

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

FAC Imprudence
Riley/Direct
Public Counsel
EO-2020-0262

DIRECT TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

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

CASE NO. EO-2020-0262
(CONSOLIDATED WITH CASE NO EO-2020-0263)

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**Denotes Confidential Information
that has been Redacted**

October 29, 2020

PUBLIC

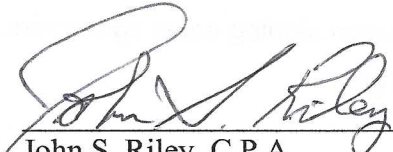
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Ninth Prudence)
Review of Costs Subject to the)
Commission-Approved Fuel Adjustment) Case No. EO-2020-0262
Clause of Evergy Missouri West, Inc d/b/a)
Evergy Missouri West)

VERIFICATION OF JOHN S. RILEY

John S. Riley, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my direct testimony in the above-captioned case.
2. My answer to each question in the attached direct testimony is true and correct to the best of my knowledge, information, and belief.



John S. Riley, C.P.A.
Public Utility Accountant III
Office of the Public Counsel

DIRECT TESTIMONY

OF

JOHN S. RILEY, C.P.A.

**EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO
and
EVERGY WEST, INC. d/b/a EVERGY MISSOURI WEST**

CASE NO. EO-2020-0262 (Consolidated with Case No. EO-2020-0263)

1 **Q. What is your name and what is your business address?**

2 A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Senior Utility
5 Auditor.

6 **Q. What is your educational background?**

7 A. I earned a B.S. in Business Administration with a major in Accounting from Missouri State
8 University.

9 **Q. What is your professional work experience?**

10 A. I was employed by the OPC from 1987 to 1990 as a Public Utility Accountant. In this capacity
11 I participated in rate cases and other regulatory proceedings before the Public Service
12 Commission (“Commission”). From 1994 to 2000 I was employed as an auditor with the
13 Missouri Department of Revenue. I was employed as an Accounting Specialist with the
14 Office of the State Court Administrator until 2013. In 2013, I accepted a position as the Court
15 Administrator for the 19th Judicial Circuit until April, 2016, when I joined the OPC as a Public

1 Utility Accountant III. I have also prepared income tax returns, at a local accounting firm, for
2 individuals and small business from 2014 through 2017.

3 **Q. Are you a Certified Public Accountant (“CPA”) licensed in the State of Missouri?**

4 A. Yes. As a CPA, I am required to continue my professional training by attending Missouri
5 State Board of Accountancy qualified educational seminars and classes. The State Board of
6 Accountancy requires that I spend a minimum of 40 hours a year in training that continues
7 my education in the field of accountancy. I am also a member of the Institute of Internal
8 Auditors (“IIA”) which provides its members with seminars, classes and literature that assist
9 CPAs with their annual educational requirements.

10 **Q. Have you previously filed testimony before the Missouri Public Service Commission?**

11 A. Yes I have. A listing of my Case filings is attached as JSR-D-1.

12 **Q. What is the purpose of your direct testimony?**

13 A. To respond to Staff’s failure to disallow Evergy Metro’s (“Evergy” or “Company”) imprudent
14 basemat coal adjustment related to the retirement of the Montrose coal fired plant. This
15 \$332,603 rate base amount should never be included in the utility’s FAC calculations.

16 **Q. What do you mean when you refer to basemat coal?**

17 A. When the Montrose coal fired plant was built, its first shipments of coal would have been
18 dumped on a bed of gravel or bare ground. These first shipments would be allowed to mix
19 with the ground on which it was sitting to form a “base” or “mat” that would insulate future
20 coal deliveries from becoming similarly contaminated. Over time, this basemat settles,
21 compacts, and becomes unusable as a fuel.

1 When the coal that forms this basemat is first delivered, its cost was originally recorded in
2 Uniform System of Accounts (“USOA”) account 151 as fuel. The value of this coal remains
3 in the account until the plant is retired. At that time, an adjustment is made to retire the
4 basemat by moving the cost of the coal out of account 151 and into a retirement related
5 expense account.

6 **Q. How are you certain that this \$332,603 adjustment is for basemat coal?**

7 A. The Company explained in a data request that the \$332,603 adjustment it made was to reflect
8 that no usable coal was left on site. I’ll quote from Company’s answer to Staff data request
9 0064.2:

10 ** _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____ **1

17 Based on this data response, it is clear that the \$332,603 adjustment was a journal entry made
18 to reduce the Montrose basemat left in Account 151 fuel (which Evergy refers to as **_____
19 _____**) to zero. As already stated (and
20 acknowledged by Evergy itself) this remaining coal was no longer usable as fuel because it
21 had been contaminated with clay, rock and moisture for decades.

¹ Staff Data Request 0064.2 is attached to this testimony as JSR-D-2.

1 **Q. What is the problem with including this basemat coal adjustment in the FAC?**

2 A. As I already stated, the removal of this basemat coal from Account 151 is a necessary part of
3 the retirement of a coal plant. The problem is not that the adjustment has been made, but
4 rather, how it has been made; or more specifically, where the cost has been moved to. Evergy
5 has moved the cost of this basemat coal out of Account 151 and into Account 501. This was
6 inappropriate, however, because Account 501 is only meant to record the cost of fuel
7 consumed in the production of steam for the generation of electricity. If the coal adjustment
8 made by Evergy is for the unburnable basemat coal, then this physical asset was not burned
9 to produce electricity and therefore, cannot be recorded in the 501 account as fuel consumed.
10 Moreover, because the FAC only allows the cost of fuel found in Account 501 to flow through
11 it, the FAC should not include this amount simply because the fuel was not consumed.

12 **Q. Under what circumstances is the cost of fuel to be properly moved out of account 151**
13 **and placed into account 501?**

14 A. Account 501 is meant to include “the cost of fuel used in the production of steam for the
15 generation of electricity.” The USOA² description of account 501, sub part B states as follows:

16 The cost of fuel shall be charged initially to account 151, Fuel Stock (for
17 Nonmajor utilities, appropriate fuel accounts carried under account 154, Plant
18 Materials and Operating Supplies) and cleared to this account on the basis of
19 the fuel used. Fuel handling expenses may be charged to this account as
20 incurred or charged initially to account 152, Fuel Stock Expenses
21 Undistributed (for Nonmajor utilities, an appropriate subaccount of account
22 154, Plant Materials and Operating Supplies). In the latter event, they shall be

² Adopted by the Commission in 20 CSR 4240-20.030

1 cleared to this account on the basis of the fuel used. Respective amounts of
2 fuel stock and fuel stock expenses shall be readily available.

3 Based on the plain language of this description, fuel should only be moved (or cleared) from
4 account 151 to account 501 when it is burned to produce steam for the generation of
5 electricity.

6 **Q. Should this retirement accounting entry flow through the FAC?**

7 A. No. This basemat is a continuing rate base item which the Company has received a return on
8 for as long as the plant has been operational, and, due to the timing of the last rate case, Evergy
9 customers are still paying a return on this basemat even though the plant retired nearly two
10 years ago. Reversing the rate base characteristic of the asset and subsequently recording it as
11 an expense to flow through the FAC would constitute simultaneous and duplicative recovery
12 due to the fact that the basemat is included in the current rate base that was developed in the
13 Company's last rate case, while, at the same time, Evergy recovered the cost of the basemat
14 through its FAC.

15 **Q. How should the retirement of this unburnable coal be handled?**

16 A. It should be addressed in the Company's next general rate case. This isn't a complicated
17 issue. The coal in question is not a fuel that can be burned and should not be included in the
18 FAC calculations. This prudence review is not the format to address the disposition of this
19 asset stranded because the plant was retired.

1 **Q. The Company has stated that it believes the expenses recorded were not retirement or**
2 **decommissioning costs.³ Do you agree with this position?**

3 A. No. Remember, reducing account 151 to zero would have to include zeroing out the long
4 established basemat. Therein lies the predicament. If the Company's adjustment relates to
5 the unburnable basemat, then it needs to be removed from the FAC calculation. If the
6 Company contends that it did not include the basemat in its FAC components, then why is the
7 151 account reduced to zero? If Evergy's adjustment was not related to basemat, then account
8 151 should still have a positive balance representing the long established basemat that has
9 been an asset to the Company for decades. Removal of this final bit of coal commodity that
10 is not burnable from account 151 is not a cost of generating electricity but a cost of retirement.

11 **Q. Does this conclude your testimony?**

12 A. Yes.

³ Company's answer to data request 0064.2 Page 2 of 4

John S. Riley, CPA
Summary of Case Participation

ST LOUIS COUNTY WATER COMPANY	CASE NO. WR-88-5
SOUTHWESTERN BELL TELEPHONE COMPANY	CASE NO. TC-89-21
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. ER-2016-0023
KCP&L GREATER MISSOURI OPERATIONS COMPANY	CASE NO. ER-2016-0156
KANSAS CITY POWER & LIGHT COMPANY	CASE NO. ER-2016-0285
AMEREN MISSOURI	CASE NO. ER-2016-0179
EMPIRE DISTRICT ELECTRIC PRUDENCE REVIEW	CASE NO. EO-2017-0065
LACLEDE GAS COMPANY	CASE NO. GR-2017-0215
MISSOURI AMERICAN WATER COMPANY	CASE NO. WU-2017-0351
MISSOURI AMERICAN WATER COMPANY	CASE NO. WR-2017-0285
LIBERTY (MIDSTATE NATURAL GAS)	CASE NO. GR-2018-0013
KANSAS CITY POWER AND LIGHT	CASE NO. ER-2018-0145
KCP&L GREATER MISSOURI OPERATIONS COMPANY	CASE NO. ER-2018-0146
EMPIRE DISTRICT ELECTRIC PRUDENCE REVIEW	CASE NO. EO-2018-0244
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. ER-2018-0228
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. ER-2018-0366
EMPIRE DISTRICT ELECTRIC COMPANY	CASE NO. EO-2018-0092
AMEREN GAS COMPANY	CASE NO. GR-2018-0227
MISSOURI AMERICAN WATER COMPANY	CASE NO. WO-2018-0373
LIBERTY UTILITIES EMPIRE ELECTRIC CO	CASE NO. EA-2019-0010
SUMMIT NATURAL GAS OF MISSOURI, INC	CASE NO. GR-2018-0230
SPIRE NATURAL GAS, EAST/WEST ISRS	CASE NO. GO-2019-0115
MISSOURI AMERICAN WATER COMPANY	CASE NO. WO-2019-0184

John S. Riley, CPA
Summary of Case Participation

AMEREN GAS	CASE NO. GR-2019-0077
UNION ELECTRIC COMPANY	CASE NO. ER-2019-0335
LIBERTY EMPIRE ELECTRIC CO.	CASE NO. ER-2019-0374
MISSOURI AMERICAN WATER CO.	CASE NO. WO-2020-0190
EMPIRE ELECTRIC COMPANY FAC	CASE NO. ER-2020-0311

Case No. EO-2020-0262

Schedule JSR-D-2 to John
S. Riley's Direct Testimony
has been deemed
"Confidential"
in its entirety