

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

Hearing before:

Judge John Clark

August 04, 2022

Vol 04

PHIPPS REPORTING

Raising the Bar!

THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

Thursday, August 4, 2022
9:00 a.m. - 12:36 p.m.

Missouri Public Service Commission
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200 Madison Street
Jefferson City, MO 65102
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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

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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 4 of 2022, and the
4 current time is 9:00 a.m. We are here for, is it day
5 four, I believe, day four of the evidentiary hearing in
6 File No. EF-2022-0155, which is Evergy Missouri West's
7 Request to Securitize Certain Costs Related to Winter
8 Storm Uri.

9 My name is John Clark. I'm the Regulatory Law
10 Judge presiding over this. Also today I believe we have
11 some Commissioners. I believe Chairman Silvey is
12 currently present. Do we have any other Commissioners
13 present?

14 CHAIRMAN SILVEY: Good morning, Judge.
15 Chairman Silvey.

16 JUDGE CLARK: Good morning, Chairman. Other
17 Commissioners may be joining us throughout the day. At
18 this time I'm going to have counsel for parties enter
19 their appearance for today. On behalf of Evergy
20 Missouri West.

21 MR. STEINER: Morning, Judge. Jim Fischer,
22 Karl Zobrist, Jackie Whipple, Roger Steiner on behalf of
23 the Company.

24 JUDGE CLARK: Staff of the Commission.

25 MR. KEEVIL: Yes, Judge. Appearing on behalf

1 of the Staff of the Commission, Jeff Keevil.

2 JUDGE CLARK: Thank you. Public Counsel.

3 MS. VanGERPEN: Lindsay VanGerpen on behalf of
4 the Office of the Public Counsel.

5 JUDGE CLARK: Thank you. MECG.

6 MR. OPITZ: Tim Opitz on behalf of the Midwest
7 Energy Consumers Group.

8 JUDGE CLARK: Thank you. I'll note for the
9 record that Velvet Tech Services and Nucor Steel
10 requested yesterday to be excused from today's hearing
11 and that was granted. So they're not present.

12 I wanted to go over a brief preliminary matter
13 before we got going, and this is for Staff. Yesterday
14 on the stand Ms. Lange indicated that she was working
15 with Mr. Lutz on an exemplar tariff, which I believe is
16 supported by the stipulation and agreement; is that
17 correct?

18 MR. KEEVIL: Yes.

19 JUDGE CLARK: And she also indicated that that
20 might be completed before the end of the week; is that
21 correct?

22 MR. KEEVIL: I think that's what she
23 indicated, but I don't know where they are. I don't
24 know if that's come to fruition or not.

25 JUDGE CLARK: I know that may or may not have.

1 Would it be possible to have that submitted as a
2 late-filed exhibit?

3 MR. KEEVIL: Yeah, I don't see why we couldn't
4 do that. Again, it may not be by tomorrow.

5 JUDGE CLARK: That would be fine if they can
6 file it as a late-filed exhibit and I'll give a period
7 of time to file written objections to it. Likewise, I
8 believe during Mr. Ives' testimony I had asked if he
9 could provide some things as an exhibit. Can those
10 things I requested be submitted as late-filed exhibits?

11 MR. STEINER: Yes, Your Honor.

12 JUDGE CLARK: Thank you very much.

13 MR. STEINER: Would you mind going over those?
14 I have them in my notes if you don't have them handy.

15 JUDGE CLARK: I believe -- Hold on just a
16 second and I believe I can. Lisa Starkebaum's direct
17 testimony from ER-2022-0025, which is Evergy Metro's
18 FAC. I also believe 2017 IRP Annual Update. I believe
19 that is it. But if there's another that occurs to me, I
20 will let you know.

21 MR. STEINER: Okay.

22 JUDGE CLARK: Are there any other preliminary
23 matters that need to be dealt with at this time before
24 we go back into witness testimony? I see none.

25 I believe we'd agreed yesterday to proceed

1 with Staff's Witness Davis; is that correct?

2 MR. KEEVIL: Yes.

3 JUDGE CLARK: Go ahead.

4 MR. KEEVIL: Yes. Judge, Staff would call to
5 the stand Mark Davis.

6 JUDGE CLARK: Would you raise your right hand
7 to be sworn.

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

11 THE WITNESS: Yes.

12 JUDGE CLARK: Please be seated. I'm going to
13 ask that -- If you lean back from the microphone, your
14 voice will disappear. So I'm going to ask that you
15 speak into the microphone. Go ahead, Staff.

16 MR. KEEVIL: Thank you, Judge.

17 Thereupon:

18 MARK DAVIS,
19 having been first duly sworn, was examined and testified
20 as follows:

21 DIRECT EXAMINATION

22 BY MR. KEEVIL:

23 Q. Sir, would you please state your name for the
24 record?

25 A. Mark S.A. Davis.

1 Q. Are you the same Mark Davis who has caused to
2 be prepared and filed in this case the rebuttal
3 testimony of Mark Davis in both public and confidential
4 versions and which has been premarked as Exhibit No.
5 106C and 106P?

6 A. Yes.

7 Q. Do you have any corrections or additions you
8 need to make to that testimony?

9 A. Yes.

10 Q. What are those?

11 A. On page 4, line 2, 302.800 million should be
12 revised to 303.0 million.

13 Q. And as I understand it, that correction is
14 simply to coincide with the corrections Ms. Bolin made
15 yesterday to her testimony; is that correct, sir?

16 A. That's correct.

17 Q. With that correction, if I were to ask you the
18 questions contained in Exhibit 106C and 106P, would your
19 answers be the same as contained therein?

20 A. Yes.

21 Q. And are those answers true and correct to the
22 best of your information, knowledge, and belief?

23 A. Yes.

24 MR. KEEVIL: Judge, with that I would offer
25 Exhibit 106C and 106P into the record.

1 JUDGE CLARK: Any objections to admitting
2 Exhibits 106C and 106P onto the hearing record? 106C
3 and 106P will be admitted onto the hearing record.

4 (STAFF EXHIBITS 106C AND 106P WERE RECEIVED
5 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

6 MR. KEEVIL: Thank you. Judge, with that I
7 would tender the witness for cross.

8 JUDGE CLARK: Any cross-examination from MECG?

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

10 JUDGE CLARK: Any cross-examination from
11 Public Counsel?

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

13 JUDGE CLARK: Any cross-examination from
14 Evergy?

15 MR. ZOBRIST: No questions, Judge.

16 JUDGE CLARK: Any Commissioner questions? I
17 have a few questions for you, Mr. Davis.

18 QUESTIONS

19 BY JUDGE CLARK:

20 Q. Would you briefly explain to the Commission
21 the process involved in structuring, marketing, and
22 pricing of bonds once a financing order is complete?

23 A. Sure. Structuring -- There's many elements to
24 structuring, marketing, and pricing the bonds. Starting
25 with the structure of the bonds, the goal of structuring

1 the bonds is to put together various elements of the
2 financing to ultimately obtain the lowest cost issuance.
3 That could involve items such as reviewing and preparing
4 registration statements to document the bonds with the
5 SEC, reviewing and preparing rating agency materials
6 which would be necessary for marketing the bonds, as
7 well as various elements of the bonds such as tranche
8 structuring, determining the term and maturity of the
9 bonds or other features that would make the bonds most
10 interesting or appealing to investors such as index
11 eligibility to enhance the liquidity of the bonds and
12 make them more attractive to the investor universe. So
13 ultimately the structure of the bonds is designing an
14 instrument that's most attractive to investors and as a
15 result can help achieve the lowest cost.

16 Moving to the marketing of the bonds,
17 marketing of the bonds is the process to obtain access
18 to the lowest cost sources of capital possible. That
19 oftentimes begins with the underwriter selection
20 process, so bringing in underwriters, understanding the
21 views across all of Wall Street of what would make the
22 bonds most appealing to the broadest source of low cost
23 capital investment as possible. Again, oftentimes
24 involving registering the bonds with the SEC, obtaining
25 credit ratings and reviewing the amount of credit

1 ratings or number of agencies required to obtain the
2 best terms, the strategy in terms of how to get
3 information necessary to investors to make sure that
4 they have what they need in order to invest in the
5 bonds. And the materials that would be shared with
6 investors which could include items such as road show
7 presentations, non-deal road show presentations,
8 prerecorded road show materials, rating agency
9 presentations and alike to make sure that investors have
10 the information that they need in order to understand
11 the issuance and do the work they need to invest in the
12 bonds.

13 The marketing process also involves the time
14 spent with investors educating them on the process may
15 kick off prior to formal announcement of marketing
16 through events such as non-deal road shows, educating
17 the market on the securitization product that's going to
18 be coming to market followed by oftentimes road shows
19 during the marketing process, small group investor
20 meetings or one-on-one investor meetings educating
21 individual investors on the issuance itself, as well as
22 educating investors on the pricing of the bonds. So
23 there may be discussion around what the relevant pricing
24 benchmarks are and how the bonds ultimately should be
25 priced.

1 Moving to the pricing stage, the pricing stage
2 is effectively the strategy and process to bring pricing
3 in as tight as possible for the bonds. And the goal
4 within the -- oftentimes within the utility rate
5 reduction bonds statutes is to achieve the lowest
6 possible cost on the bonds. So pricing may involve
7 reviewing pricing benchmarks, determining what pricing
8 levels should be displayed to the market to drive
9 interest into the bonds, and then a process going from
10 those initial discussions with investors, which are
11 oftentimes referred to as initial price talks or whisper
12 pricing, through a guidance stage which is an
13 opportunity to further tighten pricing with the market
14 if the investor interest is sufficient to justify it.
15 Ultimately to test pricing which is a further
16 opportunity to tighten up pricing and understand the
17 level of investor demand in the book and then ultimately
18 locking in the treasuries and pricing the bonds
19 themselves. So that's at least a high level overview of
20 many of the key elements of the structuring, marketing,
21 and pricing of the bonds.

22 Q. Thank you. I'm going to ask you some
23 questions about at what point in the process certain
24 activities occur, and would you tell me when those
25 activities would occur or if they occur as part of the

1 process. I know you indicated that selecting
2 underwriters occurs under the marketing process; is that
3 correct? Are there meetings to select the underwriters
4 or other deal participants?

5 A. The process for selection of underwriters can
6 vary from state to state and from utility to utility.
7 Oftentimes that process is defined by either the utility
8 in advance of the financing order stage or it may be
9 defined within the financing order itself in terms of
10 what process and involvement the Commission and other
11 designated representative or finance team may have in
12 the process itself.

13 Oftentimes the structuring advisor, who
14 typically is the lead underwriter, is selected in
15 advance of Commission proceedings. That structuring
16 advisor is involved in drafting the financing order and
17 various elements of what goes into the utility's
18 application. That party is oftentimes the lead
19 underwriter. There's oftentimes a process following
20 approval of the financing order that may involve
21 Commission-designated representatives or finance teams
22 to solicit proposals for lead underwriters, gain
23 information across Wall Street of what underwriters may
24 recommend the different elements of the structuring,
25 marketing, and pricing of the bonds ultimately should

1 look like and use that information to ultimately select
2 other lead underwriters beyond the structuring advisor
3 to oversee the process as well as in the event
4 appropriate to select co-managers who are other parties
5 that may help market the bonds. So in short, it could
6 occur at the very beginning of the process prior to the
7 finance order ultimately being approved. It could be
8 ordered in the financing order to occur following
9 approval of the financing order with input from the
10 designated rep or other Commission-related parties to
11 ensure that the information that's provided through the
12 underwriter selection process is sufficient to help
13 inform the designated rep of the various elements of
14 structuring, marketing, and pricing as they proceed
15 through the process.

16 Q. Are you aware of whether an underwriter has
17 been selected in this case?

18 A. I understand a structuring advisor has been
19 selected, Citigroup. A structuring advisor would
20 naturally take the seat as the lead underwriter, but
21 it's my understanding they have not been formally
22 retained as the lead underwriter at this point in time.

23 Q. Just a second. At what point in the process
24 would rating agency presentations or meetings occur?

25 A. Typically shortly after retention of the lead

1 underwriter and potentially retention of other lead
2 underwriters the rating agency discussions would begin.
3 So there would be selection of typically structuring
4 advisor as the lead underwriter. Other lead
5 underwriters may be added to that group, reviewing
6 agency materials, rating agency materials may be
7 reviewed and probably should be reviewed with the
8 designated rep and its advisors before being shared with
9 the rating agencies. It typically occurs very early in
10 the process.

11 The rating agency process is one of the
12 longest lead time components of the issuance itself.
13 Typically takes six to eight weeks to get through the
14 rating agency process. So oftentimes that occurs very
15 early on along with the SEC registration documents and
16 associated documents as to allow the rating agencies to
17 do their work while the remainder of the finance team
18 work and structuring occurs.

19 Q. During this process, do regularly scheduled
20 meetings or calls with the financing team or working
21 group occur?

22 A. Yes. In processes where I've been involved,
23 it's typical to have regularly scheduled meetings as
24 you've asked.

25 Q. Is it unusual to have a designated

1 representative at those meetings like a designated staff
2 representative?

3 A. No. It's typical in the instances where I've
4 been involved to have the designated rep and its
5 advisors participate in the meetings throughout the
6 process beginning very early on at the underwriter
7 selection process throughout the structuring, marketing,
8 and pricing process.

9 Q. At what point in the process do documents such
10 as indenture, servicing agreements, offering documents,
11 purchasing agreements, marketing materials, and rating
12 materials, at what point do those get distributed? And
13 I know I've asked about a lot of different documents
14 that probably have different distribution times.

15 A. The vast majority of the documents you've
16 described would occur again very early in the process.
17 And part of the reason for that is they're necessary for
18 either SEC registration documents or rating agency
19 reviews. So items such as the indenture, the servicing
20 agreement, administrative agreement, all inform the
21 rating agency review and as a result are reviewed and
22 distributed very early in the process.

23 Q. Is it unusual to have a designated staff
24 representative receive those documents for review?

25 A. No. In my experience, it's common for the

1 designated representative to both receive the documents,
2 review and comment on the documents before they're
3 distributed to rating agencies and other third parties.

4 Q. Do you have experience with similar
5 securitization transactions to what's going on here?

6 A. I do. I've advised on over eight billion
7 dollars of transactions completed this year and am
8 currently advising on similar transactions in four
9 states including this one.

10 Q. And in your experience what have other
11 commissions done or would you recommend this commission
12 do to have the interests of the ratepayers represented
13 during the marketing, pricing, and structuring phase of
14 bond issuance?

15 A. It's typically spelled out in the financing
16 order what role or involvement the commission or
17 designated rep would have in the process. There's
18 various elements in the process which are defined by the
19 statute when a designated rep can be involved. There's
20 other elements within the statute as I understand them
21 to achieve the lowest cost execution and having full
22 involvement from the very beginning of the process at
23 the point when the financing order is approved
24 throughout the structuring, marketing, and pricing I
25 believe is important to achieving the lowest ultimate

1 cost of the securitization as required.

2 So I would recommend the designated rep and
3 its advisors be involved from the point the financing
4 order is approved and have regularly scheduled meetings
5 with the utility to work through the structuring,
6 marketing, pricing, as well as review the up-front and
7 ongoing costs as the process evolves.

8 Q. Now, Evergy will have the responsibility
9 regarding the structuring, marketing, and pricing of any
10 bonds that would be issued. Should the Commission's
11 financing order specify minimum activities during the
12 structuring, marketing, and pricing of bonds that input
13 and collaboration with the Commission's designated
14 representative should be required?

15 A. Could you repeat the question.

16 Q. You had indicated in your answer to my
17 previous question that you believe that levels of
18 involvement of the designated representative vary
19 depending upon financing orders and by statutory
20 allowances. And while it's understood that Evergy will
21 have the responsibility regarding the structuring,
22 marketing, and pricing of the bonds, do you think that a
23 financing order should specify at a minimum activities
24 which the Commission's designated representative and as
25 you said financial advisors should be required to

1 participate?

2 A. I do. In other words, they should have the
3 opportunity to participate. The designated rep should
4 have the opportunity to participate in those various
5 elements or other elements at the time working through
6 the process they deem to be appropriate. Ultimately
7 what's very important in the review process is making
8 sure that the structure, marketing, and pricing are set
9 up in a way where ultimately there's no need to reject
10 the issuance advice letter at the end of the process.

11 If the issuance advice letter is rejected,
12 that could be catastrophic to the ability to issue rate
13 reduction bonds in the future in the state, and so
14 defining a process which ensures there's involvement
15 throughout the process can both prevent the issuance
16 advice letter from ultimately being rejected and provide
17 an opportunity throughout the process to ensure that
18 each element is structured in a way to achieve the
19 lowest cost.

20 Q. Do you believe the level of involvement of the
21 designated representative should be defined in the
22 financing order?

23 A. I believe the financing order should lay out
24 certain items that the designated rep should opine on
25 like the structuring, marketing, and pricing and the

1 degree of interaction they should have with the utility.
2 Should they provide input and collaborate, should they
3 have rejection rights. The degree of authority granted
4 to the designated rep in each aspect of the process
5 should be defined in the financing order.

6 Q. Should the Commission require that Evergy, the
7 underwriters, and an independent financial advisor
8 deliver to the Commission independent written
9 certifications without material qualifications
10 confirming what they have done has, in fact, resulted in
11 the lowest cost of funds and lowest recovery charges
12 consistent with market conditions at the time of bond
13 pricing?

14 A. So I believe both the issuer and the
15 underwriters should deliver certifications to the
16 company that have a conclusion without material
17 qualification that they have achieved the lowest cost
18 consistent with market conditions at the time.
19 Underwriters may require various assumptions to go into
20 how they arrived at that conclusion. For instance,
21 information that they've relied on from the company is
22 something they need to rely on and not independently
23 diligence every aspect of the information they've
24 received. So the certifications, the stronger they are
25 from the underwriters and issuer are more valuable but

1 they need to be structured in a way that does not
2 preclude a large portion of the underwriter universe
3 from participating in the issuance. The underwriters
4 are very important to ultimately achieving the lowest
5 possible cost and so ensuring that there's a sufficient
6 pool of available underwriters to participate in the
7 issuance is also an important element of achieving the
8 lowest cost.

9 Q. In your experience, what conditions or
10 requirements are underwriters typically willing to
11 certify to?

12 A. In my experience, the underwriters will
13 provide a conclusion that they've -- based on the steps
14 that they've taken, the scope of their engagement and
15 the assumptions that they've relied on that the issuance
16 including the structuring, marketing, and pricing result
17 in the lowest cost consistent with market conditions at
18 the time. So they'll qualify to some extent with the
19 assumptions and the scope of their role but they'll
20 ultimately come to a conclusion based on those inputs
21 that they certify that the structuring, marketing, and
22 pricing achieve the lowest cost.

23 Q. Are there things that underwriters will not
24 certify to?

25 A. I'm sure there are. I couldn't delineate

1 exactly what those items are. But in the event it's a
2 fully unqualified opinion without any limit on the scope
3 of the underwriter's involvement or the assumptions
4 they've made, underwriters may not be willing to issue a
5 certificate under those circumstances.

6 Q. In regard to repayment schedules, expected
7 interest rates, and financing costs both up front and
8 ongoing, what will be the parameters of the bonds
9 establishing the terms and conditions of the bonds?

10 A. The proposed financing order maintains a good
11 amount of flexibility for ultimately what the repayment
12 schedule looks like and interest rates schedule looks
13 like.

14 Q. Can you repeat that. I'm sorry.

15 A. The proposed financing order retains a good
16 amount of flexibility as to what various elements of the
17 ultimate issuance looks like including the repayment
18 schedules, as well as the term of the bonds and the
19 interest rate of the bonds. Many of those elements
20 won't be known until the process is completed. As an
21 example, the term of the bonds is proposed in the
22 financing order to be 15 years. However, the proposed
23 financing order also maintains the flexibility to make
24 adjustments to the extent necessary to achieve the best
25 possible credit rating. Achieving that best possible

1 credit rating is important to achieving the lowest cost
2 so in the event the term as an example needed to change
3 in order to achieve the lowest cost that the flexibility
4 to modify the term is helpful to retain within the
5 financing order.

6 MR. KEEVIL: Judge, could I -- I'm a little
7 bit, whether you or whether Mr. Davis when you're
8 talking about the proposed financing order whether
9 you're talking about the financing order which has been
10 proposed in this case so far by Mr. Lunde or whether
11 you're talking about an as yet to be proposed financing
12 order?

13 JUDGE CLARK: I am talking not about a
14 specific financing order. I am talking about in general
15 how a financing order might work. So not a particular
16 proposed one, not Evergy's proposed one, not the one
17 that Staff may do, but I'm speaking generally of
18 financing orders.

19 MR. KEEVIL: Thank you.

20 THE WITNESS: With that, to clarify my answer,
21 I was describing the financing order described by
22 Mr. Lunde. Financing orders can vary widely in terms of
23 ultimately the structure that's proposed. If there's a
24 defined term which maybe the Commission may determine is
25 appropriate from a policy perspective, intergenerational

1 transfer, affordability perspective, that may be defined
2 in a financing order or may be left open ultimately to
3 achieve the lowest cost based on the bonds that are the
4 term appropriate to achieve the lowest possible cost as
5 reviewed in the future by a designated rep. Repayment
6 schedules are oftentimes left open within a financing
7 order as the interest rate is unknown. And the interest
8 rate given the levelized payment nature of
9 securitization informs what repayment schedules look
10 like. So that's oftentimes left open and ultimately
11 provided to the Commission through the review process
12 and in final form in the issuance advice letter and the
13 interest rate remains open.

14 In some instances there's a cap on the
15 interest rate if required by the statute, but oftentimes
16 the interest rate remains open, reviewed by the finance
17 team, and ultimately approved by the Commission through
18 the issuance advice letter process.

19 Q. Should a procedure be established that allows
20 or requires staff to audit the ongoing financing cost
21 post issuance of the bonds and that would be inclusive
22 of such things as servicing fees, return on invested
23 capital, accounting fees, legal fees, rating agency
24 surveillance fees, and indenture trustee fees? And to
25 shorten the question, should staff be allowed or

1 required to audit those?

2 A. Staff should be allowed to audit those
3 amounts. In finance team roles where I've been
4 involved, various elements of items such as the
5 servicing agreement and administrative agreement, so
6 portions of the securitization proceeds that are paid
7 directly to the utility are oftentimes required through
8 the finance team review process to be reviewed to ensure
9 that there's no double collection by the utility on
10 items such as servicer fee or administrative fees with
11 true-ups or adjustments taking place through the general
12 rate cases.

13 So oftentimes there is a subsequent review and
14 credits back to utilities in the event -- or back to the
15 ratepayers in the event a utility is overcollecting on
16 items such as servicer fees or administrative fees. So
17 a review process I believe would be appropriate with one
18 caveat that it shouldn't limit the amount that the
19 utility collects or the SPV collects on account of the
20 securitization vehicle. It needs to be known how much
21 the securitization vehicle will receive in order to keep
22 that entity separate from bankruptcy -- from a
23 bankruptcy perspective. But the adjustments or auditing
24 could take place separately as long as it doesn't impact
25 the cash flows available to the securitization vehicle

1 itself.

2 Q. Are provisions allowing or requiring staff to
3 audit unusual or have you seen those before?

4 A. I've seen provisions where amounts that have
5 been collected in excess of actual costs get credited
6 back to ratepayers in a general rate case. I'm not
7 familiar with instances where there's a separate audit
8 of costs, but I also don't see that being problematic.

9 Q. Now, in the proposed -- in Evergy's proposed
10 financing order that was attached to Lunde's testimony,
11 direct testimony, it allows for the issuance of
12 securitization bonds in one or more series with a
13 financing order to be issued at the issuance of each
14 series of bonds, and at page 17 of his direct testimony
15 he states that he expects the bonds to be issued in two
16 or three tranches to target specific investors but he
17 doesn't provide a similar expectation that the bonds
18 will be issued in multiple series. Would you please
19 explain to the Commission how the issuance of multiple
20 series would work?

21 A. I would say it's uncommon for securitization
22 bonds to be issued in multiple series. I've seen it
23 done before. I've been involved in instances this year
24 where it's taken place in multiple series, but that's
25 been driven by the overall size of the offering. In

1 this instance, given the size of this offering and the
2 amount of fixed costs associated with securitization, I
3 would anticipate it to be unlikely that the offering
4 should take place in multiple series. It should be
5 reviewed by the designated rep or finance team during
6 the preissuance review process after the financing order
7 is put together and evaluated in conjunction with the
8 review of the up-front and ongoing costs to see if it
9 would be prohibitively expensive to issue the
10 securitization through multiple series.

11 Ultimately if the underwriters aren't able to
12 place the full amount of the bonds in a single series,
13 having the flexibility to issue incremental bonds
14 through a subsequent series rather than pull a deal may
15 be advantageous to have the flexibility for. However, I
16 would anticipate in this instance it to be highly
17 unlikely that multiple series would be appropriate or
18 should be pursued in this instance.

19 Q. Under what circumstances would it become
20 necessary to issue multiple series?

21 A. In the event the underwriters would be unable
22 to place the full amount of the bonds at the lowest
23 possible cost, a portion of the bonds may be held back
24 to be issued in the future. However, an analysis would
25 need to be completed to determine if the incremental

1 fixed cost associated with a separate series of bonds
2 would justify withholding a portion of the bonds from
3 issuance as part of the first series.

4 Q. If multiple series were issued, what would
5 that mean about the number of financing orders that
6 would have to be issued?

7 A. I've seen multiple series of bonds be issued
8 under the same financing order in the past. So a
9 financing order approve the ability to issue the bonds
10 in one or multiple series. The utility would need to
11 file multiple issuance advice letters with the
12 Commission. However, it would be uncommon to require an
13 incremental financing order to issue the second series
14 of bonds.

15 Q. If the Commission were to approve a financing
16 order allowing multiple series, what would that mean in
17 a process if multiple financing orders are required?

18 A. Could you clarify your question.

19 Q. I can try. You said that you have seen where
20 a single financing order authorized the issuance of
21 multiple series. Is that unusual?

22 A. No, it's not.

23 Q. Would it be more usual to see multiple
24 financing orders if there aren't more than one series
25 issued?

1 A. I haven't seen that before.

2 Q. You haven't seen multiple orders?

3 A. No, not for the same cost being sought for
4 approval. I've seen multiple financing orders in the
5 event a portion of the costs haven't been incurred yet,
6 so under the same statute seeking additional authority
7 to securitize incremental amounts once they've been
8 incurred and approved by the Commission. However, I
9 haven't seen an instance where amounts had been
10 incurred, approved by the commission, and separate
11 financing orders were required to securitize the balance
12 that was approved for securitization.

13 Q. How would multiple series impact the financing
14 costs from the issuance of the bonds at different times,
15 assuming more than one series?

16 A. Multiple series are likely if not would almost
17 certainly increase the financing cost associated with
18 the issuance and that's driven by a large amount of
19 fixed costs associated with each issuance. So items
20 such as legal fees, rating agency fees are fixed costs
21 and on an ongoing cost basis items such as
22 administrative fees or accounting fees are oftentimes
23 fixed costs that would be incremental in the event of
24 multiple series. So all costs aren't variable. There's
25 a portion of the costs that are fixed and would be

1 incurred for each series of issuance resulting in an
2 increase in the overall costs.

3 Q. Assuming for a moment that two series would be
4 issued, how would the cost of issuing a second series be
5 recovered?

6 A. It's my understanding that the cost of a
7 second series would also be recovered from ratepayers as
8 a line item on the ratepayer's bill.

9 Q. Is that any different from how a single series
10 would be recovered?

11 A. No, I would expect it to be recovered in a
12 very similar way. It may be under the same line item.
13 It's probably under a separate line item on the customer
14 bill but otherwise same mechanic to recover such
15 amounts.

16 Q. Does the issuance of multiple series impact
17 carrying costs?

18 A. Yes. The up-front carrying costs would be
19 different. There would be incremental up-front
20 financing costs incurred over the incremental time
21 required to issue the second series of bonds.

22 Q. So that's how it would impact the up-front
23 financing costs?

24 A. That's one way it would impact the up-front
25 financing costs. In addition to that, there would be

1 legal fees, there's going to be separate registration
2 documents filed, there's going to be separate ratings
3 required. So up-front fees to the rating agencies.
4 Certain other up-front costs may also increase as not
5 all those costs are variable or tied to the amount of
6 securitization finance that's raised.

7 Q. What about ongoing financing fees?

8 A. Certain of the ongoing financing fees are also
9 fixed and so incremental amounts would be incurred on
10 the second series of bonds. Fixed ongoing financing
11 costs as an example would be items such as the
12 administrative fee payable to the utility. Accounting
13 fees as there's likely separate accounting required for
14 the incremental series. A large portion of the ongoing
15 costs such as the servicer fee are variable so they're
16 tied to the amounts. Your servicer fee probably doesn't
17 increase. But certain number of those items like the
18 accounting fee and administrative fee are likely to
19 increase with multiple series.

20 Q. Now, Lunde indicated that he had structured in
21 his proposed order a scheduled final payment date for
22 the bonds at 15 years and a legal final maturity date of
23 17 years after closing. And one of the reasons he gave
24 for that later maturity date is to allow a period of
25 time in which securitization charges can be collected to

1 make up for any shortfall in the 15-year collection
2 period. So what is the term of the bonds? Is it 15 or
3 17 years or both?

4 A. The maturity that investors will focus on is
5 the 15 years, the scheduled life of the bonds. The
6 pricing will be focused on that 15-year time period.
7 The benchmark interest rate would be focused on that
8 15-year time period. The 17 years or incremental two
9 years is incremental time that's provided to provide
10 rating agencies and investors comfort that there won't
11 be default if there's undercollection on the principal
12 amount of the bonds. It provides incremental time to
13 collect in an event that proceeds have been insufficient
14 to pay off the bonds through their scheduled final
15 maturity date of 15 years. The tranche structuring will
16 be designed to achieve that 15-year stated maturity, but
17 in the event there's not enough collections during the
18 final periods to pay off the bonds by year 15, there's
19 incremental cushion to continue to collect the charge as
20 necessary to pay off the bonds before that stated final
21 legal maturity date of 17 years.

22 Q. Do you have Lunde's proposed financing order?

23 A. I do.

24 Q. I'm going to ask you some questions about that
25 on page 38 of that order in paragraph 69. Let me know

1 when you're there.

2 A. I'm there.

3 MR. KEEVIL: Judge, did you say page 38,
4 paragraph 69?

5 JUDGE CLARK: Yes.

6 MR. KEEVIL: Because I notice that there is at
7 the top of Mr. Lunde's schedule there's a different
8 pagination than on the bottom of Mr. Lunde's schedule.
9 So if you look at the bottom pagination, it's actually
10 page 40 I think instead of page 38 that paragraph 69
11 appears on. If you look at the top of the page
12 pagination, it's page 38. So I just want to make that
13 clear that we're all looking at the same pagination here
14 when we're talking about. Am I correct there that
15 that's the one you're looking at?

16 JUDGE CLARK: Yes, I'm looking at I believe
17 paragraph 69 provides that the commission or its
18 designated representative can require certificate from
19 the company. Are we all there?

20 MR. KEEVIL: That's it.

21 BY JUDGE CLARK:

22 Q. I want to pick up for just a second. You
23 mentioned earlier that the financing order submitted by
24 Lunde provides a level of flexibility in terms of the
25 bond. In that document it references 15 years as the

1 terms of the bond. Is it your understanding that under
2 the financing order the issuer would be able to issue
3 the bond for more than 15 years or even more than 17
4 years for the legal maturity date proposed?

5 A. Yes. I recall there being language in the
6 financing order and actually see it here on paragraph 73
7 I believe on the following page that indicates unless --
8 that the 15 years or 17-year final legal maturity is
9 that amount unless deemed necessary to obtain the best
10 possible credit rating. So there's incremental
11 flexibility to move that term if necessary as proposed
12 by the issuer.

13 Q. Have you seen those kinds of terms applied
14 before where a bond final payment or where a bond's term
15 is changed?

16 A. Yes. I've seen similar flexibility built into
17 other financing orders to allow the term to ultimately
18 be set during the post financing order preissuance
19 review process.

20 Q. But you don't believe that provision is
21 unusual?

22 A. No. I've seen it used in other instances.

23 Q. Okay. Let's go back to paragraph 69 which
24 allows, as I said, the Commission or its designated
25 representative may require a certificate from the

1 company, for which the company will rely on a
2 certificate from each book-running underwriter,
3 confirming that the structuring, marketing, and pricing
4 of the securitization bonds resulted in the lowest
5 securitized utility tariff charges consistent with
6 market conditions. Have these certificates been
7 delivered in other utilities' securitizations?

8 A. Yes, that's my experience.

9 Q. What information or statements would the
10 book-running underwriters provide so that the company
11 can make such a certification?

12 A. In many instances I've seen the certification
13 not only be provided to the company directly but also a
14 certification be provided to and for the benefit of the
15 commission. And so in my experience there's value in
16 both the issuer receiving the certification but also the
17 commission getting the benefit of the certification
18 itself. Part of the benefit of the commission receiving
19 the certification is also the ability of the commission
20 staff's designated representative to evaluate the terms
21 of that certificate, the assumptions that are made,
22 qualifications if any that go into the certification to
23 make sure the certification is appropriate and the
24 underwriters feel an obligation to achieve the lowest
25 possible cost on the financing itself.

1 Q. What I heard there was there are instances
2 where you've seen the requirement that the underwriters
3 provide certification directly to the Commission; is
4 that correct?

5 A. Correct.

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

9 A. That would be uncommon based on my experience.
10 The certification oftentimes outlines the process
11 necessary or the process that was undertaken in order to
12 achieve the lowest cost, and that process may evolve
13 based on the market conditions at the point in time when
14 the underwriters are structuring, marketing, and pricing
15 the bonds. And as such I've typically seen the
16 certifications be developed during the process and
17 reviewed by the designated rep or finance team but not
18 be structured and rigid in advance of the process itself
19 unfolding.

20 Q. Just to follow up on that for a second. If
21 that's not required and instead the underwriters certify
22 to the company and then the company certifies to the
23 commission, does the company then control the language
24 of the certification that's provided to the commission?

25 A. They may. It doesn't appear to be defined in

1 paragraph 69 how that process would work.

2 Q. Do you believe that the designated staff
3 representative would be involved in that part or not?

4 A. I believe it would be helpful to the process
5 to have the designated rep involved in review of each of
6 the certifications, both those of the underwriters as
7 well as those of the issuer. I could see the issuer
8 require the underwriters to provide certifications that
9 are very close to the certifications the issuers
10 providing directly to the commission. However,
11 involvement, review, input over both the underwriter and
12 the issuer certificate I think would be appropriate.

13 Q. Say that last sentence again, please.

14 A. I believe involvement or oversight into the
15 certification of both the issuer and the underwriter
16 certifications would be appropriate.

17 Q. Let me propose financing order indicates that
18 the commission or its designated representative may
19 participate with the company in discussions regarding
20 the structuring and pricing of the securitized utility
21 tariff bonds and provide input to the company and
22 collaborate with Evergy West in all facets of the
23 process undertaken by Evergy West. Would that
24 participation include the meetings to select the
25 underwriters or the other deal participants?

1 A. I believe that it's appropriate to include the
2 selection of underwriters and other deal participants in
3 that review process. It's unclear from the proposal
4 that Evergy has provided on what degree of involvement
5 they're envisioning as part of that process.

6 Q. Would that include participation in rating
7 agency presentations or meetings?

8 A. I'd provide the same answer.

9 Q. Would the designated representative
10 participate in regularly scheduled meetings or calls of
11 the financing team or working group?

12 A. Same answer on that topic as well.

13 Q. Should staff's representatives and advisors be
14 included in the distribution of documents, and I believe
15 these are documents I mentioned before, indenture,
16 servicing agreements, offering documents, purchase
17 agreements, marketing materials, and rating materials?

18 A. Yes. It's appropriate for the designated rep
19 and its advisor to receive and have an opportunity to
20 comment on such documents.

21 Q. Now, on page 37, and at least I hope we're
22 talking about 37 and I'm looking at provision C14,
23 Non-Standard True-Up Provisions.

24 A. I'm with you.

25 Q. Would you explain what a non-standard true-up

1 provision is?

2 A. Oftentimes non-standard true-up provisions are
3 provided for in financing orders to provide flexibility
4 to deal with changes in customer classes over time. So
5 for a long-term financing, if customer classes evolve to
6 deal with equity issues associated with those or other
7 unknowns when the financing order is entered into,
8 there's flexibility to modify the way that the revenue
9 is collected or the customer classes that they're
10 allocated to to deal with equity issues. Making such
11 modifications typically would require approval of all
12 parties, including commission, rating agencies, the
13 utility itself. So it provides incremental flexibility
14 to make modifications if required in the future but also
15 is limited in terms of the ability to use it as any
16 party could reject use of the non-standard true-up as
17 required. I would note the staff's proposed allocation
18 of the rate reduction bonds on a per unit basis rather
19 than by customer class reduces the likelihood that a
20 non-standard true-up or use of a non-standard true-up
21 would be required in this instance.

22 Q. And under what circumstances would a
23 non-standard true-up provision be applied? You said
24 that staff's loss-adjusted allocation, is that correct,
25 minimizes potential for that. Under what circumstances

1 would the non-standard true-up provision be applied?

2 A. If instead the customer class allocation were
3 broken down into multiple customer classes and one of
4 the customer classes was reduced to a single customer or
5 eliminated, having the same allocation to that customer
6 class may not be appropriate and so non-standard true-up
7 to adjust for that could be appropriate.

8 Q. Are there other circumstances where you could
9 see that being applied?

10 A. Sitting here today, nothing comes to mind.

11 Q. Now, this non-standard true-up provision,
12 would you say that it's typical for securitization
13 financing orders?

14 A. Yes, it's common to see a non-standard true-up
15 provision.

16 Q. Would you turn to Schedule SL-4 in Lunde's
17 surrebuttal and that's where he does his break-even
18 analysis.

19 MR. KEEVIL: Did you say surrebuttal, Judge?

20 JUDGE CLARK: That is correct.

21 MR. KEEVIL: Thank you.

22 THE WITNESS: Okay. I'm with you.

23 BY JUDGE CLARK:

24 Q. Now, in that table he included a break-even
25 analysis for the net present value calculations

1 comparing securitization to both an FAC and an
2 accounting authority order. Would you explain the
3 results of his analysis?

4 A. Yes. As presented by Mr. Lunde, and using the
5 assumptions that Mr. Lunde used around the carrying
6 costs under customary ratemaking, he derives a
7 break-even interest rate of 9.72 percent for
8 securitization relative to an AAO method and 6.986
9 percent for securitization compared to an FAC method.
10 So that's the maximum interest rate based on all the
11 assumptions that Mr. Lunde assumed that would result in
12 savings relative to the customary method as he's
13 presented them.

14 Q. And those rates you just put forth, those
15 would be the maximum coupon interest rates?

16 A. Correct.

17 Q. Do you have any idea how those rates would
18 change if the Commission approved Evergy's long-term
19 rate of 5.06 for both the carrying costs and the
20 discount rate instead of the weighted average cost of
21 capital?

22 A. I can tell you directionally they would go
23 down. However, the quantum of change I can't quantify
24 sitting here today. We'd need to run his model with the
25 revised carrying cost rate.

1 Q. Just bear with me. I'm not a finance person.
2 When you say "go down," do you mean the break-even point
3 gets better or worse?

4 A. The break-even point gets worse. It would be
5 a lower securitization rate would be -- the break-even
6 rate for securitization would be lower than what he's
7 presented.

8 Q. Better or worse may not have been the best
9 term, but you said the break-even point is lower?

10 A. Correct.

11 Q. So the maximum coupon interest rate would
12 decrease?

13 A. Yes, assuming I understand your question
14 correctly, which is the carrying costs under traditional
15 ratemaking on a go-forward basis post January 2023 would
16 be at 5.06 percent rather than the utility's weighted
17 average cost of capital. There's two components of
18 carrying costs that have been evaluated. One, the
19 carrying costs between Winter Storm Uri occurring and
20 securitization and then secondarily from the point when
21 this is securitized or put into an FAC or AAO going
22 forward through the recovery period, and what I've been
23 describing is that go-forward period the rate coming
24 down.

25 Q. Do you know what percentage of costs Evergy is

1 seeking to recover through its proposed financing order?

2 A. Evergy is seeking to recover 100 percent of
3 costs through its financing order.

4 Q. Under Mr. Lunde's evaluation, is the net
5 present value of securitization better than that of an
6 accounting authority order?

7 A. Yes.

8 Q. Under his calculations, is securitization
9 better than running these costs through an FAC?

10 A. Yes.

11 Q. So in either scenario the collection of 100
12 percent of the costs still results in a lower rate for
13 the customer than an FAC or an AAO?

14 A. That's correct based on the assumptions
15 driving Mr. Lunde's analysis, including the use of the
16 weighted average cost of capital as the go-forward
17 carrying cost under both of the customary ratemaking
18 methods.

19 Q. Have you read Bolin's, Staff Witness Bolin's
20 surrebuttal?

21 A. Yes.

22 Q. I'm sorry. Rebuttal?

23 A. Yes.

24 Q. Now, she references that you calculated
25 Staff's proposed estimated up-front financing cost; is

1 that correct?

2 A. Yes.

3 Q. Now, I didn't see in your testimony how you
4 calculated that number. Would you explain how you came
5 up with that number?

6 A. Yes. The estimated up-front financing cost
7 supporting my testimony relied on the Company's
8 estimated up-front cost adjusted to take into account
9 the reduced amount of costs Staff proposed being
10 securitized. So variable costs were reduced reducing
11 the amount of the up-front fees. The balance that I
12 calculated also excluded Commission advisor costs which
13 would be payable in the event securitization is approved
14 or not approved to provide for a similar comparison or
15 apples to apples comparison between securitization and a
16 non-securitization case.

17 Q. Have you done a calculation that would include
18 Staff's advisor costs?

19 A. No.

20 JUDGE CLARK: Thank you. Those are all the
21 questions I have for you right now. Any questions based
22 upon bench questions? MECG.

23 MR. OPITZ: Very briefly, Your Honor.

24 CROSS-EXAMINATION

25 BY MR. OPITZ:

1 Q. You were discussing non-standard true-up
2 provisions with the Judge. Do you remember that?

3 A. Yes.

4 Q. And you were talking about circumstances where
5 the non-standard true-up would come into play. And one
6 of your examples included if there was one customer on a
7 class and they left the system that might cause a
8 non-standard true-up; is that accurate?

9 A. Correct.

10 Q. But having an allocation on a class basis
11 wouldn't in itself cause a non-standard true-up?

12 A. Correct. It's not necessary simply because
13 there's multiple classes if something changes materially
14 within the class.

15 MR. OPITZ: Okay. Thank you.

16 JUDGE CLARK: Any questions based on bench
17 questions from Public Counsel?

18 MS. VanGERPEN: No questions, Your Honor.

19 JUDGE CLARK: Any questions based on bench
20 questions for Everygy?

21 MR. ZOBRIST: Yes, Judge. Just a few
22 questions here.

23 CROSS-EXAMINATION

24 BY MR. ZOBRIST:

25 Q. Mr. Davis, I believe that you said in your

1 initial remarks that you understand that Missouri is
2 like other states and that we are governed by the
3 statute that the legislature passed with regard to
4 securitization, correct?

5 A. I don't recall being asked that specific
6 question.

7 Q. Well, we are governed by the statute that
8 everyone here, including you and Staff and the Company
9 are required to abide by; isn't that true?

10 A. That's my understanding, yes.

11 Q. In the other states where you have provided
12 advice, you adhere to the statute in that particular
13 state, correct?

14 A. Correct.

15 Q. And like all of us here, you are obligated to
16 follow, in this case it's Section 393.1700, correct?

17 A. Correct.

18 Q. And are you familiar with a non-unanimous
19 stipulation that the Company entered into with Staff
20 earlier this week?

21 A. I am.

22 Q. And I'm assuming you are comfortable with the
23 language that is included in that non-unanimous
24 stipulation?

25 A. Yes.

1 Q. And as you sit here today, is there any
2 provision or phrase or sentence in that non-unanimous
3 stipulation and agreement that you object to?

4 A. No.

5 Q. And I believe in the non-unanimous stipulation
6 there is language that is consistent with and indeed
7 quoted in section, we call it little section h, it's
8 2(3)(h). Do you recall that? It's the one that deals
9 with input and collaboration and attendance at meetings,
10 that sort of thing?

11 A. Yes.

12 Q. And in fact, there is specific language in
13 Missouri that states that the Commission shall have the
14 authority to designate a representative or
15 representatives from Commission Staff who may be advised
16 by a financial advisor or advisors contracted with the
17 Commission to provide input to the utility and to
18 collaborate with the utility in all facets of the
19 process related to the placement of the utility tariff
20 bonds to market, correct?

21 A. Yes.

22 Q. And am I correct that it does not include any
23 right to reject certain aspects of this process in terms
24 of the designated representative of Staff; is that true?

25 A. Is your question an interpretation of that

1 section of the statute?

2 Q. No, sir. My question relates to your use of
3 the term rejection rights in response to one of the
4 Judge's questions about having input into the financing
5 order. So if I could rephrase the question. Am I
6 correct that the statute does not provide a designated
7 representative with the right to reject any aspect of
8 the process in providing input or collaboration?

9 A. It's my understanding that the statute
10 provides the Commission with the ability to implement
11 what's necessary to achieve the lowest cost and if it
12 viewed the role that it grants to the designated rep as
13 necessary or a finance team as it designates necessary
14 in order to achieve the lowest cost that it could
15 implement such protections.

16 Q. Sir, is there any language in this portion of
17 the statute that allows the Commission to delegate its
18 lawful authority to a designated representative to
19 reject, for example, the language in an underwriting
20 certificate -- underwriter's certificate?

21 A. And you're referring explicitly to that
22 subsection (h); is that correct?

23 Q. In this context, that's correct.

24 JUDGE CLARK: Mr. Zobrist, it sounds like
25 you're asking Mr. Davis to draw a legal conclusion.

1 MR. ZOBRIST: Well, Judge, I'm asking him
2 where the right to reject, and he talked about rejection
3 rights in his response to you, I'm asking if rejection
4 rights are included either in section 2(3)(h) or
5 anywhere else in the statute to his knowledge.

6 JUDGE CLARK: So you're just asking him if he
7 sees that in the statute?

8 MR. ZOBRIST: Correct.

9 JUDGE CLARK: Okay. Why don't we limit it to
10 that.

11 MR. ZOBRIST: Thank you.

12 THE WITNESS: Could you repeat the question
13 with that in mind.

14 BY MR. ZOBRIST:

15 Q. Sir, you remember that you used the words
16 rejection rights, correct?

17 A. Are you referring to the description I gave
18 around roles designated reps have, or finance teams have
19 in other instances?

20 Q. Yes.

21 A. Yes.

22 Q. Okay. So you do find the language concerning
23 rejection rights in the statute?

24 MR. KEEVIL: I believe that's a gross
25 mischaracterization of what he just said, Your Honor.

1 MR. ZOBRIST: And I apologize if I
2 misunderstood. When you said yes, I wasn't sure --

3 JUDGE CLARK: I'm going to paraphrase and see
4 if we can get here. Do you see anything about rejection
5 rights in the statute using the term rejection?

6 THE WITNESS: I don't see the term rejection
7 in the statute.

8 JUDGE CLARK: Thank you.

9 MR. ZOBRIST: Thank you, Judge.

10 JUDGE CLARK: Does that get to what you
11 wanted?

12 MR. ZOBRIST: That's really what I was trying
13 to get.

14 MR. KEEVIL: Let's hope so.

15 MR. ZOBRIST: The point of distinction was the
16 Commission certainly has lawful authority if the
17 designated representative in the statute is not given
18 rejection rights.

19 MR. KEEVIL: Judge, the statute says what the
20 statute says. If Mr. Zobrist wants to argue who has
21 what rights, he can certainly do that in his brief.
22 This is not the time or the place for Mr. Zobrist to be
23 testifying regarding the statute.

24 JUDGE CLARK: I think -- Did you have more
25 questions on this, Mr. Zobrist, or was that it?

1 MR. ZOBRIST: I think I got the response that
2 I wanted, Judge.

3 JUDGE CLARK: I think we are where we are. I
4 think you've made your point and that was the point I'm
5 getting to which is he can't interpret that statute.

6 MR. ZOBRIST: All right.

7 JUDGE CLARK: You're not a lawyer, are you,
8 Mr. Davis?

9 THE WITNESS: I'm not.

10 BY MR. ZOBRIST:

11 Q. Let me ask you something about a phrase that
12 you used when the Judge was asking you about what
13 happens during the pricing stage. You talked about the
14 goal of achieving the lowest possible cost. Do you
15 recall that?

16 A. Yes.

17 Q. Am I correct that a standard of reasonableness
18 is to be applied as you go through your recommendations
19 and go through your analysis of what are the pricing
20 terms, conditions of the bonds? It's the reasonableness
21 of the terms, it's not that it's the lowest possible
22 cost whether it's reasonable or unreasonable. Is that
23 fair to say?

24 MR. KEEVIL: Judge, I believe Mr. Davis was
25 referring to the lowest costs provisioning of the

1 statute. Again, God forbid we go back to that. The
2 term lowest cost I believe shows up in the statute. I
3 believe that was what Mr. Davis was testifying about
4 when he said what he said about lowest cost. Again, I
5 think Mr. Zobrist is mischaracterizing Mr. Davis' prior
6 testimony.

7 MR. ZOBRIST: Judge, I'm really not trying to
8 characterize it. I'm just trying to understand it.

9 JUDGE CLARK: What's your question again for
10 me?

11 MR. ZOBRIST: To the witness, Your Honor?

12 JUDGE CLARK: I just want to know what your
13 question is. I'm just trying to think back to what it
14 is to try and deal with the objection first.

15 MR. ZOBRIST: My question with regard to the
16 costs that would be embodied in a proposal. The
17 designated representative is to provide the Commission
18 with an opinion on the reasonableness of the pricing
19 terms and conditions of the bonds. Is that fair to say?

20 JUDGE CLARK: Hold on a second. Let me think
21 about that. Does this get to whether he sees the word
22 reasonable in there or whether he believes that the term
23 implies reasonableness?

24 MR. ZOBRIST: I'm simply reading the statute
25 and asking him if his testimony with regard to the

1 lowest possible cost is consistent with the
2 reasonableness of the pricing terms and conditions of
3 the bonds that we see in Section 2(3)(h).

4 JUDGE CLARK: Hold on just a second while I
5 get there. Bear with me just a moment. Why don't we
6 just shorten me looking for it and you read it to me.

7 MR. ZOBRIST: I'm sorry, Judge?

8 JUDGE CLARK: I said why don't we just shorten
9 me looking for it and you read it to me.

10 MR. ZOBRIST: Read the phrase I was asking the
11 witness about?

12 JUDGE CLARK: Yes.

13 MR. ZOBRIST: In providing input to the
14 utility, Mr. Davis, in collaborating with the utility in
15 all facets of the process undertaken by the electrical
16 corporation to place the bonds to market so the
17 Commission's representative or representatives can
18 provide the Commission with an opinion on the
19 reasonableness of the pricing terms and conditions of
20 the bonds on an expedited basis.

21 MR. KEEVIL: Judge, I thought you asked Mr.
22 Zobrist to read you the statute that he was quoting.
23 Was I wrong with that?

24 JUDGE CLARK: No, you were not.

25 MR. KEEVIL: Thank you.

1 JUDGE CLARK: Would you read the section of
2 the statute you're asking about?

3 MR. ZOBRIST: Yes, sir. It is sentence 2 in
4 Section .2(3)(h) and it states the Commission shall have
5 the authority to designate a representative or
6 representatives from Commission Staff who may be advised
7 by a financial advisor or advisors contracted with the
8 Commission to provide input to the electrical
9 corporation and collaborate with the electrical
10 corporation in all facets of the process undertaken by
11 the electrical corporation to place the securitized
12 utility tariff bonds to market so the Commission's
13 representative or representatives can provide the
14 Commission with an opinion on the reasonableness of the
15 pricing terms and conditions of the securitized utility
16 tariff bonds on an expedited based.

17 JUDGE CLARK: What was your question again
18 regarding reasonableness?

19 MR. ZOBRIST: My question was just to confirm
20 Mr. Davis' understanding that that opinion relates to
21 the reasonableness of the pricing, terms and conditions
22 of the bonds; is that correct, Mr. Davis?

23 JUDGE CLARK: Wait a second. What's your
24 objection?

25 MR. KEEVIL: Well, for one thing I don't know

1 what this has to do with the bench questions. For
2 another thing, I don't believe Mr. Davis included all
3 the little (h) that Mr. Zobrist is referring to. There
4 are other sections of the statute that refer to lowest
5 securitized utility tariff charges consistent with
6 market conditions at the time the securitized bonds are
7 priced and the terms of the financing order. So I mean,
8 Mr. Zobrist is basically cherry picking things that
9 support his position and then asking Mr. Davis to
10 confirm or deny them. I mean, it's mischaracterizing
11 Mr. Davis' previous testimony is my basic objection
12 here, but it's also beyond the scope of your questioning
13 and it's ignoring other subsections of the statute that
14 are in play.

15 MR. ZOBRIST: Judge, my response to Mr. Keevil
16 is yes, there are other sections of the statute that are
17 relevant. I was just quoting this one sentence because
18 it deals with the role of the designated representative.

19 JUDGE CLARK: I'm going to sustain the
20 objection.

21 BY MR. ZOBRIST:

22 Q. Mr. Davis, am I correct that the designated
23 representative doesn't have the right to select the
24 underwriter?

25 A. I don't believe the role of the designated rep

1 has been defined.

2 Q. Are you stating that the designated
3 representative has the right to select the lead
4 underwriter or other underwriters?

5 JUDGE CLARK: Are we talking about the statute
6 or are we talking about Evergy's proposed order?

7 MR. ZOBRIST: At this point, I'm just asking
8 the witness for his opinion, Judge.

9 JUDGE CLARK: Go ahead.

10 THE WITNESS: Could you ask the question
11 again?

12 BY MR. ZOBRIST:

13 Q. Do you believe that the designated
14 representative has the right to select the underwriter
15 or the lead underwriter for the securitization?

16 A. I don't believe the role of the designated
17 representative has been defined.

18 Q. But you do understand that the designated
19 representative has the right to provide input and to
20 collaborate with the electrical corporation, correct?

21 A. I understand certain portions of what the
22 designated rep can do have been defined by statute.

23 Q. And am I correct that the designated
24 representative does not have authority to direct how the
25 electrical corporation places the bonds to market; is

1 that correct?

2 A. I understand there's specific language within
3 the statute around placing the bonds to market, although
4 what placing the bonds to market means is not defined.

5 Q. Are you familiar with the statute what it says
6 about the meetings that the designated representative
7 has the right to attend?

8 A. Yes.

9 Q. And it has the right to attend all meetings
10 convened by the electrical corporation to address
11 placement of the bonds to market; is that correct?

12 A. Yes.

13 Q. It doesn't say anything about the right to
14 attend meetings that the electrical corporation has with
15 rating agencies, does it?

16 A. My understanding is there's room for the
17 Commission to define the role of the designated rep
18 within the statute. However, I don't believe that
19 portion has been defined but could be defined in the
20 financing order itself.

21 Q. Isn't it unusual to have a designated
22 representative in rating agency meetings that the
23 electrical corporation might have?

24 A. Are you asking about attending the meetings in
25 person with the rating agencies?

1 Q. Yes.

2 A. Yes, in my experience the designated rep
3 hasn't attended the meetings in person with the rating
4 agencies, rather had access to all information in
5 advance of it being shared with the rating agencies and
6 access to the information that came out of such
7 meetings.

8 Q. Is it fair to say that the underwriter
9 certification process is fairly standard in what it
10 provides in securitizations?

11 A. I don't know if I can say that it's standard.
12 I think it's different in each transaction.

13 Q. What did you include for Staff and Commission
14 advisor fees as far as up-front financing costs?

15 MR. KEEVIL: Beyond the scope of bench
16 questions.

17 JUDGE CLARK: Say that again. Mr. Keevil,
18 remember to lean into the microphone.

19 MR. KEEVIL: Sorry. He's getting beyond the
20 scope of bench questions. I'm not even sure what he
21 meant include. He just asked Mr. Davis what he included
22 for advisor fees and up-front financing costs without
23 designating where he was referring to having included
24 them. I don't remember that being part of your
25 questions.

1 JUDGE CLARK: I did, in fact, ask about
2 whether or not he had calculated advisor fees in his
3 up-front financing costs, I believe. I'm going to go
4 ahead and allow him to ask the question. Your objection
5 is overruled.

6 THE WITNESS: Could you repeat the question?

7 BY MR. ZOBRIST:

8 Q. Did you include --

9 JUDGE CLARK: Please lean into the microphone.

10 MR. ZOBRIST: Yes. Thank you, Judge.

11 BY MR. ZOBRIST:

12 Q. Did you include for Staff and Commission
13 advisor fees as part of up-front financing costs that
14 you estimated in the securitization?

15 A. The review of Commission and Staff costs
16 wasn't necessary for the analysis that I prepared.

17 Q. So you did not include any fees in your
18 analysis with regard to up-front financing costs?

19 A. My analysis in order to compare apples to
20 apples, securitization to non-securitization cases in
21 both instances where fees are payable under the statute
22 they were excluded from the comparative analysis between
23 the two cases.

24 Q. Now, with regard to meetings, I think you
25 agree with me that the law says that the designated

1 representative gets to attend meetings that are convened
2 by the electrical corporation with regard to the
3 placement of bonds, correct?

4 A. I understand there's provisions within the
5 statute related to certain meetings that the designated
6 rep is explicitly allowed to attend.

7 Q. And am I correct that there's no power of the
8 designated representative to call meetings and request
9 or compel others to attend?

10 A. Are you asking about what's provided for or
11 explicitly outlined in the statute are the
12 responsibility?

13 Q. Yes, sir.

14 A. I haven't seen provisions in the statute that
15 explicitly address that concept.

16 Q. And the underwriting opinion typically does
17 provide an opinion on the reasonableness of the pricing
18 terms and its conditions; is that correct?

19 A. Can you clarify which underwriting opinion
20 you're referring to? Are you referring to what's
21 provided for in the financing order, the statute? Can
22 you describe what you're asking about?

23 Q. In the statute.

24 A. I don't know offhand what it says.

25 Q. Just a moment, Your Honor. Am I correct that

1 there is no concept called the finance team with regard
2 to advising the Commission in the statute per se, the
3 words finance team are not in the Missouri statute?

4 A. My understanding is the Missouri statute
5 provides flexibility for the Commission to determine
6 what provisions are appropriate to achieve the lowest
7 cost. However, I haven't seen the language finance team
8 outlined in the statute.

9 MR. ZOBRIST: Judge, that's all I have. Thank
10 you.

11 JUDGE CLARK: Thank you.

12 QUESTIONS

13 BY JUDGE CLARK:

14 Q. Before we redirect, Mr. Davis, did you do a
15 net present value calculation based upon Staff's
16 position for the amount to be securitized carrying costs
17 and discount rate?

18 A. Yes.

19 Q. Where would I find that calculation?

20 A. The output of the calculation is summarized in
21 my rebuttal testimony.

22 Q. What about the calculation itself?

23 A. I submitted workpapers with the underlying
24 calculation.

25 Q. Are those attached to your testimony?

1 MR. KEEVIL: No. Workpapers are not attached
2 to testimony. Schedules are attached to testimony. The
3 workpapers are provided to all the parties I think
4 within two business days of filing the testimony. The
5 workpapers themselves I don't believe are attached.
6 Unless they're schedules to Mr. Davis' testimony,
7 they're not attached. We can certainly file them if you
8 want us to.

9 JUDGE CLARK: I would like you to submit his
10 net present value calculation workpaper as an exhibit,
11 if you don't object to that.

12 MR. KEEVIL: Net present value calculation.
13 Was there something else?

14 JUDGE CLARK: I don't want the outputs. The
15 outputs he's indicated are already in testimony. I'm
16 curious about the calculation. I can see at least to a
17 large degree Lutz's. And if you can file that as a
18 late-filed exhibit, I'll provide a time for the other
19 parties to file objections to that as well.

20 MR. KEEVIL: Okay. We certainly can.

21 JUDGE CLARK: I will consider that a question.
22 So I'm just going to allow real quick. Does MECG have
23 any questions based on that?

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

25 JUDGE CLARK: OPC.

1 MS. VanGERPEN: No, Your Honor.

2 JUDGE CLARK: Everyy.

3 MR. ZOBRIST: None, Your Honor.

4 JUDGE CLARK: And you don't have any further
5 questions at this time, Everyy; is that correct?

6 MR. ZOBRIST: I'm sorry. That's correct,
7 Judge.

8 JUDGE CLARK: I believe you already said that.
9 Staff, any redirect?

10 MR. KEEVIL: Well, I feel obligated to after
11 Mr. Zobrist's recitation of statutory language.

12 REDIRECT EXAMINATION

13 BY MR. KEEVIL:

14 Q. Mr. Davis, Mr. Zobrist asked you several
15 questions about what he referred to as sub (h) I think
16 of the statute. I'd like to draw your attention, if I
17 could, to 393.1700.1 and then it's 2 or 3, let me figure
18 this out. It's rather --

19 JUDGE CLARK: Do you have a line number for
20 that?

21 MR. KEEVIL: The line number from the statute?

22 JUDGE CLARK: The on line version is what I'm
23 looking at. If you don't, that's fine.

24 MR. KEEVIL: My on line version didn't have
25 line numbers when it printed out at least.

1 BY MR. KEEVIL:

2 Q. I'm looking at the subsection (3) that refers
3 to what the Commission orders -- proceedings on a
4 petition submitted pursuant to this subsection shall be
5 disposed of. That's (a). Then (c) says a financing
6 order issued by the Commission after hearing to an
7 electrical corporation shall include the following
8 elements. (c) says a finding that the proposed
9 structuring and pricing of the securitized utility
10 tariff bonds are reasonably expected to result in the
11 lowest securitized utility tariff charges consistent
12 with market conditions at the time the securitized
13 utility tariff bonds are priced and the terms of the
14 financing order. Are you generally familiar with that,
15 Mr. Davis?

16 A. Yes.

17 Q. Now, how in your estimation would the
18 Commission's order find that the structuring and pricing
19 of the bonds were reasonably expected to result in the
20 lowest securitized utility tariff charges, how would
21 that --

22 A. Sure. The involvement of the designated rep
23 with financial advisors, a finance team, some
24 involvement of Commission Staff representatives
25 throughout the structuring, marketing, pricing process,

1 including from the very early stages of the underwriter
2 selection process through the ultimate pricing of the
3 bonds is appropriate in order to provide some degree of
4 oversight, input, collaboration to the utility on what's
5 necessary to ultimately achieve the lowest cost making
6 sure that the structure is designed to bring in the
7 lowest cost pools of capital possible through the
8 marketing process is sufficient and provides investors
9 enough time and information to do their work to achieve
10 the lowest price and ultimately that pricing benchmarks
11 are appropriately utilized and that the pricing process
12 is designed to achieve the lowest possible cost. So
13 involvement throughout the post-financing order
14 preissuance process I believe is appropriate to achieve
15 that requirement.

16 Q. Thank you. If I can also direct your
17 attention to subsection 2(3)(b) refers to or it states
18 that in performing its responsibilities under this
19 section in approving, approving subject to conditions,
20 or rejecting a petition for a financing order, the
21 Commission may retain counsel, blah, blah, blah. I
22 notice, sir, that this subsection contemplates that the
23 Commission could approve the petition for securitization
24 subject to conditions. Would you agree with that
25 statement?

1 A. Yes.

2 Q. And what type of conditions do you believe
3 could be appropriate in approving the financing? Let me
4 rephrase it. You mentioned in response to Mr. Zobrist
5 that the statute allowed the Commission some flexibility
6 in determining the role of the designated
7 representative. Is that the section you were referring
8 to, or one of perhaps the sections you were referring
9 to, that allows the Commission to condition its order in
10 this proceeding and provide for duties of a designated
11 representative?

12 A. Yes. I believe what you touched on, section
13 (d) is relevant, section (c) in terms of achieving the
14 lowest cost is relevant, and I think the last section of
15 section (h) that indicates the financing order may
16 provide additional provisions related to the issuance
17 advice letter process as the Commission considers
18 appropriate and are not inconsistent with this section
19 are also informative.

20 Q. Now, I believe you said in response to
21 Mr. Zobrist that the role of the designated
22 representative has not been defined. Were you referring
23 to has not been defined in a financing order?

24 A. Correct. In the financing order itself.

25 Q. Since the financing order has not yet been

1 issued?

2 A. Correct.

3 Q. Yet the Commission is free to define the role
4 of the designated representative in the financing order
5 as far as you're aware?

6 A. Yes.

7 Q. In response to the -- Well, let me stick with
8 financing order for a second. There's lots of things
9 that's in a financing order, correct?

10 A. Yes.

11 Q. Are you familiar with the -- Prior to the
12 submission by the parties of the non-unanimous
13 stipulation that Mr. Zobrist mentioned, are you aware
14 that the Commission had ordered Staff to submit a
15 proposed financing order at the time Staff files its
16 initial brief in this case?

17 A. Yes.

18 Q. And are you aware that under the terms of the
19 non-unanimous stipulation itself that provides for the
20 parties to the stipulation to provide for lack of a
21 better term the stipulations does not use this term. I
22 want to say that up front so Mr. Zobrist doesn't scream.
23 But for lack of a better term, the parties are to submit
24 like a joint financing order in conjunction or in
25 compliance with the stip and the statute?

1 A. Yes, that's my understanding.

2 Q. And that that will be done or it's intent for
3 that to be done at the time of the filing of initial
4 briefs?

5 A. Yes.

6 Q. So either way, whether you're talking with or
7 without the stipulation, is it your understanding that
8 it was always Staff's intent to file or submit a
9 proposed financing order for the Commission's
10 consideration?

11 A. Yes.

12 Q. You mentioned the review of up-front and
13 ongoing costs by the designated representative. What
14 sort of costs are we talking about there? I guess
15 there's two separate types. We have up-front and then
16 we have ongoing.

17 A. Sure. The up-front costs would consist of
18 items such as the largest item in there is typically the
19 underwriter fees, legal fees, rating agency fees.
20 Various items that go into the issuance itself would
21 also include Commission advisor cost and other items
22 that go into the balance that's ultimately securitized.

23 The ongoing costs would be amounts that would
24 be collected every period through the charge and would
25 include items such as the servicer cost, administrative

1 fees, accounting fees, ongoing rating agency fees to
2 name a few of the costs that make up large portions of
3 the ongoing costs.

4 Q. Okay. Thank you. The Judge asked you some
5 questions about whether multiple series of bonds should
6 be issued or could be issued. He also mentioned that
7 somewhere in Mr. Lunde's testimony, perhaps also in
8 yours, the concept of multiple tranches was discussed.
9 Can you distinguish there between multiple series of
10 bonds and multiple tranches of bonds?

11 A. Sure. So multiple series would be going to
12 market multiple times and incurring each of those cost
13 items under each of the different series. Once a series
14 is structured, within that series and within the defined
15 cash flow life, so 15 years estimated in this instance,
16 the cash flows can then be divided up into multiple
17 tranches. Here there's been discussion around two or
18 three tranches of bonds. And what that does is creates
19 different pools of investor capital interested in buying
20 the bonds. So the ratepayer sees one effectively
21 levelized payment over the 15-year period. They pay the
22 same amount each period. The tranches you may have a
23 five-year tranche, a tranche that's mid life and a
24 tranche that's the back end of the 15-year period where
25 you attract short-term investors to buy into the short

1 dated tranche and investors that have a longer term
2 investment horizon to invest in the longer dated
3 tranches. So it provides for a wider pool of investors
4 to participate in the issuance and can help drive lower
5 costs relative to investors collecting the payments over
6 a 15-year period who looks a little bit more like what
7 investors are used to seeing.

8 Q. Is there an accepted definition of the term
9 tranche that we could use or you could give us or is it
10 perhaps not subject to definition?

11 A. I think I define it as a subset of the cash
12 flow stream. Securitization of a subset of the cash
13 flow stream, but I'm sure I could provide a better
14 definition with a little more time.

15 Q. Sorry. You also mentioned in response to the
16 Judge the issuance advice letter process. Can you
17 explain that generally, the issuance advice letter
18 process?

19 A. Sure. Because the terms of the ultimate
20 financing are unknown when the financing order is
21 approved, Commissions in many instances have required a
22 process which culminates in an issuance advice letter
23 being provided to the Commission with a period of time
24 for the Commission to reject that issuance advice letter
25 to the extent it deems appropriate. It's very uncommon

1 for issuance advice letters to ultimately be rejected.
2 It could be catastrophic from a capital markets
3 perspective if an issuance advice letter is ultimately
4 rejected. So a broader process is common to ultimately
5 inform the issuance advice letter reviewing all aspects
6 of the structuring, marketing, and pricing and other
7 elements that inform the costs that ultimately will end
8 up on the ratepayer bill. The issuance advice letter
9 itself will include the final details of the
10 securitization itself. So that would include items like
11 the repayment schedule, the interest rate, the schedule
12 of the actual amount of up-front and ongoing costs to
13 name a few of the items that would be in the ultimate
14 issuance advice letter.

15 Q. If the designated Staff representative
16 participation in the process is limited to advising the
17 Commission whether to approve or disapprove the issuance
18 advice letter, would that be problematic?

19 A. Yes. If ultimately the designated rep simply
20 receives two weeks or some period prior to the issuance
21 advice letter being finalized a draft that has all the
22 terms, has the tranche structure, has what's ultimately
23 fed into where the utility is out and what will be
24 issued and doesn't have any ability to gain information
25 throughout the process on the way to achieve the best

1 structuring, marketing, and pricing and ability to
2 provide input and collaborate with the utility during
3 that process, they could end up in a situation where
4 it's probably not the best structure, marketing, and
5 pricing that ultimately could have resulted in the
6 lowest cost. But in a world where if that issuance
7 advice letter was rejected it would be catastrophic from
8 a capital market perspective and very difficult to put
9 the Commission and the designated rep in a very
10 difficult position. That's why one of the best
11 practices that we've seen across the country is the
12 designated rep or finance team review process in advance
13 of it so we're not in a world where the issuance advice
14 letter is delivered and the Commission has four days
15 after pricing, I believe under the statute, four days
16 after delivery of that issuance advice letter to
17 ultimately approve or reject the advice letter.

18 Q. You say you have seen that in other
19 jurisdictions?

20 A. Yes.

21 Q. Is it common in other jurisdictions for the
22 Staff designated representative, or whatever it's called
23 in those other jurisdictions, to be involved throughout
24 the process rather than waiting until the end of the
25 process?

1 A. Yes.

2 MR. KEEVIL: I think that's all I have, Judge.

3 Thank you.

4 JUDGE CLARK: Mr. Davis, you may step down.

5 (Witness excused.)

6 JUDGE CLARK: It is 11:02 and we've been going
7 for quite awhile without a break. So why don't we all
8 come back at 11:30 and then we'll do at least one OPC
9 witness and see where we are in relation to lunch. So
10 be back at 11:30 and we are off the record.

11 (Recess 11:03 p.m. until 11:30 a.m.)

12 JUDGE CLARK: Okay. Let's go back on the
13 record. OPC. Let me clarify, Staff, you don't have any
14 further witnesses, do you?

15 MR. KEEVIL: No, Judge. We've had all of
16 Staff's witnesses take the stand. Thank you.

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

19 MS. VanGERPEN: Thank you, Your Honor. The
20 OPC calls Mr. David Murray to the stand.

21 JUDGE CLARK: Mr. Murray is appearing
22 remotely. Mr. Murray, would you raise your right hand
23 to be sworn.

24 Do you solemnly swear or affirm that the
25 testimony you are about to give at this evidentiary

1 hearing is the truth?

2 THE WITNESS: I do.

3 JUDGE CLARK: OPC, you may inquire.

4 Thereupon:

5 DAVID MURRAY,

6 having been first duly sworn, was examined and testified
7 as follows:

8 DIRECT EXAMINATION

9 BY MS. VanGERPEN:

10 Q. Good morning, Mr. Murray. Please state your
11 name and spell it for the record.

12 A. My name is David Murray. Last name is spelled
13 M-u-r-r-a-y.

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

15 A. Employed by the Office of the Public Counsel
16 as a Utility Regulatory Manager.

17 Q. Are you the same David Murray who caused to be
18 prepared rebuttal and surrebuttal testimony in this
19 matter?

20 A. Yes, I am.

21 Q. Do you have any corrections or additions to
22 your written testimony that has been premarked as
23 Exhibits 203P and 203C for rebuttal testimony and 204P
24 and 204C for surrebuttal testimony?

25 A. I do not.

1 Q. If I asked you these same questions today,
2 would your answers be the same?

3 A. Yes.

4 Q. Are those answers true and correct to the best
5 of your knowledge?

6 A. Yes.

7 MS. VanGERPEN: Your Honor, I offer Exhibits
8 203P, 203C, 204P, and 204C for admittance and tender the
9 witness for cross.

10 JUDGE CLARK: Any objections to admitting
11 203P, 203C, 204P, and 204C onto the hearing record?
12 203P, 203C, 204P, and 204C are admitted onto the hearing
13 record.

14 (OPC EXHIBITS 203P, 203C, 204P, AND 204C WERE
15 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

16 JUDGE CLARK: Any cross-examination for this
17 witness from MECG?

18 MR. OPITZ: Yes, Your Honor.

19 JUDGE CLARK: Go ahead.

20 CROSS-EXAMINATION

21 BY MR. OPITZ:

22 Q. Good morning, Mr. Murray. You're aware that
23 there's been a stipulation and agreement filed in this
24 case, correct?

25 A. Yes.

1 Q. And within that are you aware that OPC carved
2 out a few issues that remain disputed and one of those
3 issues is carrying costs?

4 A. Yes.

5 Q. Can you tell me what the main difference
6 between OPC's position on carrying costs and what is
7 contained in the stipulation and agreement?

8 A. The main difference is after the fuel
9 adjustment clause period, the stipulation and agreement
10 entered into and filed and I guess agreed on this part
11 was for Staff and the Company is after the fuel
12 adjustment clause period they increased the carrying
13 costs rate applied to the balances and I think their
14 rate is 5.06 based on embedded costs of long-term debt
15 in 2018. My recommendation is to continue to use
16 short-term debt costs incurred by the Company until such
17 time as the bonds or the securitized bonds are issued.

18 Q. Why do you believe the short-term debt is the
19 appropriate amount to use?

20 A. Well, first and from a financial logic
21 standpoint that, you know, it's highly unlikely that a
22 company is going to issue a two or three-year bond.
23 There are exceptions to finance these costs before they
24 issue the securitized bonds. And so I would say that I
25 think that that is a prudent and customary practice that

1 I would expect. But in the instance of Evergy Missouri
2 West in the Evergy West rate case in discovery in that
3 case I found that they carry quite a bit of short-term
4 debt on their books and have indicated one of the
5 primary reasons is the Storm Uri asset.

6 Q. So if I'm understanding that, you're
7 recommending short term because that's what the Company
8 has incurred while carrying this debt for Storm Uri?

9 A. Yes.

10 MR. OPITZ: No further questions, Your Honor.

11 JUDGE CLARK: Any questions from Commission
12 Staff?

13 MR. KEEVIL: No, Judge, thanks.

14 JUDGE CLARK: Any questions from Evergy?

15 MR. ZOBRIST: No questions, Judge.

16 JUDGE CLARK: Any Commissioner questions?

17 CHAIRMAN SILVEY: No questions, Judge.

18 JUDGE CLARK: Thank you, Chairman. I have
19 just a few short questions for you, Mr. Murray.

20 THE WITNESS: Sure.

21 QUESTIONS

22 BY JUDGE CLARK:

23 Q. Has Evergy issued long-term debt since 2020?

24 A. Evergy, I mean Evergy has, they have many
25 companies. Evergy Missouri West, I'm not sure you're

1 referring to Evergy the holding company or Evergy
2 Missouri West. So can you clarify that for me.

3 Q. Well, to the best of your knowledge, why don't
4 we go through both Evergy Metro and West. Let's start
5 with West. Have they issued long-term debt since 2020?

6 A. Evergy Missouri West has and I think that that
7 occurred at the beginning, because I know it's captured
8 in the true-up of the financial data, financial
9 information in the pending general rate case and I think
10 it occurred sometime in the first quarter of 2022.

11 Q. Did Evergy West issue any long-term debt in
12 April of 2021?

13 A. I don't believe they issued any long-term debt
14 in April 2021.

15 Q. You believe it was 2022?

16 A. Yes. I know it's in the true-up because it's
17 an embedded cost of debt. In the current rate case
18 there was anticipation of issuing additional debt by
19 Evergy Missouri West and it did do so definitely in the
20 first quarter of 2022.

21 Q. What about Evergy Metro?

22 A. Evergy Metro I don't remember right now.

23 Q. Prior to 2022, does the long-term issuance --
24 does Evergy West's long-term issuance of debt correspond
25 -- or cover the period that would cover Winter Storm Uri

1 costs?

2 A. There were no long-term debt issuances
3 subsequent to, I say subsequent, at the time of the
4 Storm Uri costs throughout 2021, and I say that proves
5 out in the analysis that I did in the Evergy Missouri
6 West general rate case.

7 Q. Is anybody proposing to use long-term debt in
8 this case?

9 A. Yes.

10 Q. Does it matter that the long-term debt
11 issuances weren't specific to the Winter Storm Uri time
12 period?

13 A. I don't believe so, because I still -- my view
14 is that in anticipation of securitization you're not
15 going to issue a ten-year mortgage bond, or I guess
16 they're issuing mortgage bonds now, they used to be
17 unsecured debt, for an asset that was funded and will be
18 refinanced with securitization bonds by January 2023.
19 That just wouldn't be a financial practice that I would
20 consider to be logical.

21 JUDGE CLARK: Okay. Thank you. That's all
22 the questions I have for you.

23 THE WITNESS: Thank you.

24 JUDGE CLARK: Any questions from MECG based on
25 bench questions?

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

2 JUDGE CLARK: Any questions from the
3 Commission Staff based on bench questions?

4 MR. KEEVIL: No, Judge.

5 JUDGE CLARK: Any questions from Evergy based
6 on bench questions?

7 MR. ZOBRIST: No questions, Judge.

8 JUDGE CLARK: Any redirect from Public
9 Counsel?

10 MS. VanGERPEN: One moment, Your Honor.

11 REDIRECT EXAMINATION

12 BY MS. VanGERPEN:

13 Q. Mr. Murray, in response to questions from the
14 bench, you discuss long-term debt. Despite the issuance
15 of long-term debt, has Evergy Missouri West continued to
16 carry short-term debt specifically related to Storm Uri?

17 A. Yes, they've affirmed that continuously
18 throughout the rate case that Evergy Missouri West,
19 concurrent rate case that's pending right now.

20 Q. And could you explain how you know that?

21 A. Through just discovery of looking at their
22 outstanding balances of short-term debt which actually
23 is composed of commercial paper borrowings, which is
24 issuing, Evergy Missouri West issuing debt directly to
25 the third-party debt markets but also through the

1 receipt of money pool borrowings through their internal
2 money pool and I know that Evergy Metro has lent at
3 times I think around 200 million or so to help fund or
4 support the Storm Uri costs. But of course, one thing
5 that is important to note is that my understanding is
6 Evergy Metro is only receiving interest on that loan at
7 a commercial paper rate.

8 Q. Mr. Murray, you also mentioned it not being
9 logical to issue long-term debt prior to securitization.
10 Could you explain why that is?

11 A. I mean the Company is anticipating that it's
12 going to be able to refinance this obligation through
13 securitization. I mean, that's the whole reason why
14 we're here. It just would not -- If they had expected
15 it to continue to be part of their corporate financing
16 obligations, then they would refinance it potentially
17 with a current balance of their capital structure but
18 that's not what they expect. They expect to be able to
19 issue securitized bonds and they'll refinance the
20 current financing that's on their books.

21 Q. Okay. Shifting gears a bit here, Mr. Opitz
22 asked you about the non-unanimous stipulation and
23 agreement and mentioned that OPC carved out a few
24 issues. Do you remember that?

25 A. Yes.

1 Q. Are you aware of any other financing issues on
2 which OPC takes a different stance than Staff and Everygy
3 Missouri West as reflected in that stipulation and
4 agreement?

5 A. Obviously the primary was the short-term debt.
6 The biggest disagreement I have with the use of
7 long-term debt is it's from 2018. It has no connection
8 to what their current long-term debt costs are. It
9 makes no sense. That long-term debt was in existence
10 before Storm Uri. It just has no economic connection.

11 MS. VanGERPEN: No further questions, Your
12 Honor.

13 JUDGE CLARK: Thank you, Mr. Murray. You're
14 excused.

15 THE WITNESS: Thank you. Have a good day.
16 (Witness excused.)

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

19 MS. VanGERPEN: The OPC calls John Riley to
20 the stand.

21 JUDGE CLARK: Mr. Riley, would you raise your
22 right hand to be sworn.

23 Do you solemnly swear or affirm that the
24 testimony you are about to give at this evidentiary
25 hearing is the truth?

1 THE WITNESS: Yes.

2 JUDGE CLARK: Please be seated. You may
3 inquire, OPC.

4 Thereupon:

5 JOHN RILEY,
6 having been first duly sworn, was examined and testified
7 as follows:

8 DIRECT EXAMINATION

9 BY MS. VanGERPEN:

10 Q. Good morning, Mr. Riley. Please state your
11 name and spell it for the record.

12 A. My name is John Riley, R-i-l-e-y.

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

14 A. I'm the Supervising Auditor for the Office of
15 the Public Counsel.

16 Q. Are you the same John Riley who caused to be
17 prepared rebuttal and surrebuttal testimony in this
18 matter?

19 A. Yes, ma'am.

20 Q. Do you have any corrections or additions to
21 your written testimony that has been premarked as
22 Exhibits 205P and 205C for rebuttal testimony and 206
23 for surrebuttal testimony?

24 A. No, I do not.

25 Q. If I asked you these same questions today,

1 would your answers be the same?

2 A. Yes, ma'am.

3 Q. Are those answers true and correct to the best
4 of your knowledge?

5 A. Yes, they are.

6 MS. VanGERPEN: Your Honor, I offer Exhibits
7 205P and 205C, as well as 206 for admittance and tender
8 the witness for cross.

9 JUDGE CLARK: Any objections to admitting
10 205P, 205C, and 206 onto the hearing record? 205P,
11 205C, and 206 are admitted onto the hearing record.

12 (OPC EXHIBITS 205C, 205P, AND 206 WERE
13 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

14 JUDGE CLARK: MECG, do you have any
15 cross-examination for this witness?

16 MR. OPITZ: Yes, Your Honor.

17 CROSS-EXAMINATION

18 BY MR. OPITZ:

19 Q. Mr. Riley, you're aware of the stipulation
20 that was filed in this case, correct?

21 A. Yes, sir.

22 Q. And one of the issues remaining to be
23 determined is how to treat taxes; is that right?

24 A. That's correct.

25 Q. What is the main difference between what the

1 Company and Staff propose and how you would propose to
2 treat taxes?

3 A. Well, what Company and Staff have proposed is
4 there was a tax break, a tax reduction of about 72
5 million and the Company and Staff would like to separate
6 that and leave that retained by the Company and then
7 file securitized bonds for the entire amount of the fuel
8 and purchased power and finance costs and everything
9 else that's included. The witness the other day, Ms.
10 Hardesty, had stated that they don't have to pay back
11 the tax reduction and that the financing for the bonds
12 is built into the bonds whereas what Public Counsel
13 would prefer to do is to recognize the tax break and
14 reduce the total cost by that amount and then use that
15 total cost in securitization without including taxes
16 built into the securitized amount because taxes can be
17 added onto the back end. By doing that you save \$30
18 million without having to finance the taxes built into
19 the securitization amount. So that's basically the
20 difference.

21 Q. You were listening to the testimony of Staff's
22 witness Ms. Bolin on this issue yesterday, correct?

23 A. Yes, sir.

24 Q. And if I'm remembering right, she testified
25 something to the effect of that the taxes should be

1 treated as a deferred -- deferred to a tax liability.

2 Am I remembering that correct or characterizing that
3 correctly?

4 A. I think she stated that the deferred tax
5 liability was a mechanism to essentially refund money
6 back to the ratepayer.

7 Q. Do you agree with that approach?

8 A. I don't think that's correct.

9 Q. Why is that not correct?

10 A. One is the Company received the tax break in
11 2021; and basically, you know, when they filed their
12 taxes, they received 72 million give or take, 72 million
13 right up front, and to, you know, offer to return money
14 back to the ratepayer over 15 years just doesn't seem
15 like an equitable solution to that. And in my
16 calculations in surrebuttal in my schedule I point out
17 that out of 72 million only 48 million gets return to
18 the ratepayer anyways. Then I also have a slight
19 problem with actually calling it a deferred tax because
20 originally in my surrebuttal I have a data request in
21 here that Melissa Hardesty pointed out that they created
22 a deferred tax liability in anticipation of the FAC.
23 And that would have been the appropriate book making
24 because the FAC, they collected, you know, they got
25 their tax break in 2021. Let's just say that through

1 the FAC they would have collected all their money back.
2 In 2024, that would have created a deferred tax
3 reversal. So you would have reversed that book entry.
4 But when you're talking about securitization, there
5 isn't any deferred tax. I mean, she admitted it on the
6 stand that they don't have to pay back the 72 million.
7 If there's not a payback, then we don't have a deferred
8 tax. You may say there's deferred liability but there's
9 really no deferred tax at all. So to say it's going to
10 come back, I'm not really quite sure how that's going to
11 happen.

12 Q. So relating to taxes, when the Company is
13 collecting the money from customers, whatever charge is
14 ultimately authorized, will there be an income tax that
15 would be collected from customers as a result of that?

16 A. The way I understand the statute, and this is
17 the way I've always done it for the two securitization
18 cases, is that tax is going to have to be collected and
19 it's going to have to be collected from the customer as
20 far as I'm concerned at the billing. I certainly don't
21 want it to be included in the securitization. As far as
22 my understanding of the statute, they have to collect
23 tax at the billing. My argument, of course, as you
24 asked me before is I want to recognize the tax break and
25 reduce the amount of the securitization because I don't

1 want any taxes built into that because, you know, after
2 15 years, you know, you're paying \$30 million extra in
3 interest. So they should have to pay the tax, you know,
4 on the back end, as I would refer to it on the back end,
5 not on the front end.

6 MR. OPITZ: That's all I have. Thank you.

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

9 MR. KEEVIL: No.

10 JUDGE CLARK: Any cross-examination from
11 Evergy?

12 MS. WHIPPLE: No, thank you, Judge.

13 JUDGE CLARK: Any Commissioner questions?
14 Hearing none, I have a few questions for you, Mr. Riley.

15 QUESTIONS

16 BY JUDGE CLARK:

17 Q. Now, you've read Ms. Bolin's surrebuttal in
18 regard to the income tax issue, correct?

19 A. Yes, sir.

20 Q. And she proposes to treat the income taxes
21 associated with Winter Storm Uri through a regulatory
22 liability to reduce rate base and that Staff will not
23 include the securitization bond repayments in revenues
24 for counting the cost of service in a general rate
25 proceeding. Does that satisfy your concerns?

1 A. No. As I said before, I don't believe there
2 is a deferred tax. There may be a liability and you
3 could offset rate base with it, but we need to keep in
4 mind that the Company is going to float bonds and
5 currently it's going to be about \$300 million and they
6 also have \$72 million of interest-free money they
7 collected in 2021 from the tax break. So any -- You
8 know, it sounds nice that we're going to give back \$48
9 million out of 72 to the ratepayer. But when you think
10 about it, we've got \$372 million to put into rate base
11 kind of offsets a puny little \$72 million liability
12 pretty quick. So you know, what we're trying to do here
13 is make this as painless for the ratepayer as possible
14 and that, you know, it's just not an equal exchange. I
15 mean, you're paying back over 15 years. Why? The \$72
16 million came up front. So why we don't take advantage
17 of that and offset what they're going to have to pay for
18 for 15 years instead of, you know, trickling back this
19 money over, you know, like I said, I calculated it's \$48
20 million. So they're not even getting the full 72 back.
21 Like I said, I used 72 because -- I'm not saying that's
22 exactly what it is. It just doesn't seem like an
23 equitable way to help the ratepayer. I don't think it's
24 the best way.

25 Q. I've had a real difficult time wrapping my

1 head around this as this is not a forte of mine; but to
2 read your testimony, it just seems like you and Ms.
3 Bolin are pointing fingers at each other and saying the
4 other person is wrong. In your testimony you just gave,
5 you used the phrase after describing how Staff had
6 proposed to do this you said OPC would prefer. To me
7 that would seem to imply that you have two acceptable
8 methods and you just think yours is better for certain
9 reasons. Is that correct or incorrect?

10 A. Both methods could be done, and I guess it's
11 an accurate statement from you. I don't think -- I
12 think we need to take care of this up front and Staff
13 wants to float it over 15 years. Yeah, I guess you
14 could say there's two ways and I do prefer to take care
15 of it up front instead of the way Staff intends to do
16 it.

17 Q. You said that the way that you propose doing
18 it you believe results in a savings of \$30 million; is
19 that correct?

20 A. Yes, sir.

21 Q. What to the best of your knowledge are Staff's
22 reasons for wanting to do it in a way that in your mind
23 would add \$30 million to the cost?

24 A. I don't really understand why they're going
25 that way. They've taken the side of what the Company

1 wants to do. So I'm not real sure other than Melissa
2 Hardesty said, you know, we aren't going to charge any
3 tax on the billings but, you know, when it's all said
4 and done even -- You know, the other day when I finally
5 heard what the costs were in the stipulation and
6 agreement, I actually just sat down and worked out the
7 numbers. I had worked out some numbers in my exhibit on
8 surrebuttal but I actually worked out and put them next
9 to each other what the Company is doing and what OPC
10 would like to do and it still comes out to be \$30
11 million.

12 I can hand this out but basically you've got
13 298.9 in up-front bond costs and when it's all said and
14 done you're going to have total payments of
15 \$425,462,760. So if you take the 72 million off of
16 that, you start with a balance of 227 million and you
17 work out to a total of 324,032,400. That's 101 million
18 less. Now, they aren't changing tax, or least they're
19 saying they are not going to charge tax. We've already
20 pointed out in the statute we think they have to. But
21 they aren't going to charge tax.

22 Now, when you figure up the tax on \$227
23 million, it's about \$54 million. Now, of course, you
24 gross that up. It ends up being about \$71 million.
25 When you add it all together, the customer is going to

1 have to pay \$395 million and in Staff and Company's
2 they're going to pay \$425 million. So it's a \$30
3 million difference.

4 And I argued in surrebuttal that you shouldn't
5 include the tax in the bond amount because that's going
6 to end up costing you another \$30 million in interest.
7 It's on Schedule 2 on the right-hand side where I
8 calculated, you know, the bond payments on the \$72
9 million. When you add it all up, your bond payment for
10 \$72 million is over \$102 million. Why do that. You
11 don't have to. You don't have to include it in the
12 bond. You can tax it on the back end. So you don't
13 have interest building up on this. You just charge the
14 tax. So you don't have to do it the way they want. And
15 I'm not really sure why they want to do it that way
16 because it seems obvious to me that \$30 million is a
17 cheaper way to go.

18 Q. Thank you for breaking that down for me. So
19 it appears that you have two concerns with Staff's
20 approach here and it appears that one is the 30 million
21 and the other is the return of ratepayer benefits over
22 time. Would that be correct?

23 A. Yes.

24 Q. And you may not know the answer to this. To
25 the best of your knowledge, under either method, does

1 the net present value make this feasible in terms of
2 benefiting the ratepayer?

3 A. Well, Ms. Bolin pointed out that the way they
4 were looking at it benefits the ratepayer. And I'm just
5 saying that's fine, it does, but it doesn't benefit it
6 as much as what OPC is pointing out. I mean, you might
7 want to look at the net present value of \$48 million,
8 and I don't know what that is, 20 million or something
9 like that. However I'm pointing out is that they're
10 going to have \$372 million to stick into rate base that
11 is certainly a heck of a lot more money than 48 million.
12 To say they're getting a benefit, you know, you've got
13 an extra \$72 million out there that the Company is never
14 going to have to pay back. Melissa Hardesty said it, I
15 said it in testimony and I've been saying this for two
16 cases now is this tax write-off is a freebie. It
17 doesn't go back. It's separate from ratemaking now the
18 way securitization -- not an FAC but in securitization
19 it is separate from a case and it's also separate from
20 the SPE. And I was a little confused originally when
21 she said we don't have to pay back the reduction but the
22 taxes are built into the bond. And then once I realized
23 what was going on, of course, they've always got this
24 extra 72 million to do what they want with that I
25 realized how much it was going to cost.

1 JUDGE CLARK: Thank you. Those are all the
2 questions I have for you.

3 Any questions based on bench questions from
4 MECG?

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

6 JUDGE CLARK: Any questions based on bench
7 questions from the Commission Staff?

8 MR. KEEVIL: Since I don't know what Mr. Riley
9 is talking about anyway, I better not ask any questions.
10 Thanks, Judge.

11 JUDGE CLARK: Any questions based upon bench
12 questions from Evergy?

13 MS. WHIPPLE: No, thank you, Judge.

14 JUDGE CLARK: Any redirect from Public
15 Counsel?

16 MS. VanGERPEN: Yes, Your Honor.

17 REDIRECT EXAMINATION

18 BY MS. VanGERPEN:

19 Q. Mr. Riley, throughout your answers both from
20 the bench and to Mr. Opitz's questions, you mentioned a
21 deferred tax. Could you explain what a deferred tax is?

22 A. Well, in other words, deferred means to be
23 later. Deferred taxes are where you get your tax break
24 now. So to put it in terms we kind of understand,
25 accumulated deferred income tax we know is you get this

1 big depreciation up front so you get a tax break. But
2 we know as time goes by the depreciation shrinks so it
3 comes back around and essentially sooner or later you're
4 going to have to pay the taxes back. That would have
5 been the same way with going through the FAC. As
6 Melissa Hardesty had stated in the answer to the data
7 request I put in here, they set up a deferred tax for
8 FAC because eventually two or three years later they
9 were going to have to pay it back. But with
10 securitization now, we've taken what would have been the
11 cost, which we're going to get recouped in the FAC, they
12 aren't getting recouped any more. They're not tax free
13 bonds but the bonds themselves aren't taxable. I mean,
14 the proceeds from the bonds aren't taxable. When it
15 went into there, the tax break was left out by itself
16 and it never has to be repaid.

17 Just to make sure I'm clear on that. With the
18 inclusion of taxes within the bonds themselves, there's
19 no deferral going on within the bonds and SPE doesn't
20 have a deferred tax either. There's nothing in there
21 also because the money is right there.

22 Q. So just to clarify, deferred taxes are
23 deferred because the taxes need to be paid back. That's
24 the deferral?

25 A. That's correct.

1 Q. Okay. Could you also explain what a deferred
2 liability is?

3 A. Well, that would be rather similar. I mean, a
4 deferred tax is a deferred tax liability, whereas the
5 liability is something that needs to be repaid in the
6 future. It's just are we talking about taxes or are we
7 talking about something we owe back. So a liability is
8 -- a deferred liability is something that needs to come
9 back eventually and be repaid to a lot of people.
10 Deferred taxes are paid to the government. But a
11 deferred liability will roll back this way. My problem
12 with the whole thing is if you don't have to pay back
13 the deferred tax -- if you don't have to pay back the
14 tax benefits and everything else is now put over in the
15 SPE, there's nothing to come back. There is no
16 liability. Everything else is separate from ratemaking.
17 So I'm not sure why Staff seems to think that there's
18 going to be something out there that's going to roll
19 back over 15 years to the ratepayers.

20 Q. You mentioned that there is no deferred tax to
21 the SPE; is that correct?

22 A. Yes.

23 Q. Does the SPE pay income taxes?

24 A. Well, as Ms. Bolin pointed out yesterday,
25 they're all part of Evergy, Inc. So to say that SPE is

1 going to pay tax isn't correct. They're all in the same
2 bucket to make up Evergy, Incorporated. But as each
3 division figures out their, you know, their income for
4 the year, they would end up, you know, funding into the
5 tax agreement. They would end up funding their portion
6 in there so that Evergy can pay their taxes -- Evergy,
7 Inc. could pay their taxes. So they'll calculate, you
8 know, what portion is theirs, if that answers the
9 question.

10 Q. So to clarify, income taxes will be paid on
11 the revenue collected to service the bonds?

12 A. Yes.

13 Q. Now, where do you believe it should get the
14 money to pay those taxes?

15 A. It's going to have to come from the customer.
16 That's my understanding of how the securitization
17 statute reads.

18 Q. Could you explain your understanding of the
19 statute?

20 MS. WHIPPLE: Judge, I'm sorry, I'm going to
21 object. This is beyond the scope of bench questions.

22 JUDGE CLARK: OPC response.

23 MS. VanGERPEN: We'll move on, Your Honor.

24 BY MS. VanGERPEN:

25 Q. Mr. Riley, in questions from the bench you

1 were asked about there being two acceptable methods. Do
2 you remember that?

3 A. Yes, ma'am.

4 Q. Do you believe that Staff's method that does
5 not include taxes in the securitized utility tariff
6 charge complies with the statute? By statute I mean the
7 securitization statute, 393.1700.

8 A. Could you say that question again, please.

9 Q. Do you believe that Staff's method that does
10 not include taxes in the securitized utility tariff
11 charge complies with the securitization statute?

12 A. I understand. No, I believe that the charges
13 -- or the taxes need to be charged at that point. Let
14 me restate that. I said charges needed to be charged at
15 that point. What I mean is the taxes need to be figured
16 and included so that they're included in the charge that
17 the customer is going to see each month. I think that's
18 -- we'll go with that.

19 Q. Also in questions from the bench you were
20 quoted a passage from Ms. Bolin about including taxes in
21 revenue. If taxes are recovered through the securitized
22 utility tariff charge on customers' bills, does that
23 mean they will be in revenues?

24 A. Okay. So if I'm understanding the question,
25 in the charge you're going to have your payback of, you

1 know, bonds and interest and any other cost plus the
2 taxes. They're all going to be built in together. So
3 if I'm understanding that correctly, then the whole
4 thing is revenues.

5 Q. To put my question a little bit more simply.
6 Will the amount collected from the securitized utility
7 tariff charge be put into revenue requirement?

8 A. Oh, according to I think Ms. Bolin's testimony
9 and I think some data requests, it does not fall under
10 revenue requirement. It's going to be a separate, from
11 what I understand, a separate amount through the SPE
12 which isn't going to be in a typical rate case revenue
13 requirement.

14 Q. Now, Mr. Riley, several times throughout your
15 testimony both in response to bench questions and in
16 questions from MECG, you mentioned that customers save
17 \$30 million under the method that you have described.
18 Do you remember that?

19 A. Yes, yes, ma'am.

20 MS. VanGERPEN: Your Honor, I would like to
21 mark as an exhibit Exhibit 209.

22 BY MS. VanGERPEN:

23 Q. Mr. Riley, could you explain what this
24 document is?

25 A. Well, numbers were floating around for several

1 weeks about what was going to be included in surrebuttal
2 testimony.

3 MS. WHIPPLE: Judge, I'm sorry, I'm going to
4 have to interpose an objection here. We're getting
5 testimony now as to the contents of this document and
6 it's not in evidence, we've never seen it before, we had
7 no chance to cross on it or review it prior. No reason
8 has been given for its inclusion at this moment or how
9 it has anything to do with bench questions.

10 JUDGE CLARK: Would you like to complete your
11 foundation?

12 MS. VanGERPEN: Yes, Your Honor.

13 BY MS. VanGERPEN:

14 Q. So Mr. Riley, I think you were trying to say
15 that this is the calculations that you walked through;
16 is that correct?

17 A. That's correct. This is how I came up with
18 the 30 million that I mentioned to the Judge.

19 Q. And is this a faithful representation of the
20 math that you have described?

21 A. Yes, ma'am.

22 Q. Is there anything else you'd like to explain
23 about this document?

24 MR. KEEVIL: Judge, this has gone too far. He
25 creates this document down in his office. You asked him

1 something that did not relate to this document because
2 you've never seen this document. He drops some word in
3 there about I came up with \$30 million difference.
4 Okay, fine, you've got \$30 million difference. Then
5 they try to put this thing in after the fact to support
6 his claim. I mean, he was never asked about this
7 document. He couldn't have been asked about this
8 document, because the document wasn't even in evidence.
9 This is way beyond the scope of any cross from Opitz or
10 you or even Mr. Clizer down there. This is just beyond
11 the pail at this point, Judge, and I have to object to
12 continuing this line of questioning. Object to Exhibit
13 No. 209.

14 JUDGE CLARK: OPC response?

15 MS. VanGERPEN: Your Honor, I believe that
16 redirect doesn't relate solely to questions from the
17 bench and Mr. Riley has mentioned a \$30 million savings
18 in his answers both to MECG's questions and Your Honor's
19 questions. And Your Honor specifically asked Mr. Riley
20 about the \$30 million savings and he was explaining how
21 he arrived at that answer. And we are simply offering
22 this as a demonstrative of the math.

23 JUDGE CLARK: Mr. Riley, are these numbers
24 contained in your testimony?

25 THE WITNESS: These numbers correspond with

1 the 30 million total interest paid by -- If you look at
2 my Schedule 2, on the right side I talk about the
3 interest you have to pay on the \$32 million. So yes, it
4 corresponds to something in my testimony.

5 JUDGE CLARK: I'm going to overrule the
6 objections. It's demonstrative. I'll take it for
7 weight.

8 MS. VanGERPEN: Your Honor, I would like to
9 offer Exhibit 209 for admittance into the record as a
10 demonstrative.

11 JUDGE CLARK: Any additional objections?

12 MS. WHIPPLE: Well, I think so, Judge.
13 Earlier an exhibit was entered as a demonstrative and
14 Your Honor then admitted it into the record as evidence
15 instead. And so we do object for all the objections
16 stated and we'll join Staff's objections.

17 JUDGE CLARK: That will be overruled. Exhibit
18 --

19 MS. VanGERPEN: It's Exhibit 209, Your Honor.

20 JUDGE CLARK: I understand. Would you like an
21 opportunity to cross the witness on it?

22 MS. WHIPPLE: Judge, our experts are not here
23 to look at this exhibit. We're unable to confer. I've
24 just seen it for the first time. At this time I have
25 nothing to say about it.

1 JUDGE CLARK: Then as I previously stated, the
2 objection is overruled and I'll take it for weight as a
3 demonstrative.

4 MS. VanGERPEN: We have no further questions,
5 Your Honor.

6 JUDGE CLARK: Exhibit 209 is admitted onto the
7 hearing record.

8 (OPC EXHIBIT 209 WAS RECEIVED INTO EVIDENCE
9 AND MADE A PART OF THIS RECORD.)

10 JUDGE CLARK: You said you had no other
11 questions?

12 MS. VanGERPEN: That's correct.

13 JUDGE CLARK: Do you have any further
14 witnesses to call at this time?

15 MS. VanGERPEN: No, we do not.

16 JUDGE CLARK: Is there anything else that the
17 Commission needs to take up at this time?

18 MR. FISCHER: Judge, I'd like to confirm that
19 all the Company's exhibits have been offered and
20 accepted into evidence, all the prefiled.

21 JUDGE CLARK: We can absolutely do that. Do
22 you want to go through it by exhibit number?

23 MR. FISCHER: However you'd like to do it. If
24 you've got a list. I think we have a list that
25 indicates they've all been accepted into evidence. Is

1 that consistent with the bench?

2 JUDGE CLARK: I've been keeping a list as we
3 go along. If you want to ask me which particular
4 exhibits whether they've been admitted, I can tell you.
5 I'm sorry. Mr. Riley, you're excused.

6 (Witness excused.)

7 MR. FISCHER: I guess our exhibits were 1
8 through 19.

9 JUDGE CLARK: What's Exhibit 5?

10 MR. FISCHER: Exhibit 5 was the surrebuttal of
11 Melissa Hardesty.

12 JUDGE CLARK: Hardesty. I see it now. Okay.
13 Ending with 19, IRS procedures.

14 MR. FISCHER: Yes.

15 JUDGE CLARK: I have 1 through 19. If you
16 want to inquire in particular, there are a lot of them
17 that have public and confidential versions. If you want
18 to inquire specifically as to those, I'm happy to do so.

19 MR. FISCHER: I don't think there was any
20 distinction on the record on those. If that's your
21 list, that's ours too. Thank you very much.

22 JUDGE CLARK: Of course. Is there anybody
23 else? Any other party that would like to do that? I'm
24 happy to do that.

25 MR. KEEVIL: I might as well, Judge. I had

1 100 through 106. I show them as all being marked and
2 received. Some of them were confidential. Some of them
3 were both confidential and public, but 100 through 106.
4 I don't think there was a distinction between the public
5 and the confidential.

6 JUDGE CLARK: That's ending with 106, Davis
7 rebuttal?

8 MR. KEEVIL: Yes.

9 JUDGE CLARK: Yes, I have all of those.

10 MR. KEEVIL: Thank you.

11 JUDGE CLARK: OPC.

12 MS. VanGERPEN: Your Honor, our prefiled
13 exhibits were 201 to 208. Some of those were public and
14 confidential.

15 JUDGE CLARK: 209?

16 MS. VanGERPEN: The prefiled was 201 to 208.

17 JUDGE CLARK: I have all those and 209.

18 MS. VanGERPEN: Do you have 200 as well?

19 JUDGE CLARK: Prudent investment test?

20 MS. VanGERPEN: Yes, the NRRI report, the
21 prudent investment test.

22 JUDGE CLARK: I do.

23 MS. VanGERPEN: Thank you, Your Honor.

24 JUDGE CLARK: MECG.

25 MR. OPITZ: I didn't have any prefiled

1 testimony, Your Honor. My notes showed that I had
2 admitted all of the exhibits I offered. I believe it
3 was 300 through 302.

4 JUDGE CLARK: Yes, I have those. Those I
5 believe are all the parties we have here at the moment.
6 So I can't go into Nucor Steel or Velvet Tech.

7 Right now I have initial briefs due August 31.
8 I have responsive briefs due, or reply briefs, due
9 September 12 and transcripts as I currently understand
10 them will be available on the 18th.

11 MR. KEEVIL: Judge, I may regret asking this
12 but that's just the kind of guy I am. Regarding the
13 briefs, my question is because the parties submitted a
14 stipulation which didn't cover all issues but covered a
15 lot of issues, typically in Commission proceedings what
16 we would do would be to just brief the issues which were
17 not resolved by the stipulation.

18 However, during the hearing you have gone,
19 basically assumed the stipulation has not been filed in
20 regard to a lot of the questioning and in regard to a
21 lot of the issues that were shown on the issues list and
22 perhaps also in the statute. I forget. My question is,
23 for purposes of the briefing, do we brief it like
24 there's been a stipulation or do we not brief it like
25 there's been a stipulation or God forbid do we do it

1 both ways?

2 JUDGE CLARK: I would brief your full case and
3 if you have anything you want to say about the
4 stipulation in your brief, you're welcome to.

5 MR. KEEVIL: Both ways. Okay. Thank you. I
6 believe Monday I also asked something about the order
7 that you issued prior to the stipulation being filed
8 about the submission by Staff of a proposed financing
9 order was to be filed with the Staff's initial brief and
10 then I assume that order is still --

11 JUDGE CLARK: You asked if there were going to
12 be ten days since it was filed. It was filed I believe
13 last Wednesday, which makes today the 8th day.

14 MR. KEEVIL: Right. So responses would be due
15 Monday under the Commission rules because technically it
16 would fall on Saturday.

17 JUDGE CLARK: Yes, unless otherwise designated
18 Monday is correct.

19 MR. KEEVIL: Thank you.

20 JUDGE CLARK: Now, I had discussed a number of
21 -- I'll address right now I discussed a number of
22 late-filed exhibits that I requested in regard to two
23 related to Evergy witnesses, questions I had for Evergy
24 Witness Ives, the what I will call collaborative tariff
25 that is not yet complete. I had asked for I believe Mr.

1 Davis' workpapers in relation to calculation of net
2 present value. Any late-filed exhibits, is the 11th of
3 August reasonable to have those by?

4 MR. KEEVIL: That's next week.

5 JUDGE CLARK: That's seven days away.

6 MR. KEEVIL: I honestly don't know in regards
7 to that tariff. I think the parties that entered the
8 stipulation, I think the parties had provided that they
9 would file that tariff by the 12th unless something
10 prevented it being filed on the 12th.

11 JUDGE CLARK: Okay. Let's do the 12th with
12 objections due on the 17th.

13 Are there any other issues or anything that
14 any of the parties want the Commission to take up before
15 we finally adjourn?

16 MS. VanGERPEN: Your Honor, I just have a
17 point of clarification. I believe you mentioned that
18 transcripts were going to be ready on the 18th of
19 August.

20 JUDGE CLARK: Correct.

21 MS. VanGERPEN: In the procedural schedule, it
22 has transcripts due on the 10th of August. I just
23 wanted to clarify what that date was.

24 JUDGE CLARK: Was that in relation to an
25 expedited transcript request of some kind?

1 MS. VanGERPEN: I'm not sure, Your Honor.

2 It's just what's included in the procedural schedule.

3 JUDGE CLARK: I've talked to the court
4 reporter this morning. I don't think that the 10th is a
5 doable date for the court reporter. Is that correct,
6 Ms. Bentch?

7 THE STENOGRAPHER: That's correct.

8 JUDGE CLARK: I believe in talking to the
9 court reporter the earliest I could expedite these to is
10 the 15th.

11 MR. KEEVIL: What? 15th?

12 JUDGE CLARK: The 15th. Would the 15th be
13 satisfactory?

14 MS. VanGERPEN: That would be fine.

15 JUDGE CLARK: Okay. I will expedite
16 transcripts to the 15th.

17 MS. VanGERPEN: Thank you, Your Honor.

18 JUDGE CLARK: Thank you for bringing that to
19 my attention. I was unaware of that off the top of my
20 head.

21 MS. VanGERPEN: You're welcome.

22 JUDGE CLARK: Is there anything else that
23 needs to be taken up by the Commission at this time?

24 MR. KEEVIL: One question, Judge, going back
25 to your answer to my question about what do we brief. I

1 think you said brief the entire case. But I assume that
2 does not mean that a decision has been made by the
3 Commission to reject the stipulation that was filed.

4 JUDGE CLARK: That is correct. No decision
5 has been made by the Commission yet regarding the
6 stipulation in any way or form. It was my preference
7 given some concerns that we proceed with the full
8 hearing and get all the evidence on record.

9 Hearing nothing else, I will adjourn this
10 proceeding at this time and we will go off the record.

11 CHAIRMAN SILVEY: Thank you, Judge.

12 MR. FISCHER: Thank you, Judge.

13 (Thereupon, the proceedings adjourned at 12:36
14 p.m.)

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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 413 through 525, 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 15th day of August, 2022.

Beverly Jean Bentsch

Beverly Jean Bentsch, RPR, CCR No. 640

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