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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2024-0189

REBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
August 2024**

TABLE OF CONTENTS

I. INTRODUCTION 1

II. JURISDICTIONAL CONSOLIDATION..... 4

III. DEVELOPING AND EXECUTING THE CONSOLIDATION ROADMAP 8

IV. RATE CONSOLIDATION EFFORTS TO-DATE AND FUTURE CONSIDERATIONS.. 10

 LEGAL CONSOLIDATION CONSIDERATIONS AND ANTICIPATED COMPLEXITIES
 16

 JURISDICTIONAL RATE AND LEGAL CONSOLIDATION CONCLUSION 18

V. INTEGRATED RESOURCE PLANNING AND FAC..... 19

VI. CROSSROADS POWER PLANT 24

 INITIAL RESPONSE TO PARTIES’ DIRECT TESTIMONY ON CROSSROADS 24

 RESPONSE TO STAFF 25

 RESPONSE TO OPC 29

 RESPONSE TO MECG..... 30

VII. TRACKERS 33

VIII. RIGHT-OF-WAY POLICY..... 36

IX. IN- SERVICE ISSUE..... 37

REBUTTAL TESTIMONY

OF

DARRIN R. IVES

Case No. ER-2024-0189

1

I. INTRODUCTION

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

3 A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri
4 64105.

5 **Q: Are you the same Darrin R. Ives who submitted direct testimony in this proceeding**
6 **on February 2, 2024?**

7 A: Yes.

8 **Q: On whose behalf are you testifying?**

9 A: I am testifying on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West
10 (“EMW” or the “Company”), an operating utility of Evergy, Inc. (“Evergy”).

11 **Q: What is the purpose of your testimony?**

12 A: The purpose of my testimony is to respond to testimony from various witnesses from the
13 Missouri Public Service Commission Staff (“Staff”) and the Office of Public Counsel
14 (“OPC”). Specifically, I respond to the following:

Topic	Witness
Jurisdictional Consolidation	OPC witness Marke
Integrated Resource Planning and Fuel Adjustment Clause (“FAC”)	OPC witnesses Mantle and Marke
Crossroads	Staff witness Majors, OPC witness Mantle and Marke, MECG witness Meyer
Tracking Mechanisms	Staff witness Lange
Right-of-Way Policy	Staff witness Bax
In-service issue	Staff witness Eubanks

1 **Q: Are there any themes in Staff’s and OPC’s testimonies that you would like to highlight**
2 **at the outset of your rebuttal testimony?**

3 A: Yes. Of significant concern is the push to blur the lines between management discretion
4 and regulatory oversight. By design, the Company, Staff and OPC each have very different
5 roles, responsibilities and accountabilities. While Staff and OPC have a vital oversight
6 mission in the regulatory process, and provide important input to the Company, the
7 proverbial “buck” stops with Company management to provide safe and reliable service to
8 customers. That is why management has the right (and duty) to exercise its judgment and
9 discretion to operate the utility and serve the needs of all of its constituencies, including
10 customers and regulators, as well as bondholders and shareholders.

11 The Company’s decisions are not made in a vacuum. Instead, they are rightfully
12 subject to the Commission’s overarching standard of reasonableness and prudence.
13 Different parties may have different ideas or make different choices, but if the Company’s
14 decisions are within the range of what is reasonable, they meet the Commission’s standard.
15 In many places in their testimony, Staff and OPC appear to want to step over the line and
16 supplant their judgment for that of Company management. Not only does this type of
17 testimony undermine the regulatory construct set out above, it often obfuscates the material
18 issues in the case and distracts the parties in ways that are time consuming to address and

1 not accretive to efficient resolution of issues material to the case. For example, OPC
2 repeatedly raises resource planning and fuel costs – matters the Commission has heard and
3 ruled upon – and offers misleading testimony regarding Evergy's efforts to jurisdictionally
4 align and consolidate its operating utility subsidiaries. Additionally, Staff continues to
5 criticize the Company's Time Of Use ("TOU") program, including among other repeat
6 arguments and suggestions that the Company's customer materials related to TOU are
7 "confusing and misleading".

8 As has been demonstrated, Evergy formulates its plans after careful analysis and in
9 consideration of a multitude of views and inputs to develop what we believe in our
10 judgment and discretion is the best path forward for all of our constituencies. Our internal
11 subject matter experts are experts in their fields. We augment our internal team with
12 outside advisors who are industry leaders in their respective fields. We respect the policies
13 and direction of the Commission. We carefully consider the views and positions of Staff
14 and OPC and other stakeholders. And we make decisions to operate the utility and provide
15 safe and reliable service to our customers. Repeating criticism case after case and insisting
16 on mechanisms intended to penalize the Company is unnecessary, unreasonable and does
17 not serve the public interest. As this has been, and remains, a continuing issue, Company
18 witness Kevin Gunn addresses this issue in his testimony.

19 **Q: Has the Company addressed all of the testimony submitted on behalf of Staff and/or**
20 **OPC?**

21 A: The Company has fully addressed all testimony submitted on behalf of Staff, OPC and
22 other parties that is material to these proceedings and appropriately before the Commission.
23 For the reasons stated above, the Company has attempted to address all substantive issues

1 raised by Staff, OPC and other parties which the Company contests. If the Company
2 inadvertently failed to address an issue raised by any party, the absence of a response does
3 not constitute agreement by the Company with the party, and the Company may respond
4 on the topic in subsequent testimony including at hearing.

5 **II. JURISDICTIONAL CONSOLIDATION**

6 **Q: OPC witness Geoff Marke recommends the Commission order the Company to**
7 **consolidate Evergy Metro and Evergy West into one entity “Evergy Missouri” in the**
8 **next general rate proceeding. Is this a reasonable or appropriate recommendation in**
9 **this proceeding?**

10 A: No, it is not. Dr. Marke uses his testimony in this rate proceeding as a platform to raise
11 issues the Commission has heard and ruled on in the past (e.g., fuel costs) and to attempt
12 to direct how Evergy, a publicly traded corporation, is organized and conducts its business.
13 His recommendation gives no consideration to the fact that Evergy has a multitude of
14 stakeholders - customers, regulators, communities, employees and shareholders - whose
15 interests must be considered and balanced by Evergy in managing its business. Tellingly,
16 Dr. Marke makes no effort to conduct analysis or even attempt to identify potential hurdles,
17 roadblocks, or benefits to consolidation. With no facts or analysis to substantiate his
18 testimony, Dr. Marke basically suggests that consolidation would be quick, simple and cost
19 free. And, consistent with OPC’s demonstrated preference for punitive incentives, Dr.
20 Marke recommends penalties including adopting OPC witness Ms. Mantle’s often repeated
21 proposal to modify the Company’s FAC sharing mechanism and to reduce basis points on
22 the Company’s allowed return on equity. Not only is there no basis for Dr. Marke’s
23 recommendations, his proposals could cause unnecessary and avoidable harm to

1 customers, communities or other stakeholders. Evergy's ongoing efforts, that I will
2 describe, address the diverse interests and needs of our region and reflect a much more
3 reasonable and feasible approach to evaluating and implementing consolidation efforts. Dr.
4 Marke's recommendations are another example of an attempt to overreach into
5 management's discretion to operate the business. I refer the Commission to the rebuttal
6 testimony of Company witness Kevin Gunn for further discussion of this and the pattern
7 of such actions by OPC and Staff.

8 **Q: You mention potential harm to customers if consolidation efforts are not properly**
9 **planned. Please explain how Dr. Marke's recommendations could result in this type**
10 **of outcome.**

11 A: Prudent and reasonable consolidation of corporate entities requires careful analysis and
12 planning to avoid draconian legal, accounting or ratemaking implications as well as other
13 logistical challenges. Forcing action without sufficient analysis, planning and process
14 could easily create issues and costs that customers would ultimately bear. Take the simple
15 example of combining small commercial customers from two jurisdictions into one class
16 with one rate. Without carefully evaluating the differences in small commercial rate design
17 and assessing and addressing the customer-by-customer impacts of consolidation, some
18 customers could see significant rate benefits from consolidation while another subset could
19 see significant rate increases. While the Company is still in the process of analyzing the
20 consolidation issue, the variety and magnitude of jurisdictional differences like the one I
21 just described will likely require multiple iterations to settle on final terms. Even then, we
22 will need to create specific mitigation plans to implement such a move with the appropriate
23 consideration of gradualism. Even if my oversimplified example of small commercial

1 customer rates was the only issue needing resolution for consolidation, it would still be
2 unreasonable to believe it could be resolved completely in the context of the next general
3 rate case. Instead, it is far better to proceed, as the Company already is, by properly
4 considering the risks and challenges of consolidation in an intentional and orderly manner,
5 validating benefits for customers and other stakeholders before embarking on important
6 consolidation initiatives.

7 **Q: Has the Company considered and is it pursuing different consolidation efforts in**
8 **regard to its current jurisdictional and legal organizational structure?**

9 A: Yes, we have, but first let me be clear that what Dr. Marke seeks is not part of this rate
10 case. We are responding to Dr. Marke to provide the Commission with accurate
11 information and context rather than leaving Dr. Marke's unfounded statements stand
12 without comment. The Company has been very clear since its 2018 merger that
13 consolidation should be evaluated and pursued. Since then, Evergy has taken deliberate
14 steps toward consolidation, and will continue to develop and execute on reasonable and
15 appropriate consolidation plans. We filed a rate consolidation plan with the Commission
16 in 2020 and have continued to execute on that plan ever since, including making a number
17 of proposals in this rate case. But, consolidation involves a great deal more than rate
18 consolidation. The evaluation of full jurisdictional consolidation is among the Company's
19 top corporate and regulatory priorities for 2024 and as we move forward. As I discuss in
20 more detail later, we embarked upon a corporate initiative to further evaluate and develop
21 specific roadmaps to consider opportunities to (i) consolidate legal entities along
22 jurisdictional lines, (ii) continue to advance our consolidation of rate jurisdictions, and (iii)
23 establish a services company to support our jurisdictional utilities. Unlike Dr. Marke,

1 while we have posited an ideal state, we have not presupposed the outcome of this
2 important work. This work, while not directly relevant to the rate case at hand, has been
3 underway since long before Dr. Marke submitted his testimony. What Dr. Marke ignores
4 in his testimony is the complexity of the type of consolidation action he espouses.

5 While it is a complex undertaking, we do see a number of potential benefits from
6 legal consolidation. For example, we share the Commission's interest in jurisdictional
7 resource planning and supply portfolios as a means of aligning EMW and EMM's supply
8 portfolios. However, these potential benefits do not obviate the need for careful analysis.
9 And, in the case of resource planning, the Company is pursuing other beneficial actions
10 like demand response and adding generation irrespective of consolidation. Importantly, in
11 all circumstances since the implementation of the Integrated Resource Plan ("IRP") rules,
12 Evergy's IRPs have been developed separately for EMW and EMM. For all of the reasons
13 discussed in the IRPs, both entities separately demonstrate a need for substantial additional
14 dispatchable resources as well as sustained demand response portfolios. Our IRP modeling
15 clearly indicates that, for the needed resource adequacy in the current expected scenarios,
16 consolidation is not a silver bullet and, therefore, should not be viewed as the full solution
17 to resource adequacy. The IRP process is in place to assist the Company, and this
18 Commission, in the evaluation and review of appropriate resource plans and should not be
19 set aside in favor of any alleged "quick fix" espoused without analysis by the OPC or any
20 party. The Company's management team does not have the luxury of implementing
21 unsupported opinions on how to meet our generation requirements. Instead, we evaluate,
22 review and execute on resource plans identified in the IRP process and partner with our
23 regulators to make informed decisions for the benefit of customers.

1 Consolidation raises other complex issues as well, including, but not limited to, rate
2 design, jurisdictional allocation, property tax assessment and various financial issues such
3 as the treatment of debt financing issued at currently separately legal entities. These issues
4 must be evaluated to determine if the benefits of consolidation are likely to outweigh its
5 costs and to minimize residual impacts. In the sections that follow, I discuss current
6 planning considerations and efforts to-date in regards to rate consolidation and legal
7 consolidation.

8 **III. Developing and Executing the Consolidation Roadmap**

9 **Q: Dr. Marke takes issue with the fact that you believe that complete consolidation takes**
10 **years to implement. Why do you believe this?**

11 A: Given all the potential complexities and issues that need to be addressed, it is common
12 sense that, if appropriate, jurisdictional consolidation is going to take time. As previously
13 stated, our jurisdictions are each comprised of many decades of independent management,
14 policy, rates and regulatory orders. As a result, alignment of each element of consolidation
15 requires in depth research, analysis and planning before constructing a workable path to
16 bring jurisdictions together. A premature order as requested by Dr. Marke would
17 necessarily rush consolidation and penalize the Company for deliberately developing and
18 executing a robust roadmap plan. The suggestion is short-sighted and runs a significant
19 risk of costing more and benefitting customers less. We need to take the time to do the
20 work and analysis to do this right.

21 **Q: Does the Company have previous experience with jurisdictional consolidation?**

22 A: Yes. Evergy has successfully consolidated in the past and, based on this and the experience
23 of our advisors, we know what it takes to complete a successful consolidation. For

1 example, the experience of Evergy’s Kansas Central jurisdiction offers important insight
2 into the challenges of combining rates. Kansas Central, previously Westar, spent
3 approximately seventeen years working to bring the North and South jurisdictions under a
4 common rate design (and not full legal consolidation). Even jurisdictions that already have
5 many similarities need time. In 2016, Kansas City Power & Light (“KCP&L”) Greater
6 Missouri Operations (“GMO”) filed a rate case (Docket No: ER-2016-0156 GMO, “2016
7 rate case”) to consolidate the GMO rate jurisdictions of St. Joseph Light & Power Company
8 (“L&P”) and Missouri Public Service (“MPS”) into a single set of rates. However, the
9 decision to consolidate began well ahead of the 2016 rate case and began formally in 2012,
10 when an agreement was reached and the Commission ordered that the Company
11 consolidate the L&P and MPS rate jurisdictions. The relative equality of the residential
12 price per kWh from the compliance filing of the 2012 rate case further served to
13 substantiate the reasonableness, or “readiness,” of a rate consolidation as it would provide
14 an early indication of adverse customer impact and potential pricing subsidization if the
15 relative pricing was too far apart.

16 These actions were relatively simple compared to combining Evergy Metro (which
17 operates in both Missouri and Kansas) and EMW (which operates only in Missouri).
18 However, they still took many years to complete over the objection and litigation of certain
19 stakeholders.

20 **Q: How does Evergy intend to engage with the Commission and stakeholders on its**
21 **consolidation plans?**

22 A: The Company’s consolidation roadmap project is underway. We anticipate informally,
23 perhaps through a workshop, engaging with the Commission, Staff, OPC and other

1 stakeholders in mid to late 2025. By that time, we expect to have made meaningful
2 progress on identifying and evaluating the options to address issues created by legal
3 consolidation and to be in a better position to discuss work streams and next steps. The
4 purpose of this informal communication will be to (1) share the work we have done to that
5 point, the plans we have developed, and our next steps, and (2) respond to questions and
6 seek input from the Commission and stakeholders.

7 **IV. Rate Consolidation efforts to-date and future considerations**

8 **Q: Please highlight the Company's rate consolidation plan.**

9 A: As a result of the rate case (Docket Nos. **ER-2018-0145 and ER-2018-0146**, "2018 rate
10 case"), a Stipulation & Agreement ("S&A") dated September 19, 2018 outlined that the
11 Company would perform a study of Consolidation. The specific language stated:

12 The Company will perform a study investigating the consolidation
13 of KCP&L and GMO rates and will make a recommendation
14 regarding consolidation of rates in these dockets within two years of
15 the date of approval of this Stipulation. KCP&L and GMO will
16 provide quarterly stakeholder updates concerning the study.

17 The Company filed its Consolidation Study on October 31, 2020. The study outlined many
18 of the challenges and considerations that need to be addressed to consolidate EMW and
19 EMM rate jurisdictions. The Study recommended a phased approach to implementation
20 over time:

21 Step 1 – Consolidation of Residential General Use Rates

22 Step 2 – Consolidation of Structures for non-General Use Residential rates

23 Step 3 – Consolidation of Structures for non-Residential rates

24 Step 4 – Internal changes to operations and cost accounting, supported by joint rate
25 case filing

26 Step 5 – Consolidation of remaining rates, same structure same rates for all

1 The Company concluded that to be successful, the consolidation should occur over a
2 number of general rate proceedings. The steps may be combined within a subsequent
3 general rate proceeding, but in our view each step must be sequentially completed.

4 Further, the Company outlined a number of considerations and issues that would
5 need to be addressed within the execution of these steps to ensure success. The issues
6 include:

- 7 ▪ Operational Differences & Cost Differences
- 8 ▪ Legal Separation & Policy Consideration
- 9 ▪ Revenue Requirement Considerations and cross business and state allocation
10 hurdles
- 11 ▪ Rate differences due to differences in customer and class make up, as well
12 as, rate structure and pricing differences

13 Unmitigated, these individual issues would have a marked financial impact on customers
14 during a rate consolidation, potentially with the combined effect of making the
15 consolidation impractical. Accordingly, an incremental approach to rate consolidation is
16 necessary.

17 **Q: Given the need for an incremental approach to rate consolidation, has the Company**
18 **developed a process and plan for completing the necessary steps that can accomplish**
19 **rate consolidation over time?**

20 A: Yes, we have. This process includes analyses and comparisons of rate structures, rate
21 designs and customers/classes across jurisdictions, and the review of methodologies for
22 calculating bill components. Steps after this include rate cleanup/elimination and
23 simplification, as well as the calculation of bill comparisons to fully understand the
24 customer impact of rate consolidation to minimize customer disruption, and conduct
25 migration analysis. Where such analysis reveals that there is enough similarity such that

1 rate consolidation makes sense and won't materially negatively impact the customer, the
2 Company will align rates and structures, but will need to do so incrementally to allow for
3 customer adjustment. Additionally, such steps will require customer notification and
4 education of changes. All of that will take careful planning and coordination. The
5 Company understands the steps necessary for successful rate consolidation based on the
6 historical success of the GMO and Westar rate consolidations and will use that knowledge
7 here.

8 **Q: Please describe some of the actions the Company has taken since it filed its Rate**
9 **Consolidation Study in 2020.**

10 A: The Company has made significant progress since we filed our Rate Consolidation Study
11 in 2020. We have thoroughly evaluated both the inter- and intra-jurisdictional differences
12 between our Missouri and Kansas utilities. These include regulatory accounting and
13 regulatory operations differences, some of which may only be addressed within a rate case
14 and others which may be addressed outside of a rate case. We have addressed a number of
15 regulatory accounting differences such as property tax surcharge, Plant In Service
16 Accounting, construction work in progress, regulatory assets and liabilities, cyber tracker,
17 Federal Energy Regulatory Commission ("FERC") Form 1 reporting, and Renewable
18 Energy Standard Rate Adjustment Mechanism. We have also addressed a number of
19 regulatory operations differences such as docket management, tariff processes, format and
20 name change, customer forward support, reliability reporting, billed revenue processes,
21 other reports and compliance filings and border customer and territory processes.

1 **Q: Has Evergy proposed continued rate consolidation steps in this case?**

2 A: Yes. Mr. Lutz's direct testimony explains proposals to address selected elements of the
3 non-residential rates as well as future steps anticipated for the non-residential rate designs.
4 Given the December 2023 migration of residential customers to TOU rates, no changes are
5 being proposed for residential rates in this case. We expect to recommend additional non-
6 residential rate design changes in future rate case proceedings.

7 **Q: Why is it important for rate design changes be implemented in a measured manner?**

8 A: The current rates have been in place for a long time and have intricate components that
9 require thoughtful approaches to unwind and sequence. In addition, there is added
10 complexity of transitioning rate structures and aligning rates across jurisdictions
11 concurrently. To this point, Mr. Lutz's direct testimony describes which Missouri
12 jurisdictions are likely candidates for near-term rate design changes based on the current
13 rate structures.

14 **Q: Is it important to allow time for certain rate design changes to take hold before
15 implementing further changes?**

16 A: Yes. For example, the Missouri residential customers transitioned to TOU rates in
17 December 2023 so the Company did not propose any further changes in this case in order
18 to allow customers time to acclimate to the changes and gather data about the impacts of
19 the change. In Kansas the non-residential Hours-Use rate change was implemented in
20 December 2023 and while the plan was well received by stakeholders, Evergy is still
21 monitoring reaction from customers.

1 **Q: Has Evergy maintained an ongoing dialog with stakeholders about rate design**
2 **changes?**

3 A: Yes. Below are three examples where Evergy and other parties have been and continue to
4 discuss rate design modifications:

- 5 ▪ Interactions with customers and other stakeholders regarding rate design
6 proposals,
- 7 ▪ The EO-2024-0002 docket where questions about data supporting potential
8 rate design changes are being considered.
- 9 ▪ Participation in the Ameren non-residential rate design workshops.

10 **Q: Please highlight some of the important differences that must still be addressed in**
11 **order to achieve full rate consolidation.**

12 A: While we have made good progress, we still have a number of considerations to address
13 including different operating cost structures and the allocation of common costs, the
14 jurisdictional identification of generation assets, addressing different capital structures and
15 cost of capital, additional needed alignment of customer rate classes and rate structures,
16 state differences and regulatory policy, differences in system peak, and stakeholder
17 engagement, education and outreach.

18 **Q: Given Dr. Marke’s testimony on resource planning and generation portfolios, please**
19 **discuss the importance of the jurisdictional identification of generation assets.**

20 A: All generation resources, whether Company-owned or procured through power purchase
21 agreement (“PPA”), are assigned or allocated to specific rate jurisdictions. EMW is the
22 only jurisdiction to have distinct assignment of all generation assets used to provide energy
23 to serve customer loads. From an energy generation perspective, it sits alone like an island

1 and is distinctive in this way. As we consider Missouri specific implications of generation
2 asset allocations, Evergy Metro with its service in both Kansas and Missouri jurisdictions,
3 allocates its Company-owned or procured generation resources. While Dr. Marke offers
4 consolidation of Evergy Metro and Evergy West as a quick and easy fix that would resolve
5 resource planning issues for the Company, the historical treatment of generation asset
6 assignment necessarily belies his position. Dr. Marke's testimony also ignores the fact that
7 the Kansas Commission will also have oversight over any consolidation and its impact on
8 Kansas customers' share of Evergy Metro generation resources and any resultant or
9 possible impacts to costs or reliability for Evergy Kansas customers. Again, for this and
10 many other reasons, the IRP process is a valuable tool necessary to assist in the Company's
11 resource portfolios. We are, as we have always been, managing our business to best serve
12 our customers for the long term.

13 **Q: Do different state regulatory policies impact consolidation?**

14 A: Absolutely. Differences in allocation methodologies between states create risk that the
15 Company will not have the opportunity to fully recover our costs to serve customers and
16 earn our authorized return on equity. This could be exacerbated with the changing of the
17 allocations to accommodate the rate consolidation of EMM and EMW as a result of the
18 complexities noted of Evergy Metro serving customers in both Missouri and Kansas and
19 therefore being regulated by both this Commission and the Kansas Corporation
20 Commission. Consolidation comes with costs, benefits, and tradeoffs. We will need fair
21 and reasonable regulatory treatment across states and jurisdictions in order to effectively
22 advance consolidation.

1 **Q: Do you have any other observations you wish to share in response to Dr. Marke’s**
2 **testimony regarding rate consolidation?**

3 A: Yes. Consolidating different utilities’ rates that have been constructed and designed
4 separately over many decades is a complex endeavor which takes careful planning and
5 analysis, and deliberate execution over many years to manage anticipated consequences
6 and mitigate unanticipated ones. While Dr. Marke seeks a specific schedule with firm
7 milestones culminating in full consolidation in the near term, that is not only unrealistic
8 and not based in actual experience, but also runs the very real risk of harming individual
9 or groups of customers. Penalizing the Company, as Dr. Marke and his colleagues
10 recommend, is entirely without basis or merit and would only serve to harm the Company,
11 the jurisdiction, and customers.

12 ***LEGAL CONSOLIDATION CONSIDERATIONS AND ANTICIPATED***
13 ***COMPLEXITIES***

14 **Q: What do you mean when you say “legal consolidation”?**

15 A: When we talk about legal consolidation, it is not just a simple consolidation of two
16 jurisdictions, but also splitting out the legal entity Evergy Metro which currently has assets
17 allocated across two state jurisdictions. Dr. Marke recommends legal consolidation, and
18 penalties for not completing this, with little to no testimony regarding what this entails and
19 a superficial recitation of potential benefits without consideration of cost or complexity.

20 **Q: What issues need to be resolved in order for Evergy to effectuate a legal consolidation**
21 **of jurisdictional utility subsidiaries?**

22 A: Many issues are raised including to highlight just a few:

23 ▪ Because of Evergy Metro, legal entity consolidation would have to pass
24 regulatory scrutiny in both Missouri and Kansas commissions. These

1 Commission have different standards – Missouri’s standard is not
2 detrimental while Kansas’ standard is net benefit. Any legal consolidation
3 must address and satisfy two standards and two Commissions.

- 4 ▪ New jurisdictional allocations will be required as will the shift of
5 jurisdictional allocations from accounting system to regulatory models.
- 6 ▪ The impacts and plan to address issues of separating Metro, such as joint
7 owned generation, mortgages, etc. will need to be addressed.
- 8 ▪ Evergy Metro is owners in Wolf Creek Nuclear plant which is allocated
9 across Kansas and Missouri jurisdictions. This will need to be addressed.
- 10 ▪ Because of the way Missouri assesses property taxes, legal entity
11 consolidation could create potentially significant shifts of property tax
12 payments from urban counties to rural counties
- 13 ▪ A legal entity consolidation potentially triggers debt calls and make-whole
14 payments for currently outstanding debt; in order to consolidate EMW
15 within Evergy Metro, new mortgage and debt issuance would be required.
- 16 ▪ Legal consolidation will require regulatory proceedings, rate design
17 implications, and new jurisdictional allocations.

18 **Q: Does legal consolidation require regulatory approval?**

19 **A:** Yes. The consolidation of legal entities will require a large effort and project team,
20 including the filing of a merger docket in Kansas and Missouri. Consolidation will require
21 both Missouri and Kansas community stakeholder and regulatory acceptance pursuant to
22 their respective standards – net benefit in Kansas and not detrimental in Missouri – and
23 must satisfy the Kansas Commission’s 300-day timeline. In addition, FERC, SEC and DOJ

1 approvals will also be required. Further, NRC-related considerations pertaining to Wolf
2 Creek will need to be considered and addressed.

3 **Q: Do you have any other observations you wish to share in response to Dr. Marke's**
4 **testimony regarding legal consolidation?**

5 A: Yes. Like rate consolidation, legal consolidation is a complex endeavor which requires
6 careful planning and analysis, and, if the benefits outweigh the costs, deliberate execution
7 over many years to manage anticipated consequences and mitigate unanticipated ones. In
8 effect, Dr. Marke is advocating that the Commission rush to judgment on this complex
9 topic, which runs the very real risk of creating harm.

10 Without a doubt, absent substantial planning and review, there could be
11 substantially higher costs for customers (either all or particular classes of customers) and
12 to potentially all Evergy stakeholders. Thorough evaluation is necessary to determine if
13 the anticipated benefits of full legal consolidation are likely to outweigh its costs.
14 Penalizing the Company, as Dr. Marke and his colleagues recommend, is entirely without
15 basis or merit and would only serve to harm the Company, the jurisdiction, and customers.

16 Finally, as I noted earlier, I consider Dr. Marke's recommendations to be an
17 overreach into management's discretion to operate the business. I refer the Commission to
18 the rebuttal testimony of Company witness Kevin Gunn for further discussion of this and
19 the pattern of such actions by OPC and Staff.

20 ***JURISDICTIONAL RATE AND LEGAL CONSOLIDATION CONCLUSION***

21 **Q: Do you have any closing comments on the topic of jurisdictional consolidation?**

22 A: It is clear from the steps we have already taken and continue to take that the Company is
23 committed to a full and robust evaluation of both jurisdictional rate consolidation, legal

1 entity consolidation, and any other corporate actions identified to affect these efforts.
2 Jurisdictional consolidation is a top strategic focus at both the Evergy Regulatory team
3 level and within Evergy Corporate. The roadmap RFP and project that is in process is
4 another demonstration of our commitment. These are complex undertakings. We must
5 carefully consider and assess all identifiable benefits, costs and risks to all identified
6 Evergy stakeholders. We know that doing this right will require focused effort and
7 substantial time to complete. We do not know what the outcome of these efforts will be
8 and while we recognize potential benefits of full legal consolidation, we also recognize
9 significant complexities and potential costs. In other words, full legal consolidation is not
10 the fait accompli that Dr. Marke suggests. We are committed to going in the direction the
11 full study takes us. And, we are committed to communicating with our Commissions and
12 stakeholders throughout the process so there are no surprises.

13 V. INTEGRATED RESOURCE PLANNING AND FAC

14 **Q: OPC Witness Lena Mantle is proposing a 75/25% sharing mechanism in the FAC as**
15 **the result of concerns with the Company’s resource planning activities. How do you**
16 **respond?**

17 A: Ms. Mantle’s recommendation is not new, it is not productive, and, for a number of reasons
18 that I will discuss, it is not reasonable and should be disregarded by the Commission. OPC
19 and Ms. Mantle have persistently raised the same arguments and same concerns with
20 Evergy’s resource planning activities – and continue to be ruled against by the
21 Commission. On at least ten other occasions, OPC has repeated its criticism of Evergy’s
22 participation in the Southwest Power Pool (“SPP”) market, and a lack of sufficient
23 “insurance” generation. Based on this view of the Company’s Regional Transmission

1 Organization participation, in this proceeding OPC once again argues for significant
2 prudence disallowances utilizing a variety of mechanisms. The Commission has already
3 ruled on resource planning issues related to a number of Evergy's PPAs and its resource
4 portfolio. The Commission has also ruled on the prudence of generation resource
5 retirement decisions. The positions taken by OPC in this case on the subject of the FAC
6 are yet another variation of the repeated resource adequacy arguments and are overly
7 punitive. I respectfully submit that the relentless repetition of the same arguments,
8 notwithstanding prior rulings on these topics, is both distracting and inefficient. These
9 arguments create the potential risk of derailing the current and forward planning decisions
10 that need to be assessed and addressed by EMW, the Commission and our stakeholders to
11 address resource adequacy in ensuring reliability for EMW's customers.

12 Ms. Mantle ignores the fact that prudent behavior can fall within a range of
13 reasonable choices, actions, and decisions. It is not the consequences of those decisions
14 that should be judged, but the decisions themselves. The Company has made certain
15 management decisions that OPC opposes; however, that does not mean that it has made a
16 wrong decision or a poor choice, nor does it mean it has acted imprudently. Despite Ms.
17 Mantle's protests, the Commission has agreed with the Company on multiple occasions;
18 and when it doesn't, the Commission orders a disallowance. It is completely unreasonable
19 to penalize and punish the Company through the FAC sharing mechanism for rational and
20 prudent decisions that happen to differ from those recommended by Ms. Mantle.

21 **Q: Is OPC's sharing proposal within industry norms?**

22 A: No, absolutely not. Through my review and inquiries, I am not aware of a single other
23 jurisdiction in the United States that employs a sharing mechanism – for the recovery of

1 costs that are normally considered beyond the control of the company – as extreme as
2 75/25%.

3 **Q: Do other states employ FACs, and do those FACs include sharing provisions?**

4 A: To my knowledge, virtually every jurisdiction in the United States employs some version
5 of a power or fuel adjustment mechanism. The vast majority of FACs do not utilize any
6 sharing provisions, as fuel and purchased power costs are generally considered volatile and
7 largely beyond the control of the utility. Further, the vast majority do not require re-
8 justifying FAC use at least every four years or reflecting inclusion of a base level amount
9 of FAC costs in base rates each case. In other words, most jurisdictions evaluate 100% of
10 fuel clause eligible costs through the fuel clause review rather than base rate reviews.

11 Both the sharing provisions and the inclusion of fuel positions in base rate review
12 cases place Missouri and its electric utilities in a less competitive position than their peers
13 and create the opportunity for OPC, and any other stakeholder, to consistently raise issues
14 like OPC's punitive 75/25 sharing, which at varying levels have consistently been ruled
15 against by the Commission.

16 **Q: What would be the consequence of the adoption of such a proposal in Missouri?**

17 A: Should the Commission adopt Ms. Mantle's proposal Missouri would be a clear outlier
18 relative to other states. In this instance, based on my scan of jurisdictional treatment across
19 the country, Missouri would clearly stand out as the most punitive, least constructive
20 regulatory jurisdiction in the country regarding the electric utilities' recovery of fuel and
21 power costs incurred in the provision of service to Missouri customers. This proposal
22 would disadvantage the Company, its customers, and the State of Missouri.

1 As discussed by Company witness Kevin Gunn, the expansion of the sharing clause
2 within the FAC would already put Missouri outside the range of normal compared to other
3 jurisdictions, and a 75/25% sharing mechanism would disadvantage Missouri in the eyes
4 of investors, with the consequence of limiting the Company's access to cost-effective
5 capital and raising costs for its customers.

6 **Q: You mentioned some concern with the re-justification of use of the FAC and inclusion**
7 **of updated FAC cost components in base rates. Please elaborate on your concerns.**

8 A: First, I recognize that the Missouri Code of State Regulations is very prescriptive in regard
9 to the establishment of an FAC, the costs and revenues to be considered in the FAC and
10 the process to be utilized to reflect FAC costs in base rates and to accumulate and address
11 differences in those costs between general rate cases.

12 With that background, it is important to reiterate that the Missouri approach to
13 establishment and consideration of the FAC is more restrictive when considered alongside
14 the vast majority of established fuel clauses in other jurisdictions across the country. As
15 described by Company witness Gunn, the Missouri legislature has provided for electric
16 utility regulatory treatment for fuel and purchased power expenses, which are generally
17 considered volatile and beyond the control of the utility. These tools were designed by the
18 Missouri General Assembly to allow a utility a more reasonable opportunity to earn its
19 authorized return on equity by enacting Missouri Statute RSMo. §386.266, known as the
20 "FAC statute."

21 That said, the less utilized concept of rebasing fuel in rate cases for the FAC called
22 for in Missouri results in unnecessary and confusing volatility in base rates and detaches
23 the FAC customer bill line item from providing more direct fuel price signals. As I noted,

1 it also creates an opportunity for potential manipulation in setting base rates in order to
2 reflect more or less fuel and power costs through the FAC between cases depending on
3 parties' positions. Our research shows that most jurisdictions handle fuel and purchased
4 power costs entirely through their fuel clause mechanisms removing the volatility and
5 potential gamesmanship from rate cases and base rate determination and bill presentation
6 to customers. The last EMW rate cases (2022) and current case reflect some of the
7 shortcomings of the current Missouri approach to the FAC; both cases demonstrate the fuel
8 and power price volatility that Missouri's process can embed in base rates and each
9 includes arguments (such as a punitive 75/25 fuel cost split) that seek to take advantage of
10 the inclusion in base rates to advance other positions or objectives, This type of argument
11 can influence the establishment of base rates on fuel and purchased power costs that may
12 not reasonably be calculated to reflect expected costs to be incurred while the new rates are
13 in effect.

14 Addressing all such costs outside of base rates and through the fuel clause
15 mechanism, as done by many jurisdictions, alleviates many of these issues. I would request
16 that the Commission give consideration as to whether the current process implements the
17 legislative intent of the FAC mechanism and is the most efficient and effective process to
18 address consideration of fuel and power costs in rates.

1 **VI. CROSSROADS POWER PLANT**

2 ***INITIAL RESPONSE TO PARTIES' DIRECT TESTIMONY ON CROSSROADS***

3 **Q: What is your overall response to Staff, OPC and MECG's direct testimony on**
4 **Crossroads before addressing specific details in response to each of them?**

5 A: To date, the parties' testimonies regarding the Company's request regarding Crossroads
6 have largely focused on the history of that asset and the previous disallowance of the
7 transmission costs necessary to serve Missouri customers. That approach fails to address
8 the very real and current issue of resource adequacy and EMW's need for clarity as it relates
9 to Crossroads in order to plan for the future. In this case, EMW asks the Commission to
10 (1) recognize the important role Crossroads will play in its resource adequacy plans moving
11 forward, (2) acknowledge that EMW's analysis demonstrating and supporting inclusion of
12 Crossroads in EMW's asset portfolio is the only analysis advanced in this proceeding on
13 this topic and is unrefuted, and (3) acknowledge that the Company is the only party that
14 has considered the current and future needs of EMW customers in formulating its analysis
15 and recommendation for the treatment and recovery of Crossroads and its required
16 transmission path prospectively.

17 Not only is clarity regarding the recovery of Crossroads transmission costs
18 necessary to complete Evergy's resource adequacy and IRP work, but EMW is facing the
19 decision of whether to renew its transmission path service agreement in 2029. EMW
20 cannot prudently renew that contract without the Commission's support. The Commission
21 can recognize the importance of the issues noted above, as well as the relative benefits of
22 retaining the Crossroads plant relative to more costly alternatives to serve customers, by

1 allowing EMW to fully recover Crossroads transmission costs so that EMW can prudently
2 include this asset in its IRP and demonstrate its ongoing value to this region.

3 ***RESPONSE TO STAFF***

4 **Q: Staff witness Majors spends the first ten pages of his testimony covering Crossroads**
5 **history. Is this history necessary to address what the Company is proposing in this**
6 **case?**

7 A: No. As I previously stated, EMW has raised Crossroads issues in this case not to relitigate
8 the past, but to present facts and evidence of its value to customers today and as part of the
9 Evergy generation portfolio. In short, the Company is seeking an acknowledgement of the
10 benefits to customers of Crossroads now and in the Company's future resource plans. Over
11 ten years ago the Commission called Crossroads "a relic of the failed utility Aquila" in
12 EMW's 2012 rate case. However, it concluded that a "full recital of Aquila's tortured
13 history is unnecessary ... because it only raises the issue of how long the Commission will
14 visit the sins of the predecessor on the successor." It is true that GMO [now EMW] is the
15 same legal entity as Aquila, but it is also true that management is different." See Report &
16 Order at 57, No. ER-2012-0175 (Jan. 9, 2013). If the decisions made by the Commission
17 over ten years are viewed as the "penalty" that EMW has been paying for failed
18 management decisions, then clearly the penalty has been paid and it is time to move on,
19 particularly given what is happening today in the electric industry and the importance of
20 resource adequacy.

1 **Q: Is the Company proposing any changes in how the Crossroads facility is included in**
2 **base rates?**

3 A: No, not for the operations or maintenance costs associated with the facility or for the rate
4 base investment in the facility. The Company continues to recognize and reflect the rate
5 base disallowances previously ordered by the Commission so the lower rate base return
6 available to shareholders as a result of the Commission's ordered disallowance will
7 continue. As the Commission knows, that rate base return is the only generation facility
8 cost that creates profit and return for shareholders; all other operating costs are just passed
9 through and paid for by customers in rates with no additional profit or return for
10 shareholders.

11 For the reasons described in our application and direct testimony (as well as here
12 and in the testimonies of Cody VandeVelde), the Company is asking the Commission to
13 allow the costs associated with the transmission path under contract and required to be in
14 place for EMW to consider Crossroads' capacity in meeting its SPP resource adequacy
15 capacity reserve margin. This request is made in light of changed market conditions,
16 including more stringent SPP capacity reserve margins, anticipated reductions in SPP
17 accredited values for fossil and renewable supply resources, as well as increasing EMW
18 load requirements driven by Missouri economic development opportunities. All of these
19 factors are further described by Company witness VandeVelde and are more fully analyzed
20 in EMW's 2024 IRP. All of these new and relevant developments heighten the resource
21 adequacy concerns of EMW. Mr. VandeVelde demonstrates in his analysis and testimony
22 that, even when transmission costs are included, Crossroads is part of the *least cost*

1 *resource portfolio moving forward* to address these conditions and EMW's load
2 requirements.

3 **Q: Witness Majors testifies that if the Commission decides to include Crossroads**
4 **transmission expense in the Company's cost of service, then the Crossroads plant**
5 **valuation for rate base should be reduced to zero. Does this make sense to you?**

6 A: No. The plant has been a valuable asset for many years. Staff appears to want to impose
7 a penalty for the operation of Crossroads irrespective of the demonstrated fact that the asset
8 provides benefits to customers, as explained in the testimony of Company witness Cody
9 VandeVelde.

10 **Q: Please explain the penalties that Evergy shareholders have paid since 2014 and will**
11 **pay if the Commission does not provide relief in this case.**

12 A: From 2014 through 2023, shareholders have paid over \$123 million for the transmission
13 service that benefits retail customers. Given the benefits that Crossroads provides and the
14 uncertainties of the future, customers should now be required to pay for the necessary
15 transmission service going forward.

16 If the Commission does not allow for recovery of the transmission path costs in this
17 case, the above amount is estimated to grow by \$89 million for the amounts paid by
18 shareholders from 2024 to the expiration of the contract in 2029. If Evergy shareholders
19 are penalized for the transmission over the entirety of the transmission contract that was
20 put in place to supply Crossroads generating capacity to EMW customers, that means the
21 penalty will have reached over \$210 million!

1 **Q: What reasonable options will the Company have if the Commission denies recovery**
2 **of the Crossroads transmission path expense?**

3 A: Given that the transmission path contract expires in early 2029, without updated rate
4 treatment authorized by the Commission to reflect the current generation environment
5 and its costs, EMW must rely on the Commission's previous orders and cannot prudently
6 extend the transmission path contract. To state the obvious, transmission is a necessary
7 component of any generating asset. Like every other vertically integrated utility in the
8 country, Evergy would not choose to include generating assets in its IRP that do not have
9 a transmission path.

10 Therefore, without the ability to include the cost of transmission for Crossroads, a
11 cost that is required for the Company to include the facility in SPP's required capacity
12 reserve margins, EMW will begin the process of planning to remove Crossroads from
13 service for EMW customers in conjunction with the expiration of the current transmission
14 contract, seeking necessary approvals to sell or otherwise dispose of Crossroads, and
15 planning for and executing actions to replace the unit's 300 MW of EMW capacity through
16 newly acquired or constructed supply resources. Given the expiration of the transmission
17 contract in early 2029, the work of planning either to include Crossroads or exclude it and
18 to build a comparable replacement in EMW's Missouri service territory must necessarily
19 begin as soon as possible.

20 **Q: What is EMW asking the Commission to do in this case?**

21 A: The Company asks the Commission to acknowledge the capacity and energy value that
22 Crossroads provides to customers today as power demand increases, dispatchable thermal
23 units continue to retire, more non-dispatchable renewable resources come online, and

1 reserve margin requirements increase. EMW is the only party to this proceeding that has
2 analyzed the value to customers of Crossroads, including recovery of the transmission
3 costs. It still remains part of the least cost solution and part of EMW's Preferred Plan. No
4 other party has done any analysis or work to dispute or counter this position. The consistent
5 refrain in other parties' direct testimony to "just say no" because transmission was
6 disallowed in the past – with no consideration of the vastly different landscape we operate
7 in today is unreasonable. Due to the existing and future capacity and energy value of
8 retaining Crossroads in EMW's SPP capacity reserve margin, it is appropriate for the
9 Commission to recognize that it will be more costly and more uncertain, as well as take
10 longer, for EMW to explore new supply options and implement an alternative solution.
11 The reasonable and logical conclusion is that in order to proceed in the least cost and most
12 efficient way, it is in the overall best interest of both EMW and its customers to allow the
13 Company to recover the firm transmission expense of Crossroads and to end the penalty
14 that has been extracted from EMW for more than a decade.

15 ***RESPONSE TO OPC***

16 **Q: Does OPC take the same position as Staff with respect to Crossroads?**

17 A: Yes, OPC recommends that Crossroads transmission not be included in EMW's cost of
18 service.

19 **Q: OPC witness Mantle acknowledges that Crossroads "provides 300 MW of desperately
20 needed capacity." Can that capacity be utilized without a transmission path?**

21 A: No. That is the crux of EMW's position. Customers are benefitting from Crossroads
22 capacity and, like all other beneficial generating assets, should begin paying for the

1 transmission cost for that “desperately needed” capacity in order to keep Crossroads as an
2 important resource in EMW’s portfolio.

3 **Q: OPC witness Mantle notes that transmission costs have gone up significantly over the**
4 **last 10 years. What is your response?**

5 A: Like many cost increases faced by the industry and the country over the last decade,
6 transmission costs related to Crossroads have risen over the course of the contract term
7 entered into by the Company. However, cost inflation, *in the context of an IRP*, is irrelevant
8 as it is absorbed and normalized relative to all other options available, each of which carries
9 its own cost increases or decreases, As EMW has demonstrated, Crossroads, inclusive of
10 its estimated future transmission costs, continues to be part of the least cost solution and
11 EMW’s Preferred Plan in its 2024 IRP. No party in this case has advanced a cogent
12 analysis to dispute this fact.

13 ***RESPONSE TO MECG***

14 **Q: What is your view of the Crossroads history of this issue provided by MECG witness**
15 **Meyer?**

16 A: Like Staff and OPC, MECG focuses its testimony on Crossroads history instead of tackling
17 the reality of the termination of the Crossroads transmission path in 2029. The Company
18 acknowledges that the Commission has ruled against inclusion of Crossroads transmission
19 costs twice in the past. The Company is not seeking to revisit that history; rather the
20 Company is asking the Commission to take a fresh look at the circumstances now facing
21 the Company and its customers. Continuation of the status quo where customers pay
22 nothing for transmission will only lead to the discontinuation of the availability of
23 Crossroads once the transmission path service agreement expires in 2029.

1 **Q: Mr. Meyer mentions past Crossroads settlements, as well as decisions by the**
2 **Company not to contest Crossroads issues in past rate cases. Do these have any**
3 **relevance to today?**

4 A: No. The fact that the Company settled past rate cases or did not raise the Crossroads
5 transmission cost issue in other rate cases is not relevant to this case and does not limit
6 EMW's ability and responsibility to raise the issue here. Additionally, Mr. VandeVelde
7 and I have provided detailed testimony describing the purpose of the request at this time
8 and the factors that are in place today that did not exist and/or were not evaluated or
9 considered in earlier proceedings.

10 **Q: MCEG asserts that the Company should have investigated the sale of Crossroads.**
11 **What is your response?**

12 A: While a sale of Crossroads was investigated in the past, market conditions were different
13 and options relating to the disposition of Crossroads never materialized. While MCEG,
14 via Mr. Meyer's testimony, now characterizes such consideration as a threat, consideration
15 of all reasonable options is at the core of resource planning and is a fundamental
16 responsibility of our business.

17 **Q: Mr. Meyer also recommends that the Company should have investigated dismantling**
18 **Crossroads and placing it in EMW territory. Did this investigation occur?**

19 A: Yes. As previously mentioned, all options regarding Crossroads, including selling or
20 disassembling, have been considered over the course of the last decade. As a part of that
21 work, the Company evaluated disassembling and relocating Crossroads to EMW service
22 territory or another site. That internal work revealed a number of factors weighing against
23 seeking a formal bid to quantify relocation of the plant. Those factors included, but were

1 not limited to, the mechanical risks of disassembling and reassembling four, 75 MW
2 combustion turbines, the transportation cost, and the incremental cost of upgrading or
3 building from scratch the natural gas infrastructure within the EMW service territory that
4 would be needed to operate the asset.

5 **Q: Witness Meyer concludes that had the Commission known at the time of its original**
6 **decisions (2011 -2013) that the Company would threaten to remove Crossroads from**
7 **service once the transmission path had expired, it would have likely held that the**
8 **entire amount of Crossroads was imprudent. Does this make sense?**

9 A: No, this is pure speculation by Mr. Meyer. What we do know is that every party to the
10 proceeding had access to the terms of the transmission path contract which clearly
11 concludes in 2029. Given the denial of recovery of transmission costs, there would be no
12 logical basis to expect the Company to seek to extend the contract beyond its term.
13 Balancing resource needs with cost, availability and regulatory uncertainty (among other
14 things) necessarily involves choosing resources that best serve our customers. Our goal is
15 to identify the best path forward and dispassionately report it to the Commission and our
16 stakeholders.

17 It is without merit to allege that sharing the very real business issues the Company
18 must decide in this case is to “threaten the existence of Crossroads’ accredited capacity for
19 EMW customers,” as Mr. Meyer asserts. The impending expiration of the Crossroads
20 transmission contract creates a different milestone that must be dealt with by the Company.
21 Accordingly, Evergy has fully researched its options and has included that analysis in this
22 case in an effort to be transparent and to seek guidance in the form of resolution of the
23 transmission cost issue that impacts decision-making concerning this very beneficial asset.

1 is true as neither the test year nor true-up period reflect a full calendar year under TOU
2 rates, and, importantly, they are not inclusive of a summer period with all customers under
3 the TOU rates. The Company does not have adequate history to rely upon to estimate
4 implications of TOU rates for customer behavior generally or in response to the impact of
5 weather under the ordered TOU rates. The Company's proposed TOU rate deferral
6 mechanism will ensure that neither a windfall nor a loss will occur as a result of the
7 implementation of TOU rates as ordered by the Commission until such time as a general
8 rate review can be conducted and rates developed based upon a full historical test year with
9 TOU rates in effect. This is entirely consistent with the regulatory compact.

10 **Q: Would the Company's proposed TOU deferral mechanism eliminate risk for which**
11 **Evergy's shareholders are compensated as Ms. Lange asserts?**

12 A: No. This tracker is designed to be bi-directional. And because of the timing issues
13 previously described, no party to this proceeding provided or analyzed billing determinant
14 support for a full year of TOU residential rate adoption as ordered by the Commission. No
15 party to this proceeding has ever experienced or evaluated such a wholesale move from
16 standard residential tariffs to the ordered TOU residential tariffs. Consequently, there is
17 currently no way to gauge whether the TOU rate deferral mechanism will ultimately result
18 in a regulatory asset due to the Company or a regulatory liability due to the customers. Any
19 argument that this mechanism will one-sidedly eliminate regulatory risks for shareholders
20 is unfounded.

21 Further, as both I and Company witness Ann Bulkley discussed in our direct
22 testimonies, the Company's proposed TOU deferral mechanism and our other tracking
23 mechanisms keep our risk level on par with that of other peer companies with whom we

1 compete for capital. As we all know, Evergy competes for investment capital with other
2 investor-owned utilities across the country. To compete successfully, our rate mechanisms
3 and cost recovery treatment must be comparable and competitive. Rejecting the proposed
4 TOU deferral mechanism as Ms. Lange recommends will increase the Company's risk
5 profile which in turn, negatively impacts its ability to attract investors.

6 **Q: Has the Commission approved the use of trackers in other cases?**

7 A: Yes, there are many instances of Commission approved trackers¹. The Commission has
8 broad discretion to authorize the Company's TOU rate deferral mechanism.

9 **Q: Are regulatory trackers consistent with the regulatory compact?**

10 A: Yes. The regulatory compact allows utilities to collect revenue from customers to cover
11 the costs of providing services, while also requiring that those services are provided at a
12 fair and reasonable cost. The compact also gives utilities the opportunity to earn a
13 reasonable return on their investments. Regulatory trackers do not remove the company's
14 obligation to provide service at fair and reasonable rates. Trackers support the regulatory
15 compact because they ensure that a utility is allowed to earn a reasonable return on
16 investments without being penalized based on fluctuations in costs that are beyond the
17 company's control.

¹ Report and Order, Re Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West for an Accounting Authority Order Allowing the Companies to Record and Preserve Costs Related to COVID-19 Expenses, File No. EU-2020-0350 (January 13, 2021)(approved deferral of COVID-19 Expenses); Order Approving Stipulation and Agreement, Re Application of Union Electric Company d/b/a Ameren Missouri for an Accounting Authority Order to Record and Preserve Net Costs and Revenues Related to COVID-19, File No. EU-2021-0027 (March 10, 2021)(approved deferral of COVID-19 Expenses); Report and Order, p. 29, Re Union Electric Company d/b/a Ameren Missouri for Approval of Efficient Electrification Program, File No. ET-2018-0132 (February 6, 2019)(deferral approved for EV Charging; Order Approving Stipulation and Agreement (issued June 27, 2018) approving the Second Non-Unanimous Stipulation and Agreement, p. 12, Re Application of Union Electric Company d/b/a Ameren Missouri for Approval of 2017 Green Tariffs, File No. ER-2014-0351 (filed June 12, 2018)(approved deferral of Green Tariff program costs).

1 **VIII. RIGHT-OF-WAY POLICY**

2 **Q: Staff witness Bax testifies that the Company has a revised policy regarding the**
3 **acquisition of private right- of- way (“ROW”) easements when constructing facilities.**
4 **Is he correct?**

5 A: No. Staff is incorrect, there is no revised policy as the Company has used both public and
6 private easements throughout its history. Evergy’s practice is to first look at placing
7 facilities in the highway or public utility ROW when it is appropriate from a safety and
8 operational perspective. However, in many instances in the past, the Company has used
9 private ROW where warranted.

10 **Q: Under what circumstances does the Company attempt to acquire private easements**
11 **for the placement of facilities?**

12 A: Where there are safety or operational issues that show that that a private easement is the
13 best solution, the Company will negotiate the acquisition of private easements.

14 **Q: Is Staff asking the Commission to do anything on this issue?**

15 A: It does not appear that Staff is asking for a Commission decision on this issue. If that is
16 not the case, the Company supports keeping the status quo as it relates to ROW as a “one
17 size fits all” ROW policy would remove flexibility, is not supported, and would be a
18 material shift away current practices that continue to serve the Company and its customers
19 well.

1 **IX. IN- SERVICE ISSUE**

2 **Q: Staff witness Eubanks indicated that Staff had a potential in-service billing issue to**
3 **be addressed in true-up testimony with respect to the Hawthorn solar facility and that**
4 **Staff had raised this issue in the EO-2023-0423, 0424 dockets. Do you agree with Staff**
5 **that in-service testing should be completed before filing a tariff to implement a new**
6 **or changed solar subscription program rate?**

7 A: The Company believes that with an approved tariff in effect, it was appropriate to utilize
8 the fully-functioning Hawthorn facility so that customers could participate in the solar
9 subscription program as soon as possible. If Staff raises a position in true-up testimony,
10 the Company will respond accordingly.

11 **Q: Does that conclude your testimony?**

12 A: Yes, it does.

