Exhibit No.:
Issue(s): *Amortizations of TOU Costs-opt-in and default, Amortization of transition costs, Greenwood solar allocation, EEI dues, PISA, FAC deferral, fuel expense, fuel inventories*
Witness: *Jared Giacone*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2024-0189*
Date Testimony Prepared: *June 27, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

JARED GIACONE

EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
June 27, 2024

** Denotes Confidential Information **

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JARED GIACONE

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DIRECT TESTIMONY

OF

JARED GIACONE

EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Q. Please state your name and business address.

A. My name is Jared Giacone and by business address is 615 East 13th Street, Kansas City, MO 64106.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as a Lead Senior Utility Regulatory Auditor.

Q. What is your education and employment history?

A. Please refer to Schedule JG-d1, attached to this direct testimony for my education and employment history information.

A. Have you previously filed testimony before the Commission?

A. Yes, please refer to Schedule JG-d1, attached to this direct testimony, for a list of the major audits on which I have assisted and filed testimony.

<u>EXECUTIVE SUMMARY</u>

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to discuss Staff's recommendations for amortization of Time Of Use ("TOU") customer education costs—optional and default, amortization of merger transition costs, Greenwood solar facility allocation, Edison Electric

Institute ("EEI") dues, Plant In Service Accounting ("PISA"), Fuel Adjustment Clause ("FAC") deferral from Case No. ER-2019-0413, fuel expense, and fuel inventory. I recommend several rate base items and several expense items to be reflected in the revenue requirement ordered in this case.

<u>AMORTIZATION OF CUSTOMER EDUCATION COSTS FOR RATE DESIGN CLASS REVENUE SHIFTS AND REGARDING OPTIONAL TOU COSTS – ER-2018-0146</u>

Q. What is the history behind these adjustments?

A. In Evergy Missouri West's ("EMW") Case No. ER-2018-0146 the Commission approved a *Non-Unanimous Partial Stipulation and Agreement Regarding Class Revenue Shifts* and a separate *Non-Unanimous Partial Stipulation and Agreement Concerning Rate Design Issues* for opt-in TOU education costs. EMW was authorized to defer for recovery prudently incurred program costs for marketing, education, evaluation and administration associated with EMW's education costs for class revenue shifts and for EMW's first optional TOU rate.

Q. Has Evergy Missouri West had a rate case since ER-2018-0146?

A. Yes. The rate design and opt-in TOU customer education costs authorized to be deferred with the non-unanimous 2018 case stipulations were reviewed in Case No. ER-2022-0130, which was Evergy Missouri West's next rate case following Case No. ER-2018-0146.

Q. Were the deferred rate design and opt-in TOU customer education costs amortized in the 2022 rate case?

A. Yes. A four-year amortization of the program costs was used in Case ER-2022-0130 for both the deferred rate design and optional TOU customer education costs.

Q. When did the amortization of these costs start?

A. The amortization of the costs started with the effective date of rates in Case No. ER-2022-0130, which was January 9, 2023.

Q. What is Staff's recommended adjustment in the present case?

A. Staff is recommending an adjustment to annualize the rate design and opt-in TOU customer education cost amortizations in the test year ending June 30, 2023. There are two adjustments that update the test year ending June 30, 2023, which has six months of the annual amortization amount (January 2023-June 2023), to include the other six months of the annual amortization amount so the revenue requirement reflects a full year amortization.

- One of the adjustments is to annualize the amortization of rate design costs
- The other adjustment is to annualize the amortization of opt-in TOU costs

Q. Is this a rate base recommendation, an expense recommendation, or both?

A. This is solely a recommendation for an expense item. Consistent with the prior rate case, Case No. ER-2022-0130, the regulatory assets for rate design and opt-in TOU customer education costs were not included in rate base.

Q. Will these adjustments be included in the true-up?

A. No. True-up of these adjustments is needed since these adjustments reflect a full year amortization in the revenue requirement.

AMORTIZATION OF DEFAULT TOU CUSTOMER EDUCATION COSTS – ER-2022-0130

Q. What is the history behind this adjustment?

A. In the Commission's *Amended Report and Order* from Case No. ER-2022-0130, Page 72, it states:

> To assist Evergy with developing customer education and outreach regarding TOU rates, the Commission will convene a workshop to that effect under a separate File Number. As no expense amounts are included in the rates approved in this case for customer education and outreach costs associated with the implementation of mandatory and optional TOU rates, the Commission will also authorize the tracking of these costs for consideration and possible recovery in Evergy's next rate case. Evergy will be directed to submit quarterly reports detailing the types and amounts of any education and outreach expenses deferred.

Q. What is the file number for the separate workshop docket referenced in the Commission's order?

A. The workshop docket number is File No. EW-2023-0199.

Q. Do any other Staff witnesses address the default TOU costs related to the Commission Order from Case No. ER-2022-0130?

A. Yes. Please refer to the testimony of Sarah L.K. Lange and Tammy Huber.

Q. Did Staff review the default TOU education costs that EMW deferred?

A. Generally, yes. In their direct filing, EMW included estimated costs that they anticipated to incur through the true-up date of June 30, 2024. However, in EMW's direct case they did not provide a breakdown of the costs in direct testimony or in their direct adjustment CS-138E (see Schedule JG-d3).

Q. What type of "breakdown of costs" was Staff concerned with?

A. Staff initially was unable to obtain information to identify the amount of costs that EMW is requesting recovery. Examples of these costs include billboard costs, radio advertisement costs, direct mail costs, etc.

Q. What information did EMW provide to identify these costs?

A. EMW provided the amount of the total education campaign costs incurred by vendor. Those vendors managed the education campaigns and system upgrades. Staff reviewed the statement of work for the vendors but had been unable to isolate the actual costs or an approximation of individual components of the education campaign, such as the cost of billboards.

Q. Did Staff make any attempts to obtain a breakdown of the costs?

A. Yes. Staff submitted Data Request ("DR") Nos. 0291, 0292, 0293, 0293.1 and 0400 (see Confidential Schedule JG-d4). EMW provided the amount of costs incurred through the update period of December 31, 2023, in DR No. 0400.

Q. Did Staff have any concerns with the information provided in response to the DRs?

A. Yes. In addition to requesting a breakdown of these costs through formal Data Requests, Staff also emailed EMW representatives to resolve concerns with the data provided (see Schedule JG-d5). EMW provided the amount spent on billboards and advertisements but as of this filing, Staff was unable to evaluate all of the cost components of the education campaign. Staff continues to work with EMW to obtain additional information on cost breakdown.

Q. What is Staff's recommendation for default TOU education costs?

A. As of this direct filing, Staff continues to work with EMW on obtaining what Staff believes is a reasonable breakdown of costs by type of education provided to customers. At this point, Staff recommends amortizing the actual costs incurred through the update period of December 31, 2023, over a four-year period.

Q. Is this a rate base recommendation, an expense recommendation, or both?

A. This is solely a recommendation for an expense item. Evergy Missouri West did not propose and Staff does not recommend rate base inclusion for this regulatory asset. This is consistent with the treatment of the opt-in TOU costs discussed in the previous section.

AMORTIZATION OF TRANSITION COSTS – GPE-WESTAR MERGER

Q. What is the history behind this adjustment?

A. This issue concerns the transition costs related to the Westar-GPE merger. The second stipulation and agreement in Case No. EM-2018-0012 (the merger case) identifies the amount of transition costs for Evergy Missouri West to be amortized over ten years with no rate base treatment. This annual amortization amount will end in November of 2028. Case No. ER-2022-0130 was the first general rate case following the merger case stipulation that included an adjustment in the revenue requirement to reflect the annual amortization.

Q. What is Staff's recommended adjustment in the present case?

A. In the present case, Staff reviewed the general ledger for the test year to determine amounts for this amortization which are reflected in Federal Energy Regulatory Commission ("FERC") Account 407.300. Staff determined that the previously stipulated annual amount for the amortization was included as the annual amortization in the prior rate case, and is already accurately reflected in the 12-month test year, June 30, 2023. Therefore, no adjustment is needed.

GREENWOOD SOLAR FACILITY ALLOCATION

Q. Please provide the history of Evergy Missouri West's Greenwood Solar Facility.

A. On November 12, 2015, EMW, formerly KCP&L Greater Missouri Operations ("GMO") Company filed an application, Case No. EA-2015-0256, with the Commission requesting permission and approval of a Certificate of Public Convenience and Necessity ("CCN") authorizing it to construct, install, own, operate, maintain and otherwise control and manage a solar generation facility in Greenwood, Missouri ("Greenwood Solar Facility"). Evergy Missouri West entered into a Master Service Agreement ("Agreement") on August 19, 2015 for the engineering, procurement, and construction of the Greenwood Solar Facility. The Greenwood Solar Facility is a three megawatt ("MW") solar facility, designed to produce approximately 4,700 MWhours ("MWh") of solar energy per year according to the CCN application. EMW indicated in its CCN application the Greenwood Solar Facility was being proposed to gain experience owning, maintaining, and operating a utility scale solar facility.

The Commission approved Evergy Missouri West's request for a CCN for the Greenwood Solar Facility in its Report and Order effective March 12, 2016. On page 18 of its Report and Order, the Commission stated:

> The Commission has found that GMO's proposal to construct a pilot solar plant is necessary or convenient for the public service and will grant the company the certificate and necessity it seeks.

Q. Did the Commission address any other concerns with approval of the CCN?

A. Yes. In addition to granting Evergy Missouri West the CCN for the Greenwood Solar Facility, the Commission also addressed concern that EMW ratepayers will bear all the costs of a facility that is primarily being built to allow Evergy Missouri Metro, formerly Kansas City Power and Light ("KCPL"), to gain experience owning, maintain, and operating a utility scale solar facility. Beginning on page 16 of its Report and Order in Case No. EA-2015-0256, the Commission stated:

> The Commission is concerned that only GMO ratepayers will bear the cost of the project. The Commission will not make any specific ratemaking decisions in this case. Those will be reserved for GMO's pending rate case. However, the matter will once again come before the

> Commission when GMO seeks to add the plant to its rate base. At that time, the Commission will expect GMO to propose a means by which those costs will be shared with KCP&L's customers who will also benefit from the lessons learned from this pilot project.

Q. Since the approval of the CCN in Case No. EA-2015-0256, has Staff recommended an allocation of the Greenwood Solar Facility as ordered by the Commission?

A. Yes. In the general rate cases filed by Evergy Missouri Metro and Evergy Missouri West following the Commission approval of the CCN, Staff recommended allocating the solar facility in Case Nos. ER-2016-0156, ER-2016-0285, ER-2018-0145, ER-2018-0146, ER-2022-0129 and ER-2022-0130.

Q. Please explain Staff's adjustments related to the Greenwood Solar Facility.

A. Consistent with previous cases, Staff recommends allocating the Greenwood Solar Facility capital costs (plant) and related depreciation reserve between Evergy Metro (Missouri and Kansas) and EMW based on the average number of customers reported in the annual reports provided to the Commission.

Q. Is this a rate base recommendation, an expense recommendation, or both?

A. This recommendation allocates the plant and accumulated reserve balances (rate base) and related depreciation expense.

EDISON ELECTRIC INSTITUTE DUES

Q. What is Edison Electric Institute ("EEI")?

A. According to the February 2024 Lobbying, Advocacy, and Other Expenditures report on the EEI website (see Schedule JG-d2), EEI was organized in 1933 and provides public policy leadership, strategic business intelligence, and essential conferences and forums. The report also states:

> EEI's member companies are among the most regulated companies in the country, and EEI engages on their behalf with federal and state legislators, regulators, and other policymakers through lobbying, advocacy, and regulatory proceedings, with the goal of providing customers with the affordable, reliable, and resilient clean energy they need and expect.

Q. Would a goal of providing customers with affordable, reliable, and resilient clean energy be a good thing for ratepayers?

A. That depends. EEI engages on behalf of the member utility companies, not the ratepayer. That means the lobbying, advocacy, and regulatory proceeding engagements that EEI does would above all else be in the best interest of the member utility companies. Allowing recovery of EEI dues in rates would make customers involuntary contributors supporting such lobbying, advocacy, and regulatory proceeding engagements that not all ratepayers might otherwise support.

Q. Has the Commission made any rulings in prior cases regarding EEI dues?

A. Yes. In Case Nos. ER-81-42, ER-82-66 and EO-85-185.

In Case No. ER-81-42, the Commission stated the following in its report and order:

> The rule has always been that dues to organizations may be allowed as operating expenses where a direct benefit can be shown to accrue to the ratepayers of the company. Conversely, where that sort of benefit does not appear, disallowance of the dues is required.

In Case No. ER-82-66, the Commission stated the following in its report and order:

> The Commission still believes the question is one of benefit to the ratepayer. In the instant case there appears to be some possible benefit, but until the Company [KCPL] can better quantify the benefit and the activities that were the causal factor of the benefit, the Commission must disallow EEI dues as an expense.

In Case No. EO-85-185, the Commission stated the following in its Report and Order:

> Historically, the Commission has disallowed EEI dues from rate case expense on the basis of EEI's involvement in lobbying. In 1981, the

> Commission adopted a benefit standard which would allow EEI dues if a direct benefit to the ratepayers could be shown…The Commission has since refined that standard to include not only a direct quantifiable benefit to the ratepayer, but also a method of allocating the expenses between the shareholders and the ratepayers once the benefits have been quantified…In the instant case, there is conflicting testimony on the amount of EEI resources devoted to lobbying. The Commission does not find it necessary to discuss whether or not EEI is devoted primarily to lobbying. The actual percentage of lobbying is not the controlling factor here. The question is whether the Company has quantified the EEI-derived benefits and allocated them between the shareholders and ratepayers…The determining factor is what proportion of those benefits should be allocated to the ratepayer as opposed to the shareholder. It is obvious that the interests of the electric industry are not consistently the same as those of the ratepayers…The Company has been informed in prior rate cases that it must allocate its quantified benefits from membership in EEI. That has not been done herein. Therefore, no portion of EEI dues will be allowed in this case.

Q. Has the Commission issued any Orders that allowed EEI dues as an expense since the Order from roughly 40 years ago?

A. Not to my knowledge. I reviewed Evergy Missouri West and predecessor company (i.e., GMO) rate cases going back to Case No. ER-2009-0090 which was filed in September 2008, and did not find any other instances where EEI dues were litigated before this Commission.

Q. Did any EMW witness sponsor direct testimony related to EEI dues or quantify their benefit to ratepayers?

A. No.

Q. Did EMW propose any adjustments related to EEI dues in their Direct filed revenue requirement model?

A. No. However, through my analysis, I determined that EMW booked 15% of the annual 2022 EEI dues to non-regulated utility operations, which means 85% of the annual 2022 EEI dues are included in regulated utility operation accounts. For the annual 2023 EEI dues, EMW booked 20% to non-regulated utility operations, which means 80% of the annual 2023 EEI dues are included in regulated utility operations.

Q. What is Staff's recommendation regarding EEI dues and fees included in the test year?

A. Consistent with previous EMW rate cases, Staff removed the amount of EEI dues and fees included in the test year expense from Evergy Missouri West's cost of service, consistent with prior Commission Report and Orders and since Evergy Missouri West did not identify direct quantifiable benefits to the ratepayer or explain their method of allocating the expenses between the shareholders and the ratepayers in direct testimony.

Q. Does Staff recommend disallowing all types of dues or donations made by Evergy Missouri West?

A. No. Please refer to the testimony of Sydney Ferguson for Staff's position on other types of dues and donations aside from EEI.

PLANT IN SERVICE ACCOUNTING

Q. What is the history of PISA?

A. PISA legislation became effective August 28, 2018, codified in § 393.1400 RSMo, with miscellaneous provisions related to it in § 393.1655 RSMo. Generally, the statute allows electric utilities to defer to a regulatory asset 85% of depreciation expense (return of investment) and return (return on investment) for the rate base additions except for new coal-fired generating units, new nuclear generating units, new natural gas units, or other additions that increased revenues by allowing service to new customer premises. The statute stated the regulatory asset was to be amortized over 20-years. The statute also outlined requirements of a five-year capital investment plan that must be provided to the Commission.

The rule had a December 31, 2023, sunset for deferrals to the regulatory asset and requirements for Commission authorization in order to continue to defer to the regulatory asset from January 1, 2024, through December 31, 2028.

Section 393.1655, RSMo contained provisions for holding rates constant for a certain period of time and performance penalty language if rates increased at a compound annual growth rate of more than 3%.

Q. Has the original PISA statute language changed?

A. Yes. Sections 393.1400 and 393.1655, RSMo were revised effective August 28, 2022. There was also an additional miscellaneous provision section added related to PISA. That additional statute is § 393.1656.

Q. What were the major changes in the revised statutes, effective August 28, 2022?

A. The majority of the language remained the same. However, § 393.1655, RSMo was revised to expire December 31, 2023, and therefore is no longer applicable. In addition, the original December 31, 2023, sunset outlined in § 393.1400, RSMo was revised to December 31, 2028, with requirements for Commission approval in order to continue to defer to the regulatory asset for an additional five years beyond December 31, 2028. The additional rule, § 393.1656, outlines requirements for a revenue requirement impact cap.

Q. When did Evergy Missouri West adopt PISA?

A. According to the direct testimony of Darrin R. Ives, page 14, lines 8-9, Evergy Missouri West elected to participate in PISA on January 1, 2019.

Q. Does Staff have any disallowance recommendations for the PISA regulatory asset?

A. Yes. Staff recommends removing the following from the PISA regulatory asset: 1) removal of Earnings Per Share ("EPS") based incentive compensation and 2) removal of the solar subscription portion of the Hawthorn solar facility.

Q. Why does Staff recommend removing the EPS based incentive compensation from the PISA regulatory asset?

A. Staff recommends removing EPS based incentive compensation from the revenue requirement because the Commission has historically disallowed incentive compensation awards tied to the achievement of certain corporate financial measures on the basis that these measures provide no tangible benefit to Missouri ratepayers. See specifically KCPL Case No. ER-2006-0314, 15 Mo.P.S.C.3d 138, 171-72 (2006) and KCPL, Case No. ER-2007-0291, 15 Mo.P.S.C.3d 552, 585-87 (2007). In addition, Evergy Missouri West included their own adjustment to remove EPS based incentive compensation from expense in their adjustment CS-51A but did not remove or adjust the PISA regulatory asset for capitalized amounts of EPS based incentive compensation. Please refer to the direct testimony of Ronald A. Klote, page 23, lines 12-16.

Q. Why does Staff recommend removing the solar subscription portion of the Hawthorn solar facility from the PISA regulatory asset?

A. Deferrals to the PISA regulatory asset for depreciation and return of qualifying rate base additions brings certainty to minimizing negative effects of regulatory lag from a shareholder perspective. The solar subscription tariffed rates collected from solar subscription customers includes components for depreciation, rate of return and Accounting For Funds Used During Construction ("AFUDC"). The billing for solar subscriptions started almost immediately upon completion of the facility and therefore the shareholders have experienced no adverse regulatory lag. Please refer to the direct testimony of Claire M. Eubanks, PE for information on when solar subscription billing started. In summary, including the solar subscription portion of the facility in the PISA deferral would result in double-recovery of the depreciation and return association with the solar subscription portion since the rate solar subscribers are paying includes depreciation and return and EMW did not experience regulatory lag for that deferred depreciation and return because EMW began collecting revenues from solar subscribers between general rate cases. In addition, non-solar subscription customers would be harmed if the solar subscription portion of the Hawthorn solar facility is included in PISA calculations.

FUEL ADJUSTMENT CLAUSE DEFERRAL FROM ER-2019-0413

Q. What is the FAC deferral from ER-2019-0413?

A. At the time of FAC Fuel Adjustment Rate ("FAR") Case No. ER-2019-0413, there was a PISA Compound Annual Growth Rate ("CAGR") cap for rider mechanisms outlined in § 393.1655 RSMo. EMW hit that CAGR cap with their FAC in that case and the amount over the cap was deferred.

Q. Has the PISA CAGR cap for rider mechanism language been revised?

A. Yes. That statute, § 393.1655 RSMo, was changed effective August 28, 2022, with language stating that statute would only apply until December 31, 2023. That means there is no longer a CAGR cap on rider mechanisms.

Q. Is this the first general rate case after FAC Case No. ER-2019-0413 where EMW is requesting recovery of the FAC deferral?

A. No. EMW filed a general rate case, ER-2022-0130 on January 7, 2022, and did not request recovery of this FAC deferral in that case. Only now in the present case is EMW requesting recovery of the FAC deferral from 2019.

Q. What is Staff's recommendation for the FAC deferral from Case No. ER-2019-0413?

A. Staff recommends amortizing the original FAC deferral balance of $3,533,794 over four years with no rate base treatment.

<u>FUEL PRICES</u>

Q. What types of fuel does EMW use to generate electricity?

A. According to the Evergy 2023 Annual Report (10-K), EMW's total 2023 owned generating capacity, consists of coal-fired, natural gas, landfill gas, and solar generation. The table below provides a summary:

Generation Capacity by Fuel Type	2023 Megawatt Rating	Percent of Generation Capacity
Coal	463	27.87%
Natural Gas	1,086	65.38%
Landfill gas	2	0.12%
Solar	6	0.36%
Oil	104	6.26%
Total	1,661	100%

Q. How did Staff determine the cost of generating electricity?

A. Staff computed fuel prices by examining actual historical cost of each type of fuel as explained below. The price of fuel was used as an input to Staff's fuel modeling. Staff's fuel model testimony is supported by witness, Brodrick Niemeier.

Coal Prices

Q. How did you determine the price of coal?

A. Evergy Missouri West made all coal purchases during the test year under long-term contractual agreements. I reviewed the current coal contracts in effect and determined a coal price based on the calendar year 2023.[1] The price of coal includes freight, which is typically by rail. Coal freight pricing is also negotiated via long-term contractual agreements.

Natural Gas Prices

Q. How did Staff determine the price of natural gas?

A. I reviewed monthly gas prices experienced by EMW for each natural gas generating station for the past three years. Staff ultimately determined to use the actual monthly gas price experienced by each generating station for 2023. In other words, the January gas price used in Staff's fuel run was based on January 2023 actual experienced price by generating station, the February gas price used in Staff's fuel run was based on February 2023 and so on for the remaining months of 2023. Staff used the same price for the Greenwood, Lake Road and Ralph Green generating stations, due to very little difference in the monthly actual price

[1] ** [redacted] **

experienced by EMW. For the South Harper generating station, Staff used the actual experienced price for that generating station by month for 2023 and for the Crossroads generating station, Staff also used the actual experienced price for that generating station by month for 2023.

Oil Prices

Q. How did you determine the price of oil?

A. I used the last known December 2023 oil price from DR No. 0041.

<u>OTHER FUEL COSTS</u>

Q. What are other fuel costs?

A. Other fuel costs were determined separately and when included in fuel expense are typically referred to as "fuel adders." These types of costs include non-wage fuel handling, dust suppressant, and freeze proofing coal for transportation from the mines to power plants. Other fuel additive expenses, used in production and incurred by EMW include ammonia, lime, limestone, sulfur, and powder activated carbon ("PAC").

Q. Were other fuel costs modeled in Staff's fuel run?

A. No. Staff's fuel model only addresses variable fuel costs.

Q. Does "other costs" include the cost of natural gas transportation?

A. Yes. A significant portion of natural gas transportation charges are fixed under contractual terms.

Q. How did Staff include other fuel costs in the revenue requirement?

A. Staff included annualized amounts for other fuel costs based on actual costs during the 12-month update period ending December 31, 2023.

PURCHASED POWER-ENERGY

Q. What is the energy portion of purchased power costs?

A. The energy portion of purchased power costs represents the amount of energy that EMW needs to purchase from the market, after utilizing all of their available generation, in order to meet their load.

Q. How did Staff calculate the energy portion of purchased power costs?

A. Staff annualized purchased power energy charges based on Staff's fuel model results. These purchased power energy charges represent the energy EMW purchases on the spot market and through contracts to meet the system load requirements of its retail electric customers. Staff witness Niemeier addresses the EMW fuel model.

PURCHASED POWER-CAPACITY

Q. What are capacity charges?

A. Capacity charges, also referred to as "demand charges," represent fixed amounts EMW either pay for the "right" to purchase power, also known as capacity purchases, or is paid by another entity for the "right" to purchase power from EMW. In the case of purchased power, the selling entity reserves generating capacity for EMW to purchase when the electricity is needed under terms of the purchased power agreements. EMW contracts with various entities and pay a fixed component for the reserve capacity and an energy component for any energy consumed. The "energy" portion was addressed in the previous section titled "Purchased Power-Energy." Generally, there is also an amount for operational and maintenance costs charged for the usage of energy. The fixed component is paid by EMW as a demand charge, generally on a monthly basis, regardless of the level of power actually purchased. This amount is for the "right" to purchase the power in much the same way that natural gas utilities purchase the reservation of capacity from pipelines through reservation payments. The demand charges relate to the fixed expenses of operating a generating facility.

Q. Does EMW purchase capacity?

A. Yes. During calendar year 2023, EMW purchased capacity from ** [redacted]. **

Q. What is Staff's adjustment for purchased power-capacity?

A. Staff's adjustment reflects the actual 2023 monthly purchased power capacity contracts based on the "BPS" reports provided in DR No. 0062.

<u>FUEL INVENTORY</u>

Coal Inventory

Q. How did Staff calculate an amount for coal inventory?

A. The amount Staff included in EMW's rate base for coal inventory is based on the results obtained from Staff's fuel model. Staff used its fuel model to determine the appropriate mix of generation and purchased power utilization to match the normalized native load for EMW. In doing so, Staff obtained from the fuel model a normalized annual amount of tons of coal burned for each coal-fired generation unit. Staff divided the annual tons of coal burned from the fuel model by 365 days to calculate an average daily burn by unit. Staff then divided EMW's "target inventory level"[2] by the average daily burn by unit to determine the recommended number of burn days of coal inventory for each generation unit which also reflects an estimated level of basemat coal.

[2] Target inventory is defined as the inventory level that EMW identified that they aim to maintain on average during "normal" times. Refer to the Direct testimony of EMW witness Jessica L. Tucker, Page 11, Lines 1-2 for additional information on EMW's "target inventory level"

Q. What is basemat coal?

A. Basemat coal is the bottom portion of the coal pile that is difficult to burn in the generating facilities because of the contamination of moisture, soil, clay and other contaminants. Staff included basemat coal as inventory.

Q. How did Staff value the amount of coal inventory?

A. Staff multiplied the resulting normalized level of inventory for each generating unit by the delivered cost per ton of coal that was calculated for each generating unit. The delivered cost per ton was described in the section above titled "coal prices".

Oil and Fuel Additive Inventories

Q. How did Staff determine an amount for oil and fuel additive inventories?

A. In its direct case, Staff relied on EMW's RB-74 workpaper for the quantity and price of oil and additive inventory. For additive inventory, Staff used a 13-month average to determine an appropriate inventory level for lime, limestone, ammonia, propane, urea, and powder activated carbon. Since these inventory levels fluctuate from month-to-month, a 13-month average smooths out any fluctuations.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2024-0189

AFFIDAVIT OF JARED GIACONE

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW JARED GIACONE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Jared Giacone*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Jared Giacone
JARED GIACONE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 24th day of June 2024.

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661

B L Stigger
Notary Public

Jared Giacone

Present Position:

I am a Lead Senior Utility Regulatory Auditor with the Missouri Public Service Commission. I have been employed by the Missouri Public Service Commission Since April 2019.

Educational Background and Work Experience:

I earned a Bachelor of Science degree in Business Administration with an emphasis in Accounting in 2007 from DeVry University in Kansas City, MO. I was previously employed in sales and finance operations for semi-truck dealerships. Prior to that, I was a Compliance Auditor with the Missouri Gaming Commission for six years.

Case Participation:

Company Name	Case Number	Case Type	Utility Type
Evergy Missouri West	ER-2024-0189	Rate case	Electric
Confluence Rivers Utility Operating Company, Inc.	SM-2024-0130	Acquisition of a regulated utility and transfer of Certificate of Convenience and Necessity (CCN)	Sewer—Merger
Confluence Rivers Utility Operating Company, Inc.	WA-2023-0450 SA-2023-0451	Certificate of Convenience and Necessity (CCN)	Water—Acquisition Sewer—Acquisition
Evergy Missouri Metro	EO-2023-0423	Other-Construction Audit	Electric
Evergy Missouri West	EO-2023-0424	Other-Construction Audit	Electric
Spire	GA-2023-0374	Certificate of Convenience and Necessity (CCN)	Gas—Expansion
Liberty Utilities (Midstates Natural Gas)	GT-2023-0229	Infrastructure System Replacement Surcharge (ISRS)	Gas
Ameren	ER-2022-0337	Rate case	Electric
Ameren	EC-2023-0037	Complaint	Electric
Evergy Missouri Metro	ER-2022-0129	Rate case	Electric
Evergy Missouri West	ER-2022-0130	Rate case	Electric
Evergy Missouri Metro Evergy Missouri West	EA-2022-0043	Certificate of Convenience and Necessity (CCN)	Electric—New Solar
Spire	GR-2021-0108	Rate case	Gas
Missouri-American Water Company	SA-2021-0074	Certificate of Convenience and Necessity (CCN)	Sewer—Acquisition
Spire	GO-2021-0030	Infrastructure System Replacement Surcharge (ISRS)	Gas
Raytown Water Company	WR-2020-0264	Rate case	Water
Spire	GO-2020-0230	Infrastructure System Replacement Surcharge (ISRS)	Gas
Spire	GO-2020-0229	Infrastructure System Replacement Surcharge (ISRS)	Gas
Empire	ER-2019-0374	Rate case	Electric
Spire	GO-2019-0357	Infrastructure System Replacement Surcharge (ISRS)	Gas
Spire	GO-2019-0356	Infrastructure System Replacement Surcharge (ISRS)	Gas

Edison Electric INSTITUTE

2024 Lobbying, Advocacy, and Other Expenditures

February 2024

The Edison Electric Institute (EEI) is the trade association that represents all U.S. investor-owned electric companies. EEI's member companies provide electricity for nearly 250 million Americans and operate in all 50 states and the District of Columbia.

EEI's member companies are woven tightly into the fabric of our nation. They provide the reliable, affordable, and resilient clean energy that drives our economy and powers communities and customers across the country. The electric power industry supports more than 7 million jobs and contributes at least 5 percent annually to our nation's GDP.

In addition to our U.S. members, EEI has more than 70 international electric companies as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

Delivering Resilient Clean Energy Across Our Economy

Across the country, EEI's member companies are leading the clean energy transformation. They are focused on ensuring that customers have the energy they need when and where they need it, affordably and reliably, as they work to get the energy they provide as clean as they can as fast as they can.

Thanks largely to the clean energy leadership of EEI's member companies, carbon emissions from the U.S. electric power sector today are as low as they were 40 years ago, while electricity use has climbed 73 percent since then. Already, 50 EEI member companies have announced ambitious emissions reduction commitments, 41 of which aim for net-zero or equivalent by 2050 or sooner.

Equally important, more than 40 percent of our nation's electricity now comes from clean, carbon-free sources, including nuclear energy, hydropower, wind, and solar energy. And, over the past decade, more than 60 percent of new generation capacity was wind and solar—more than 78 percent of new generation has been wind and solar since 2020.

To create a cleaner economy, we will need a cleaner transportation sector. EEI's member companies are investing more than $5.2 billion in customer programs and projects to deploy charging infrastructure to support the more than 4 million EVs on U.S. roads today.

As part of our commitment to build a clean energy future that benefits all Americans in all communities, we are working to understand and to address environmental justice concerns and equity considerations.

EEI's member companies are well-positioned to be a major part of the climate solution. They will be the catalyst for delivering resilient clean energy and for achieving a clean energy economy as quickly and as affordably as possible for all customers.

Our Federal and State Policy Activities

EEI's member companies are among the most regulated companies in the country, and EEI engages on their behalf with federal and state legislators, regulators, and other policymakers through lobbying, advocacy, and regulatory proceedings, with the goal of providing customers with the affordable, reliable, and resilient clean energy they need and expect.

EEI also engages with a range of other industry stakeholders on issues related to grid reliability; cyber and physical security; mutual assistance and disaster response; finance and tax matters; and programs, services, and solutions for electricity customers.

EEI's Core Budget

EEI's core budget is funded through member dues. EEI's Board of Directors approves EEI's budget annually, including any increase in dues and proposed expected expenditures. In general, the dues a company pays are a function of its average number of customers, total revenues attributed to its electric operations, and owned generating capacity. For transmission-only members, dues reflect total revenues attributed to electric operations and to transmission and distribution year-end assets that are either wholly or jointly owned.

Total dues revenue for 2024 is anticipated to be $62.5 million; non-dues revenue, from meetings, publications, and international and associate memberships, is expected to be $18.9 million.

EEI's core budget is devoted to business and policy issues that support our member companies' commitment to provide affordable, reliable, and resilient clean energy to the customers and communities they serve. The budget includes employee salaries and benefits; general office expenses and overhead; and programs and activities.

EEI's Board of Directors approved core budget expenditures by issue area for 2024 as follows.

Business and Policy Issues	Core 2024 Expense Budget *(in millions of $s)*
Fuel Diversity and Clean Energy	14.1
Grid Security & Reliability	11.4
Grid Investment & Modernization	8.1
Customer Solutions	8.1
Finance and Taxes	7.4

Member Services	5.4
Human Resources/Diversity, Equity & Inclusion & Workforce Development	4.1
FERC Policy	3.9
Total	**62.5**

The approved core budget expenditures by department for 2024 are noted below.

Department	Core 2024 Expense Budget *(in millions of $s)*
Clean Energy & Environment	4.6
Communications & Member Engagement	10.2
Customer Solutions	5.9
Energy Supply & Finance	8.0
General Counsel's Office	4.6
Government Relations	4.7
Human Resources	1.9
Political & External Affairs	6.9
Security, Preparedness & Reliability	10.2
State & Federal Regulatory Affairs	5.5
Total	**62.5**

Lobbying Expenditures and Disclosure

EEI reports its lobbying expenses to Congress as required by federal law via the quarterly filing of Lobbying Disclosure Reports. EEI uses the definitions provided by both the Lobbying Disclosure Act and the Internal Revenue Code (IRC) section 162(e) to identify lobbying expenses. This includes both federal lobbying and state-level lobbying and grassroots advocacy.

Following are links to EEI's lobbying disclosure reports for 2023:

- Quarter 1
- Quarter 2
- Quarter 3
- Quarter 4

EEI estimates the amount of member dues that likely will be spent on lobbying each year and provides that percentage to members as part of their annual dues invoice. EEI provides an actual percentage at the end of the year after all reports have been filed.

In 2023, 16.4 percent of EEI dues was used for lobbying activities. For 2024, we estimate that the amount will be 16 percent.

In addition, EEI runs the Political Action Committee (PAC) known as PowerPAC. PowerPAC is funded by contributions made by EEI member companies, member company executives and other employees, and eligible EEI employees. EEI matches employee PowerPAC contributions, directed to the charity of an employee's choice. In 2023, the PowerPAC match was approximately $65,000 and came from EEI's core budget.

PowerPAC reports its activities to the Federal Election Commission (FEC) every month as required by law. These reports can be found on the FEC website.

Contributions

EEI makes contributions to various political and charitable groups, including IRC section 501(c)(4) and section 527 organizations. These amounts are included in the amounts EEI reports to members as lobbying expenses. The 2023 contributions to these groups totaled $779,400. A similar contributions budget is expected for 2024.

A complete list of the groups to which EEI makes contributions that are greater than $5,000 is reported each year on the Form 990, Return of Organization Exempt From Income Tax, filed with the Internal Revenue Service.

EEI's 2023 Form 990 will be filed in November 2024. The 2022 Form 990 can be found here.

Organizations to which EEI contributed more than $5,000 in 2022:

- African American Mayors Association
- All Hazards Consortium
- Alliance for Automotive Innovation
- Alliance to Save Energy
- Alzheimer's Association
- American Association of Blacks in Energy
- American Benefits Council
- American Cancer Society
- American Consumer Institute CCR
- American Council for Capital Formation – Center for Policy Research
- American Gas Association
- American Legislative Exchange Council
- American Society of Association Executives
- Americans for Tax Reform*
- Association of Power Biologists
- Birds of Prey NCA Partnership
- Bobette Gillette & Company

(continued)

Schedule JG-d2
Page 4 of 9

- Business Council for Sustainable Energy
- Center for Energy Workforce Development
- Citizens Against Government Waste
- Citizens for Responsible Energy Solutions*
- Community Leaders of America †
- Congressional Black Caucus Institute*
- Congressional Hispanic Caucus Institute, Inc.
- Congressional Hispanic Leadership Institute, Inc.
- Congressional Sports for Charity
- Consumer Energy Alliance*
- Council of State Governments
- CWAG dba AG Alliance
- Democratic Attorneys General Association †
- Democratic Governors' Association †
- Democratic Legislative Campaign Committee †
- Democratic Mayors Association †
- Electric Drive Transportation Association
- Environmental Council of the States
- Forth Mobility Fund
- Foundation for Public Affairs
- Foundation to Eradicate Duchenne
- Freight Rail Customer Alliance
- GOPAC Inc. †
- Hispanics for Energy
- Horton's Kids, Inc.
- Institute for Energy Research
- International Emissions Trading Association
- J Street Cup DBA NGS Invitational
- Keystone Policy Center
- Maine Affordable Energy †
- March on Washington Film Festival
- Mid-America Regulatory Conference, Inc.
- Mid-Atlantic Conference or Regulatory Utilities Commissioners
- Moore Miller Inaugural Committee, Inc. †
- Mount Vernon Ladies' Association of the Union
- NALEO Educational Fund
- National Association of Counties*
- National Association of Manufacturers
- National Association of Regulatory Utility Commissioners*
- National Association of State Energy Officials
- National Association of State Utility Consumer Advocates*
- National Black Caucus of State Legislators
- National Black Chamber of Commerce
- National Capital Area Council Boy Scouts of America
- National Conference of State Legislatures
- National Democratic Club
- National Endangered Species Act Reform Coalition
- National Energy & Utility Affordability Coalition
- National Foundation for Women Legislators
- National Governors Association
- National Hispanic Caucus of State Legislators
- National Labor & Management Public Affairs
- National League of Cities*
- National Organization of Black Elected Legislative Women
- National Urban League, Inc.
- National Wildlife Rehabilitators
- NCSL Foundation for State Legislatures
- NERO
- New England Conference of Public Utilities Commissions
- No Blank Checks †
- North American Electric Reliability Corporation

(continued)

(Contributions, continued)

- North American Energy Standards Board
- Northwestern University School of Law
- Our Energy Policy
- Peter Damon Group, LLC.
- Pollinator Partnership
- Prevent Cancer Foundation
- Public Affairs Council*
- Republican Governors Association †
- Resources for the Future, Inc.
- Republican State Leadership Committee †
- Roosevelt Institute
- Senate Presidents' Forum
- Sexual Minority Youth Assistance League, Inc.
- So Others Might Eat
- Southeastern Association of Regulatory Utility Commissioners
- Southern States Energy Board
- St. Coletta of Greater Washington
- State Government Affairs Council
- Taste of the South
- Taxpayers Protection Alliance*
- The Artists and Athletes Alliance
- The Aspen Institute
- The Congressional Institute*
- The Council of State Governments
- The First Tee of Greater Washington, DC
- The Latino Coalition
- The Peregrine Fund, Inc.
- The Permitting Institute
- The Third Way Foundation, Inc.
- The U.S. Conference of Mayors
- United States Conference of Mayors
- United States Energy Association
- United States Hispanic Chamber of Commerce
- University of Missouri-FRI/PUD
- U.S. Chamber of Commerce
- U.S. Navy Memorial Foundation
- Veterans in Energy
- Washington Humane Society
- Washington State Society
- Washington Tennis & Education Foundation
- Western Conference
- Western Governors' Association
- Women in Government Foundation, Inc.
- Women's Energy Summit

** 501(c)(4) organization*
† Section 527 entity

Separately Funded Activities

Some EEI member companies choose to pay for separate activities and programs that fall outside of the core EEI budget. EEI runs these programs for the benefit of these members. These activities and their expected budgets for 2024 are noted below.

For a fee, members and other electric companies can access a range of employment tests that are validated specifically for job functions within the electric industry, including power plant operators, maintenance and craft positions, power dispatching positions, and customer service representatives, among others. Fees are based on the size of the company, with a maximum annual fee of $7,500. These funds are not used for lobbying or advocacy. More information about the Employment Testing Consortium can be found here.

In addition, most EEI member companies contribute to the Restoration, Operations, and Crisis Management Program (Restore Power), which focuses on improvements to industry-wide responses to major outages; continuity of industry and business operations; and EEI's all hazards (storms, wildfires, cyber, etc.) support and coordination of the industry during times of crises. Contributions to Restore Power depend on the number of customers a member company has, with a maximum contribution of $15,000 annually. These funds are not used for lobbying or advocacy.

In 2006, federal energy regulators approved the Spare Transformer Equipment Program (STEP), an electric industry program that strengthens the sector's ability to restore the nation's transmission system more quickly in the event of a terrorist attack. STEP represents a coordinated approach to increasing the industry's inventory of spare transformers and to streamlining the process of transferring those transformers to affected companies in the event of a transmission outage caused by a terrorist attack. To participate in STEP, members make an annual voluntary contribution of not more than $7,500. These funds are not used for lobbying or advocacy. More information about STEP can be found here.

Activity	Budget ($s)
Employment Testing Consortium	3,758,000
Restoration, Operations & Crisis Management (Restore Power)	589,000
Spare Transformer Equipment Program	416,000

Emerging Issues

Many EEI member companies choose to make an additional annual contribution of 10 percent of their dues to an emerging issues fund. This fund, controlled by EEI's President & CEO, is designed to allow EEI to respond to issues that were not expected and could not be planned for during the normal budgeting process. In addition, these funds are used to pay for political consultants, litigation expenses, and engagement in state legislation and policy matters.

The 2024 emerging issues budget is $6.4 million.

Some of these funds also are used for any advertising that EEI does, particularly social media ads designed to educate the public about power restoration events; public and media relations; and public opinion polling. In 2023, $71,000 was spent on advertising, including social media ads designed to educate the public about power restoration events; $900,000 was spent on public and media relations. For 2024, these expenses are expected to be similar.

EEI estimates the amount of funds in the emerging issues budget that likely will be spent on lobbying each year and provides that percentage to members as part of their annual dues invoice. EEI provides an actual percentage at the end of the year.

In 2023, 24.1 percent of these funds were used on lobbying activities. For 2024, EEI estimates that this amount will be 27 percent.

Separately Controlled Groups

In the past, EEI has provided accounting and other services to three unincorporated, issue-specific groups. These groups are the Avian Power Line Interaction Committee, the Energy Wildlife Action Coalition, and the Utility Solid Waste Activities Group. In addition, the Executive Directors of two of these groups have been EEI employees for purposes of payroll and benefits. These groups sent separate invoices to their members, and these amounts were not included in EEI dues.

The last full year in which EEI provided these services to these groups was 2023. All three groups are in the process of becoming separately recognized 501(c)(6) organizations. Once their separations are complete, EEI will no longer hold any funds for these groups nor provide any administrative support. In addition, the Executive Directors will no longer be EEI employees. It is expected that all three groups will be fully separated from EEI before the end of the second quarter of 2024. As of the start of 2024, EEI is no longer a member of these groups and does not pay them dues.

Charitable Organizations and Foundations

EEI has two associated IRC section 501(c)(3) organizations: The Center for Energy Workforce Development (CEWD) and The Thomas Alva Edison Foundation (the Edison Foundation).

EEI pays dues of $100,000 to CEWD annually. These funds are from the core budget. In 2024, EEI anticipates providing $300,000 of in-kind support to CEWD in the form of administrative, accounting, and legal support services.

EEI does not make any contributions to the Edison Foundation, but does provide in-kind support. In 2023, EEI provided $121,000 of in-kind support, which represented employee time related to new clean energy transition initiatives.

EEI member companies can choose to support these organizations via separate voluntary contributions. To learn more about these groups, visit:

The Center for Energy Workforce Development

The Edison Foundation

About EEI

The **Edison Electric Institute** (EEI) is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for nearly 250 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 70 international electric companies with operations in more than 90 countries, as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

For more information, visit our Web site at **www.eei.org.**

Contact

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February 2024

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Edison Electric Institute

Evergy
2024 Rate Case - MO West Direct
TY 6/30/23; Update 12/31/23; True Up 6/30/24

CS-138E Amortization of Regulatory Asset - Mandatory TOU Program Costs
Account 407300
Debit (Credit) Expense

	MO West 407300
Projected Balance at June 30, 2024	6,300,000
Amort Period (Years)	4
Annual Amortization Amount	1,575,000
Test Year Amortization	-
Adjustment	**1,575,000** **CS-138E** **100% Electric**

**Projection is provided by Forrest Archibald

FW: MO West Rate Case - Mandatory TOU Deferral

Linda Nunn
To Lili Hsu
Retention Policy Evergy - Inbox 180 days (6 months)
Internal Use Only
Start your reply all with: Ok, sounds good. Will do. Ok, got it. Feedback

Let's amortize the $6.3M instead of the $12.

Thanks,

Linda

RE: MO West Rate Case - Mandatory TOU Deferral

Forrest Archibald
To Linda Nunn
Cc Julie Dragoo; Lili Hsu
Retention Policy Evergy - Inbox 180 days (6 months)
Internal Use Only

Linda, per our discussion, MO WEST estimate thru June '24 is ~$6.3MM. Have a great Thanksgiving!

	48%	52%	100%
ESTIMATE	METRO	WEST	TOTAL
AAO	5.7	6.3	12.0

RE: Mandatory TOU Deferral

Forrest Archibald
To Linda Nunn
Cc Lili Hsu; Julie Dragoo; Justin Waple
Internal Use Only

Reply R

Linda,

We are still estimating that the AAO costs will be approximately $12MM. This would apply to the June 2024 cutoff reference below. Let me know if you have any questions. Thx.

Case No. ER-2024-0189

SCHEDULE JG-d4

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY

Case No. ER-2024-0189

SCHEDULE JG-d5

HAS BEEN DEEMED

CONFIDENTIAL

IN ITS ENTIRETY