A. I believe that prudent behavior encompasses a  
12 range of acceptable outcomes and that gets applied --  
13 not outcomes, acceptable decisions, and that that range  
14 encompasses utilities that may choose to rely on the  
15 market for energy and others that may choose to be long  
16 on energy. It's a fact specific determination based  
17 upon the circumstances and based upon the resources  
18 available both in the market and directly owned by the  
19 utility. So I don't think there's a universal answer as  
20 to whether you should be long energy or short energy.  
21 In these circumstances, I've made it clear I think  
22 Evergy Missouri West's decision to be short in terms of  
23 expected energy production and to secure that energy  
24 through the SPP market was well within the range of  
25 prudent decision making.

1           Q.    So moving on.  Turning back to your  
2    surrebuttal testimony, on page 20, line 17, you were  
3    asked a question about how do you respond to Ms.  
4    Mantle's conclusion that much of the extraordinary costs  
5    Everyg Missouri West incurred because of Storm Uri were  
6    the consequence of imprudent resource planning  
7    decisions.  You answered Ms. Mantle reaches this  
8    conclusion based on hindsight.  Without knowledge of how  
9    things actually turned out, this statement cannot be  
10   defended; is that correct?

11           A.    Correct.

12           Q.    Are you aware that the OPC identified concerns  
13    with resource adequacy for Everyg Missouri West in the  
14    2017 resource plan update?

15           A.    Yes.

16           Q.    Are you aware that the OPC identified concerns  
17    as a special contemporary issue in Everyg Missouri  
18    West's 2017 special contemporary issues case?

19           A.    Without the label of special contemporary  
20    issue, the answer is yes.

21                   MS. VanGERPEN:  One moment, Your Honor.

22           BY MS. VanGERPEN:

23           Q.    Are you aware that the OPC identified concerns  
24    with resource adequacy for Everyg Missouri West in the  
25    2018 general rate case?

1 A. Yes.

2 Q. Are you aware that the OPC --

3 JUDGE CLARK: Would you say that again,  
4 please? I didn't hear it.

5 MS. VanGERPEN: Sure.

6 BY MS. VanGERPEN:

7 Q. Are you aware that the OPC identified concerns  
8 with resource adequacy for Evergy Missouri West in the  
9 2018 general rate case?

10 A. Yes was my answer.

11 Q. Are you aware that the OPC identified concerns  
12 with resource adequacy for Evergy Missouri West in the  
13 triennial resource compliance filings in 2018?

14 A. I'm aware that it raised or continued to raise  
15 concerns in 2018. I can't be sure that it was in that  
16 compliance filing. Generally, yes.

17 Q. And you would agree that all of those filings  
18 predate Winter Storm Uri, correct?

19 A. I agree.

20 MS. VanGERPEN: No further questions, Your  
21 Honor.

22 JUDGE CLARK: Any Commission questions? I've  
23 just got one that occurred to me.

24 QUESTIONS

25 BY JUDGE CLARK:

1           Q.    In response to questioning on whether or not  
2   it was prudent to be long or short on resources and  
3   whether or not were dependent on the market, the RTO,  
4   you indicated that under these circumstances you believe  
5   Energys acted prudently.  Were you -- What circumstances  
6   are you referring to?

7           A.    The circumstances surrounding the retirement  
8   of the Sibley coal unit, the entering into of contracts  
9   for wind resources as well, and the entering into of a  
10   contract for capacity with its Metro affiliate.  So it  
11   knew it was meeting the SPP resource reliability  
12   requirement and that the market was fully capable of  
13   meeting energy needs to ensure that reliability of  
14   deliveries to their customers would be maintained.  So  
15   here you had a liquid market and to be clear, Judge, all  
16   of the energy delivered for load to a load-serving  
17   entity like Energys Missouri West is delivered by SPP.  
18   You essentially buy all of your needs from SPP whether  
19   you're long or short of generation.  That doesn't -- The  
20   fact that you're long or short of generation doesn't  
21   affect reliability.  Reliability comes from the  
22   transmission reliability to get the power from SPP to  
23   the distribution system.  So under those circumstances  
24   you have an active liquid market in which energy will be  
25   there.  And the separate requirement of the capacity

1 obligation was met through the bilateral PPA with Evergy  
2 Missouri Metro.

3 Q. Thank you. By getting all of your energy from  
4 SPP, you're referring to the fact that you have to bid  
5 your capacity into the market, correct?

6 A. Two different things. You bid your capacity  
7 on the generation side into the market and that  
8 determines whether your units are dispatched and that  
9 determines your transaction on the generation side. On  
10 the load side, all load is met through power taken out  
11 of SPP and you essentially -- just as you essentially  
12 sell all of your generation into SPP at the locational  
13 price, you buy all of your load requirements from SPP at  
14 the locational price. So it's two separate transactions  
15 but you do bid generation and separately you procure  
16 energy for load. But you do that, Evergy Missouri Metro  
17 did that. All utilities. Empire did that. So all  
18 utilities in SPP procure their energy from SPP to meet  
19 their load-serving obligation and that's independent of  
20 the generation you have on the generation side of the  
21 equation.

22 JUDGE CLARK: Thank you. I think I went  
23 further away from my question than I intended but thank  
24 you. Any recross based upon Commission questions?  
25 Velvet.

1 MS. BELL: No, Your Honor.

2 JUDGE CLARK: Nucor.

3 MR. ELLINGER: No questions, Judge.

4 JUDGE CLARK: MECG.

5 MR. OPITZ: No, thank you, Judge.

6 JUDGE CLARK: Commission Staff.

7 MR. KEEVIL: No questions.

8 JUDGE CLARK: Office of the Public Counsel.

9 MS. VanGERPEN: One moment, Your Honor. I  
10 just have a few questions, Your Honor.

11 RE CROSS-EXAMINATION

12 BY MS. VanGERPEN:

13 Q. Mr. Reed, you would agree that units  
14 dispatched means revenue generated to offset load cost,  
15 correct?

16 A. They can offset load costs. You can generate  
17 within SPP and not even have a load obligation just as  
18 you can be a load-serving entity without generation. So  
19 you can choose to net the generation revenues against  
20 load obligations but you need not.

21 Q. And you would also agree that if an entity has  
22 generation, more generation often means more offset,  
23 correct?

24 A. It means more cost initially to own and  
25 maintain and run that generation. If you produce more

1 mW hours, it produces more revenue, which can offset  
2 your cost of owning and operating that generation.

3 MS. VanGERPEN: Thank you, Mr. Reed. No  
4 further questions, Your Honor.

5 JUDGE CLARK: Everyy, redirect.

6 MR. ZOBRIST: Thank you, Judge.

7 REDIRECT EXAMINATION

8 BY MR. ZOBRIST:

9 Q. Mr. Reed, if you would please turn to Exhibit  
10 200 that was handed to you by counsel for Public Counsel  
11 -- for the Office of the Public Counsel and on Roman  
12 numeral vi I believe the second full paragraph she read  
13 you a sentence and then precluded you from reading  
14 another sentence. So if you could complete your thought  
15 or to read into the record the sentence that you didn't  
16 have a chance to read into the record, I would  
17 appreciate it.

18 A. That paragraph continues with the statements  
19 that the prudent investment test is a tool that  
20 regulators are using to provide an answer to the  
21 question of who should bear which risks and associated  
22 costs. In practice, it seems that many regulators  
23 choose not to hold utilities responsible for risks  
24 affecting the electric industry as a whole. Instead,  
25 state commissions often apply the prudent investment

1 test so as to hold utilities harmless, except for the  
2 consequences of decisions that were unreasonable at the  
3 time they were made. I think those are important  
4 follow-ons to the concept of prudence not being an all  
5 or nothing decision and providing for the potential  
6 sharing of risks. That has been a very contentious  
7 issue in the application of the prudence standard and as  
8 noted by the NRRI, the alternative of risk sharing has,  
9 in fact, been avoided and the application of the prudent  
10 investment test has been maintained.

11 Q. Thank you. Now, Ms. VanGerpen I believe had  
12 you look at Ms. Mantle's Whitepaper on page 17. I  
13 believe it was lines 10 through 13.

14 A. I don't think you meant page 17.

15 Q. I'm sorry. Page 7, does that sound right?

16 A. 6 or 7 but go ahead.

17 Q. 6 or 7. And this is the page that's actually  
18 marked LMM-R-2 Page 7; is that correct, sir?

19 A. Yes, page 6 on the document number.

20 Q. On the document itself. Now, Ms. VanGerpen  
21 asked you to read or she read to you portions about the  
22 resource planning objective of the prudent utility and  
23 you indicated that her reading was not correct. Do you  
24 recall why you believe her reading of that was not  
25 correct? Pardon me, not her reading but her



1 interpretation of what she read.

2 A. It was not a correct recharacterization of the  
3 words on the page because it left off the key phrase at  
4 a cost below market prices. That's essential to the  
5 difference between myself and Ms. Mantle. I do not  
6 believe a standard should incorporate that performance  
7 either has as an objective or as a standard that you  
8 should achieve cost at a cost below market prices every  
9 hour.

10 Q. Do you recall Ms. Mantle's testimony that I  
11 believe you referred to where she advocated in order to  
12 achieve the correct price point that Evergy Missouri  
13 West should have essentially turned off the electricity  
14 during Winter Storm Uri?

15 A. I do recall that issue.

16 Q. And that is set forth I believe on pages,  
17 beginning on page 29 of her rebuttal, line 20; is that  
18 correct, Mr. Reed?

19 A. Yes.

20 Q. What is your opinion of her opinion that  
21 Evergy West should have turned off its customers'  
22 electricity during a period -- can I just get my  
23 question out, Judge.

24 JUDGE CLARK: It appears we have an objection.

25 MS. VanGERPEN: Yes, Your Honor. I was going

1 to object that this is outside the scope of cross.

2 JUDGE CLARK: Everyy.

3 MR. ZOBRIST: We were talking about price  
4 points. Ms. Mantle has that in her testimony. Counsel  
5 for OPC asked Mr. Reed about that. He just talked about  
6 the objective and the reference in her Whitepaper, in  
7 Ms. Mantle's Whitepaper to a price point and I'm asking  
8 him what he thinks about Ms. Mantle's testimony that  
9 controlled interruptions would have been accepted in  
10 order to mitigate customers paying, and I'm quoting her,  
11 hundreds of millions of dollars over the next 15 years.  
12 I believe that's relevant to the economics of this  
13 situation.

14 JUDGE CLARK: I'm going to allow you to ask  
15 the question. I'd like you to stay away from the -- we  
16 are running far afield if we're talking about shut-offs.  
17 If you want to talk about price point in relation to  
18 shut-off or controlled interruptions, I think that's  
19 fine, but I would be wary of what you appear to be  
20 suggesting.

21 BY MR. ZOBRIST:

22 Q. Mr. Reed, do you understand -- I agree with  
23 the Judge. We're talking about the economics of the  
24 situation. What is your opinion of Ms. Mantle's  
25 recommendation there on pages 29 and 30 of her

1 testimony?

2 A. My opinion is that price should not be a  
3 factor in making those kinds of decisions with regard to  
4 service interruptions or reliability. This is not a  
5 matter of trying to reduce cost through those kinds of  
6 actions.

7 Q. Would that be your opinion during an  
8 extraordinary event such as Winter Storm Uri?

9 A. Yes.

10 Q. Is it prudent for public utilities to plan on  
11 the basis of extraordinary unusual events like Winter  
12 Storm Uri?

13 A. No, not events that are unusual or  
14 extraordinary to that degree.

15 MR. ZOBRIST: Judge, that's all I have. Thank  
16 you.

17 JUDGE CLARK: Mr. Reed, you may step down.

18 THE WITNESS: Thank you.

19 (Witness excused.)

20 JUDGE CLARK: At this point it's four o'clock.  
21 I think I'd like to pick up with Mr. Ives tomorrow.

22 MR. KEEVIL: Judge, I don't disagree at all  
23 with what you just said. I just wanted to raise two  
24 additional scheduling items, if I could.

25 JUDGE CLARK: Please.

1           MR. KEEVIL: Staff's witness Mr. Luebbert will  
2 be available tomorrow as scheduled, but you'll notice on  
3 the schedule I noted at the time that he will not be  
4 available Thursday or Friday. So we need to take  
5 Mr. Luebbert tomorrow. And he's the first Staff witness  
6 after Mr. Ives so it shouldn't be a problem. But I just  
7 want to point that out.

8           The other thing you mentioned this morning  
9 that the Commission and yourself would like to have  
10 Mr. Davis, Staff's outside consultant, appear.  
11 Mr. Davis is still planning to be here on Thursday as  
12 scheduled because he has to fly in from New York. So we  
13 won't be able to move him up to tomorrow, but he will be  
14 here Thursday or at least assuming the airlines fly he  
15 will be here Thursday as planned.

16           JUDGE CLARK: Hold on just a second. Does  
17 anybody have a problem with -- Well, let me ask this a  
18 different way. Will Mr. Fortson be available tomorrow  
19 if necessary to testify?

20           MR. KEEVIL: As far as I'm aware, Judge, all  
21 of Staff's witnesses other than Mr. Davis will be  
22 available tomorrow.

23           JUDGE CLARK: Is anybody going to object to  
24 bumping Mr. Davis to the end of Staff's testimony so as  
25 to bump him to Thursday? Okay. Then if we need to take

1 somebody out of order to compensate --

2 MR. KEEVIL: Sure, that's fine.

3 JUDGE CLARK: -- we'll do that. All right.

4 Is there anything else at this point in time that the  
5 Commission needs to take up before we break until  
6 tomorrow? I see nothing. I will see you all tomorrow  
7 at 9:00 a.m. and we will go off the record.

8 CHAIRMAN SILVEY: Thank you, Judge.

9 JUDGE CLARK: Thank you, Chairman.

10 (Thereupon, the proceedings adjourned for the  
11 day at 4:02 p.m., and will continue in Volume 3.)

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CERTIFICATE OF REPORTER

STATE OF MISSOURI )  
COUNTY OF COLE )

I, Beverly Jean Bentsch, RPR, CCR No. 640, do hereby certify that I was authorized to and did stenographically report the foregoing Public Service Commission evidentiary hearing and that the transcript, pages 58 through 269, is a true record of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or counsel connected with the action, nor am I financially interested in the action.

Dated this 11th day of August, 2022.

Beverly Jean Bentsch  
Beverly Jean Bentsch, RPR, CCR No. 640

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