

Public Version

Exhibit No.:
Issue: Jurisdictional Allocations; FAC
Requirements; Misc. Accounting
Adjustments; Cash Working Capital
Witness: Linda J. Nunn
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Evergy Missouri West
Case No.: ER-2024-0189
Date Testimony Prepared: August 6, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2024-0189

REBUTTAL TESTIMONY

OF

LINDA J. NUNN

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
August 2024**

TABLE OF CONTENTS

I. INTRODUCTION	1
II. FUEL CLAUSE ADJUSTMENT	3
III. MATERIALS & SUPPLIES.....	5
IV. ACCOUNTS RECEIVABLE BANK FEES	6
V. CASH WORKING CAPITAL.....	7
VI. MAINTENANCE - DISTRIBUTION.....	7
VII. REGULATORY ASSESSMENTS	8
VIII. ECONOMIC RELIEF PILOT PROGRAM.....	9
IX. LEASE EXPENSE	10
X. PREPAYMENTS, EEI DUES, DUES AND DONATIONS.....	11
XI. FORFEITED DISCOUNTS	13
XII. TRANSMISSION REVENUE AND EXPENSE.....	14
XIII. BAD DEBT EXPENSE	15
XIV. INCOME ELIGIBLE WEATHERIZATION PROGRAM	16
XV. RATE CASE EXPENSES	16
XVI. ADVERTISING EXPENSE	19
XVII. NUCOR REVENUE IMPUTATION.....	19
XVIII. PAY AS YOU SAVE PROGRAM.....	21

REBUTTAL TESTIMONY

OF

LINDA J. NUNN

CASE NO. ER-2024-0189

1

I. INTRODUCTION

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

3 A: My name is Linda J. Nunn. My business address is 1200 Main, Kansas City,
4 Missouri 64105.

5 **Q: Are you the same Linda J. Nunn who submitted direct testimony on February**
6 **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”).

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

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

Topic	Witness
Fuel Adjustment Clause	Staff - Teresa Denney OPC - Angela Schaben
Materials and Supplies	Staff – Nathan Bailey
Accounts Receivable Bank Fees	Staff – Nathan Bailey
Cash Working Capital	Staff – Nathan Bailey
Maintenance - Distribution	Staff - Nathan Bailey
Regulatory Assessments	Staff - Nathan Bailey
Economic Relief Pilot Program	Staff - Sydney Ferguson
Lease Expense	Staff – Sydney Ferguson
Prepayments & Edison Electric Institute (“EEI”) Dues	Staff - Sydney Ferguson
Dues and Donations – EEI Dues	Staff – Sydney Ferguson Staff – Jared Giacone
Forfeited Discounts	Staff - Antonija Nieto
Transmission Revenue and Expense	Staff - Antonija Nieto
Bad Debt Expense	Staff - Antonija Nieto OPC – Manzell Payne
Income Eligible Weatherization Program	Staff - Lindsey Smith
Rate Case Expenses	Staff - Lindsey Smith
Advertising Expense	Staff - Lindsey Smith
Nucor Revenue Imputation	Staff – Justin Tevie
Pay As You Save Program	Staff - Matthew Young

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

1 **II. FUEL CLAUSE ADJUSTMENT**

2 **Q: Please summarize Staff witness Teresa Denney’s testimony regarding the Fuel**
3 **Clause Adjustment (“FAC”).**

4 A: Witness Denney’s testimony recommends:

- 5 ▪ Continue to include base factor in the FAC tariff sheet
- 6 ▪ Continue to include transmission costs for purchased power and off-system
7 sales
- 8 ▪ Continue to exclude transmission costs associated with Crossroads
- 9 ▪ Continue to include previously approved additional reporting requirements
- 10 ▪ Base Factor calculation testimony filed July 12th

11 **Q: How do you respond to the above recommendations?**

12 A: I’m in agreement with the first four items listed. I do want to make one clarification.
13 The Company agrees that the Crossroads transmission is not for purchased power
14 or off-systems sales and should therefore be excluded from the FAC base
15 calculation, but I do not agree that Crossroads should be excluded from recovery in
16 base rates. This topic will be rebutted in the rebuttal testimony of Company
17 witnesses Darrin Ives and Cody VandeVelde.

- 18 ▪ Base Factor testimony filed July 12th:

19 **Q: Do you agree with the FAC base calculation?**

20 A: Given the dramatic increase in net purchased power costs when Nucor and the
21 Renewable Energy Rider (“RER”) were removed, it appeared as though Staff had
22 not included either of these in their EMS run.

23 However, an incorrect node was used to settle Cimarron Bend 3 (“CB3”)
24 causing the significant increase in costs that were being used to develop the FAC

1 base rate. Please see the rebuttal testimony of Company witness Hsin Foo for an
2 explanation of how the Nucor and RER impact should have been calculated.

3 The costs associated with Nucor and RER were properly calculated,
4 however the use of the improper pricing location for Nucor caused the offsetting
5 revenues to be grossly overstated.

6 Correcting for the improper node to the ** [REDACTED] ** node will increase
7 overall net fuel and purchased power costs, but the impact of removing Nucor and
8 RER is significantly reduced.

9 Staff has indicated that corrections will be made, but the specifics have not
10 been shared. I may have additional testimony in surrebuttal depending on the
11 changes made by Staff.

12 **Q: What was Ms. Schaben’s recommendation regarding Southwest Power Pool**
13 **(“SPP”) administration fees?**

14 A: Ms. Schaben correctly notes that SPP administration fees are currently not
15 recovered through the FAC. She goes on to identify three additional administrative
16 service fees, that are not currently listed in the FAC tariff, and testifies that they
17 should also be excluded from recovery through the FAC. Ms. Schaben testifies that
18 the three new administration charges are not volatile and therefore are not
19 appropriate for recovery through the FAC.

20 **Q: Do you agree with Ms. Schaben’s recommendation?**

21 A:- No. Our current FAC tariff specifies which charges are appropriate for recovery
22 through the rider. Among the costs approved for FAC recovery is subaccount
23 555000 which includes “charges and credits related to the SPP Integrated
24 Marketplace”. As such the Company maintains that SPP administration fees are

1 appropriately recovered through the FAC. Furthermore, two of the SPP
2 administration charges that she identifies, the Integrated Marketplace Clearing
3 Administration Service and the Integrated Marketplace Facilitation Administration
4 Services, are both charged by SPP on a per MWh basis. Therefore, the total
5 charges will vary depending on total EMW load, just like the other costs currently
6 recovered through the FAC. If the administration fees were a fixed amount each
7 year they would be appropriately recovered through base rates. But since the SPP
8 administration fees fluctuate based on changes in customer demand, just like the
9 cost of coal, natural gas, and purchased power, they are appropriately recovered
10 through the FAC.

11 **Q: How did Staff calculate the SPP administration fees?**

12 A: Staff witness Antonija Nieto testified that “Staff calculated an annualized level of
13 SPP administrative fees by applying the SPP approved rates to the billing
14 determinants defined in SPP’s OATT”. The Company agrees with the methodology
15 and calculations performed by Staff.

16 **III. MATERIALS & SUPPLIES**

17 **Q: Please summarize Staff’s testimony with regard to materials and supplies.**

18 A: Staff witness Nathan Bailey explains Staff’s methodology for determining the level
19 of materials and supplies it proposes be included in rate base. Staff reviewed
20 monthly plant balances in order to identify trends in each account. For accounts
21 where Staff detected a trend, the December 31st 2023 ending balance was used. For
22 accounts with no detectable trend the 13-month average was used.

1 **Q: Do you agree with Staff’s methodology for determining the levels of materials**
2 **and supplies included in rate base?**

3 A: Yes, I agree with Staff’s methodology. However, the Company has identified an
4 error in the allocator used for Materials and Supplies. We have communicated this
5 error to Staff and Staff agreed to correct in true-up.

6 **IV. ACCOUNTS RECEIVABLE BANK FEES**

7 **Q: What are accounts receivable bank fees?**

8 A: Accounts receivable bank fees are associated with the transactions where EWM
9 sells a portion of its accounts receivables in order to increase its immediate cash
10 flow and reduce its Cash Working Capital (“CWC”) lag. The costs of these
11 transactions are based on the interest or financing costs the buyer must incur for the
12 lag between the cash paid upfront to EMW and the delayed collection of the
13 accounts receivable from customers. As I discuss in my Direct Testimony, the
14 Company used data from the most recent month and annualized that value to
15 calculate annualized accounts receivable bank fees.

16 **Q: Does Staff take issue with the Company’s treatment of accounts receivable**
17 **bank fees?**

18 A: Yes. Staff witness Bailey explains that Staff’s adjustment for accounts receivable
19 bank fees are based on EMW’s actual costs for the twelve-months ending
20 December 31, 2023.

21 **Q: What is your response to Staff’s methodology for calculating the adjustment**
22 **for account receivable bank fees?**

23 A: Staff’s proposal would misstate the cost of these fees. Using data from the most
24 recent month while rates are trending to annualize ensures that the adjustment is

1 based on the most recent financing cost available. At true-up the Company will
2 evaluate the trends in financing fees and determine an appropriate annualization
3 methodology at that time.

4 **V. CASH WORKING CAPITAL**

5 **Q: Please summarize Staff’s testimony with regard to CWC.**

6 A: Staff witness Nathan Baily testifies that he agrees with the Company’s lead lag
7 study used to calculate CWC except that it excluded a Public Service Commission
8 (“PSC”) Assessment lag.

9 **Q: Did the Company exclude a PSC Assessment lag in its lead lag study?**

10 A: No. The lag between the expense associated with PSC assessments and the revenue
11 collected to cover those costs was not material but, we did include this lag in our
12 CWC calculation.

13 **Q: Were there other differences between the Company’s and Staff’s lead lags in
14 the CWC calculation?**

15 A: Yes, but only input differences that flow in from other rate case adjustments. Staff
16 used the Company’s lead lags from the Company’s Direct filing and did not update
17 the Revenue Lag at the Cutoff like the Company did. The Company plans to update
18 the Revenue Lag again at true-up using 12 months ended June 2024 data.

19 **VI. MAINTENANCE - DISTRIBUTION**

20 **Q: How did Staff calculate distribution maintenance expense?**

21 A: Staff witness Nathan Bailey explains that the method used for annualizing non-
22 labor distribution maintenance expense differed slightly from the method used for
23 all other maintenance expense accounts. For all other maintenance expenses,
24 including generation and transmission maintenance, Staff utilized the three-year

1 average for 2021, 2022, and 2023. Staff did the same for distribution maintenance
2 expenses, except for account 593, “Maintenance of Overhead Lines”. For this
3 account Staff used the actual values for the 12-months ended December 2023.

4 **Q: Does the Company agree with Staff’s methodology for all non-labor**
5 **maintenance expense accounts?**

6 A: Yes. The Company plans to use an updated three-year average (including the true-
7 up period) for all non-labor maintenance accounts, with the exception of account
8 593000 in which the Company plans to use the 12-months ended June 2024 in its
9 true-up.

10 **Q: Did Staff include an adjustment for the Company’s storm reserve?**

11 A: No. Although not addressed in their testimony, the Company was able to identify
12 that the storm reserve was not included in Staff’s calculation of distribution
13 maintenance.

14 **Q: Does the Company agree?**

15 A: No. The Company has asked for a Storm Reserve, if approved the test year amount
16 for storms in account 593000 should be removed in the distribution maintenance
17 adjustment and re-established at in the Storm Reserve adjustment. The Storm
18 Reserve is discussed in Company witness Ron Klote’s rebuttal testimony.

19 **VII. REGULATORY ASSESSMENTS**

20 **Q: Please summarize Staff’s testimony with regard to regulatory assessments.**

21 A: Staff witness Nathan Bailey discusses the mandatory fees assessed to utilities by
22 the Missouri Public Service Commission (“MPSC”) and the Federal Energy
23 Regulatory Commission (“FERC”) to ensure adequate funding of these oversight
24 bodies. He states the MPSC assessment costs that were included in their revenue

1 requirement were based on the charges for fiscal year 2024. For the FERC
2 regulatory assessment charges Staff used the most recent billed FERC assessment
3 for the 12-month period ending December 31, 2023.

4 **Q: Do you have any issues with how Staff calculated the regulatory assessment**
5 **revenue requirement?**

6 A: Yes. Staff excluded the FERC regulatory assessments associated with the
7 Crossroads generation facility. The Company continues to maintain that
8 Crossroads is a cost-effective resource for EMW customers and this disallowance
9 associated with the facility is not justified. EMW witness Cody VandeVelde and
10 Darrin Ives address this issue in their rebuttal testimony. Additionally, the
11 Company was required to eliminate transmission costs associated with Crossroads
12 from cost of service. Regulatory assessments are not transmission costs and were
13 not identified in prior cases to be eliminated.

14 As far as valuation of the assessments included in the cost of service, while
15 the Company utilized MPSC assessments for fiscal year July 1, 2024 through June
16 30, 2025, Staff utilized 2023/2024 charges for their revenue requirement
17 calculations. The fiscal year 2024 assessment letter is dated June 26, 2024 so the
18 current information is known and measurable and should be included in true-up
19 revenue requirement calculations as the annualized level of current costs associated
20 with MPSC regulatory assessments.

21 **VIII. ECONOMIC RELIEF PILOT PROGRAM**

22 **Q: How did Staff treat the cost of the Economic Relief Pilot Program?**

23 A: Staff witness Sydney Ferguson explains in her direct testimony, consistent with the
24 Commission's decision in EWM's Case No. ER-2016-0156, the \$788,019 budget

1 was split evenly between customers and shareholders. The result is an adjustment
2 of \$394,010 to test year expenses.

3 **Q: Do you agree with Staff's adjustment for the cost of the Economic Relief Pilot**
4 **Program?**

5 A: Generally, yes. The Company utilized the same adjustment in our calculations.
6 However, upon review we identified that staff had used thirteen months of data for
7 the test year instead of twelve. Staff has indicated that this error will be corrected
8 in true-up.

9 **IX. LEASE EXPENSE**

10 **Q: Please summarize Staff's testimony with regard to lease expense.**

11 A: Staff witness Sydney Ferguson explains that Staff reviewed the lease expenses in
12 the test period 12 months ending June 30, 2023 as well as through December 31,
13 2023. Staff reviewed the effective date of each lease and whether or not each lease
14 was expected to remain in effect at the same rate. Staff determined that there were
15 no leases expected to end but there were new leases that began after the test period.

16 **Q: Do you agree with Staff's lease expense adjustment and calculation?**

17 A: Yes, the Company agrees with Staff that an adjustment should be made for lease
18 expense and will make an adjustment in the Company's True-up comparing the 12
19 months ending June 2023 test period amounts to the actual 12 months ending June
20 2024 amounts. However, in reviewing Staff's lease adjustment calculations, the
21 Company identified an error on only the fleet vehicles leases. The Company has
22 raised the issue with Staff, and Staff was in agreement with the correction and plans
23 to reflect this change in their true-up lease adjustment by applying the Fleet

1 Loadings O&M ratio to the fleet vehicle leases before adding the result to the
2 adjustment for other type leases.

3 **X. PREPAYMENTS, EEI DUES, DUES AND DONATIONS**

4 **Q: Please summarize Staff witness Sydney Ferguson’s testimony regarding**
5 **prepayments.**

6 A: Ms. Ferguson states that Staff examined all of EMW’s prepayment account
7 balances from June 2022 to December 2023 on a month-by-month basis and used
8 a 13-month average ending December 31, 2023, for all prepayments required for
9 EMW to provide electric utility service to their customers. Further examination of
10 Staff’s prepayment adjustments reveals that they did not include prepayments
11 associated with EMW’s membership in EEI. The Company also identified that
12 account 165008 – Prepayments Other was double counted. We have communicated
13 this error to Staff and Staff agreed it was an error.

14 **Q: What was Staff’s recommendation regarding the EEI membership dues?**

15 A: Staff witness Jared Giacone provides testimony regarding EMW’s membership in
16 EEI and testifies that Staff removed EEI fees and dues from its cost of service
17 calculations.

18 **Q: Should prepaid EEI membership payments as well as current membership**
19 **fees be included in the Company’s cost of service?**

20 A: Yes. Both should be included.

21 **Q: What is EEI?**

22 A: EEI is the association that represents all U.S. investor-owned electric utilities. EEI
23 provides essential services and resources, industry best practices and products as

1 well as national leadership that contribute to the long-term viability and service of
2 the electric power industry.

3 **Q: Does the Commission provide guidance on how to handle EEI dues in previous**
4 **cases?**

5 A: Yes. In Case Nos. EO-85-185 and EO-85-224, KCP&L rate cases, the Commission
6 stated in its Report and Order regarding the need for the utility to allocate EEI
7 benefits between customers and shareholders:

8 The argument that allocation is not necessary if the benefits lessen
9 the cost of service to the ratepayers by more than the cost of the
10 dues, misses the point. It is not determinative that the quantification
11 of benefits to the ratepayer is greater than the EEI dues themselves.
12 The determining factor is what proportion of those benefits should
13 be allocated to the ratepayer as opposed to the shareholder. It is
14 obvious that the interests of the electric industry are not consistently
15 the same as those of the ratepayers. The ratepayers should not be
16 required to pay the entire amount of EEI dues if there is benefit
17 accruing to the shareholders from EEI membership as well. The
18 Commission finds this to be the case. The Company has been
19 informed in prior rate cases that it must allocate its quantified
20 benefits from membership in EEI. That has not been done herein.
21 Therefore, no portion of EEI dues will be allowed in this case.

22 **Q: Has the Company already allocated some of the EEI dues below the line**
23 **attributing them to shareholders and excluded those costs from the revenue**
24 **requirement calculation?**

25 A: Yes. The Company records approximately 15% of the EEI annual membership dues
26 below the line. This represents the portion of time that EEI is engaged in lobbying
27 activities for the electric utility industry. This percentage is based off the invoice
28 that is received from EEI on an annual basis which separates out any amounts that
29 are related to lobbying activities. As such, the Company has already eliminated
30 costs that should not be charged to customers. This is consistent with what the
31 Commission stated in its Report and Order in Case Nos. ER-85-185 and EO-85-

1 224. The Company has adhered to the guidance provided by this previous
2 Commission Order and has allocated EEI dues between the customers and
3 shareholders.

4 **Q: Should Staff’s EEI adjustment and dues and donations disallowance be**
5 **accepted by the Commission?**

6 A: No. As indicated above, the Company has already removed donations that were
7 recorded below the line. In addition, the EEI membership dues provide access to
8 services that assist the Company in providing more reliable and efficient services
9 and provide benefits to EMW customers. They provide valuable forums and
10 information-sharing for nearly every department in the Company including
11 customer experience, security and preparedness, energy supply, human resources,
12 legal and health and safety. Staff’s attempt to eliminate additional beneficial costs
13 of EEI should be rejected by the Commission.

14 **XI. FORFEITED DISCOUNTS**

15 **Q: Please summarize Staff’s approach to calculating forfeited discounts.**

16 A: Staff witness Antonija Nieto explains that forfeited discounts, also referred to as
17 late payment fees, were calculated by Staff based on an annualized ratio of forfeited
18 discounts to revenue for the period February 1, 2023 through December 31, 2023.
19 This was the first period since the start of the COVID pandemic that the Company
20 had reintroduced those fees. That ratio was then applied to the test year annualized
21 weather normalized revenue to derive total forfeited discounts.

22 **Q: Do you agree with Staff’s methodology for calculating forfeited discounts?**

23 A: The Company used a similar approach to Staff, however in our review of Staff’s
24 calculations we observed that they had inadvertently omitted revenues associated

1 with riders. This error was communicated with Staff and they have identified this
2 as a correction to be made in true-up.

3 **XII. TRANSMISSION REVENUE AND EXPENSE**

4 **Q: Please summarize Staff’s testimony with regard to transmission revenue and**
5 **expenses.**

6 A: Staff witness Antonija Nieto provides an overview of how SPP became a Regional
7 Transmission Organization and took over the functional control of EMW’s
8 Transmission system in 2009. She explains that EMW receives charges from SPP
9 for various transmission services and also receives revenue from SPP for other
10 market participants use of EMW’s transmission assets. Ms. Nieto explains that
11 Staff used the 12-months ending December 31, 2023, for both SPP transmission
12 revenues and expenses.

13 **Q: Did the Company follow the same methodology for calculating SPP revenues**
14 **as Staff did?**

15 A: No. The Company calculated transmission revenues by forecasting the first six
16 months of expected revenues from SPP and then multiplied by two to derive an
17 annual value. Given the recent decrease in SPP revenue the Company felt that a
18 forecast for 2024 would be a better estimate of revenues than the historical data
19 used by Staff. Because revenues are declining, transmission revenue will be trued-
20 up so the change in revenues will be addressed.

21 **Q: What is Staff’s position with regard to the transmission expense associated**
22 **with the Crossroads generation facility?**

23 A: Staff witness Keith Majors provides testimony on the transmission expenses
24 associated with the Crossroads generation facility. He states that the Staff have

1 removed those expenses from their cost of service calculations. EMW witnesses
2 Cody VandeVelde and Darrin Ives address this issue in their rebuttal testimonies.
3 The Company annualized based on projected transmission expense through the
4 true-up period. The Company will true-up to June 30, 2024 costs. The Company
5 will include Crossroads transmission in its trued-up cost of service.

6 **XIII. BAD DEBT EXPENSE**

7 **Q: Please summarize Staff's position on bad debt expense.**

8 A: Staff witness Antonija Nieto testifies that Staff utilized a ratio of actual net bad debt
9 expense for the twelve-month period ending December 31, 2023 divided by the
10 billed revenues for the twelve-month period ending June 30, 2023. That ratio was
11 then applied to Staff's calculation of the weather normalized retail revenues to
12 derive their level of bad debt expense. Ms. Nieto goes on to explain that Staff will
13 reexamine the level of bad debt expense in the true-up analysis.

14 **Q: What is your response to Staff's evaluation of bad debt expense?**

15 A: Staff and the Company followed similar methodologies for the calculation of bad
16 debt expense. However, Company calculates bad debt expense on the revenue
17 requirement ask because if revenues increase, bad debts will follow. Staff did not
18 include bad debts on the revenue requirement ask. By ignoring potential bad debts
19 on the Ask, Staff is proposing an under recovery of valid costs of providing safe
20 and reliable electric service. Both bad debt adjustments will be trued-up to June
21 30, 2024 amounts.

1 **XIV. INCOME ELIGIBLE WEATHERIZATION PROGRAM**

2 **Q: How did Staff account for unspent funds associated with the Income Eligible**
3 **Weatherization (“IEW”) program?**

4 A: Staff witness Lindsey Smith explains that the unspent funds associated with the
5 IEW program were included at the December 31, 2023 balance as a reduction in
6 rate base and made an adjustment to reflect the amortization of that amount over a
7 four-year period.

8 **Q: Do you agree with Staff’s methodology with regard to IEW program unspent**
9 **funds?**

10 A: Yes, I agree with Staff’s methodology, but the Company has identified an error in
11 their calculation. Staff’s testimony states that they utilized the balance of unspent
12 funds as of December 31, 2023. However, our review of Staff’s data revealed that
13 their balance of December 31, 2023, excluded the revenues and expenditures from
14 the last three months of the year. We have communicated this error to Staff and
15 they have agreed to correct it in true-up.

16 **XV. RATE CASE EXPENSES**

17 **Q: How did Staff calculate the amount of rate case expenses included in the test**
18 **year?**

19 A: Staff witness Lindsey Smith states that Staff included a three-rate case expense
20 average of full costs incurred by EMW in the most recent rate cases, Case Nos. ER-
21 2022-0130, ER-2018-0146, and ER-2016-0156. Of that three-case expense
22 average, 100 percent of expenses associated with depreciation and line loss studies
23 were included and 50 percent of the remaining, what Staff considers to be
24 discretionary, rate case expenses.

1 **Q: Do you agree with the rate case expense adjustment made by the MPSC Staff?**

2 A: Staff has an error in its test year amount, but we expect based on conversations with
3 Staff that it will be corrected. Averaging the total rate case expense expended over
4 cases allows for the fact that much of the rate case expenses incurred are paid after
5 the cut-off for including those expenses in the current case. Therefore, the
6 Company does agree with using an average of the expenses over the last three cases,
7 but disagrees with taking 50% of those averaged costs. As stated below, rate case
8 expenses are a necessary part of doing business as a regulated electric utility and
9 should therefore be recovered in the utility's cost of service.

10 **Q: Do you see this as an ongoing solution to valuing rate case expense?**

11 A: It depends on the circumstances of each case. There could be issues in the future
12 that are unique and significant that would cause us to look at cases on a more
13 individualized basis.

14 **Q: What was the OPC's position in regard to rate case expenses?**

15 A: OPC witness Manzell Payne recommends 50 percent sharing of discretionary rate
16 case expenses between shareholders and customers, normalization of the expenses
17 from this case and the previous case, No. ER-2022-0130, over the term the
18 Company expects to recover the amount, only 4/5 of the depreciation study from
19 the 2022 case should be included in the normalization calculations, and a portion
20 of outside attorney and consultation fees should be disallowed.

21 **Q: Is OPC's recommendation reasonable?**

22 A: I disagree with OPC's recommendation for 50 percent sharing of discretionary rate
23 case expenses. In addition, OPC's recommendation for total disallowance of
24 certain attorney and consultation fees is not appropriate.

1 EMW's customers benefit from an accurately processed rate case
2 proceeding as it ensures the establishment of just and reasonable rates. Rate case
3 expenses are an inherent part of the cost of operating an electric utility, just as
4 generation, transmission, and delivery costs are. Without the periodic execution of
5 rate review proceeding the Commission would not have the opportunity to review
6 the utilities financial performance in detail, and shareholders would be denied their
7 rightful opportunity to earn a reasonable return on the investment they have made
8 in the EMW power system. It would make no sense to automatically disallow, in
9 the absence of any evidence or allegation of imprudence, costs which benefit both
10 the shareholder and the customer.

11 Rate cases and the regulatory mechanisms approved in rate cases are
12 necessary and provide a benefit to the customer by keeping the public utility
13 financially healthy and in a position to provide the customers with safe and reliable
14 service at just and reasonable rates. Under long-standing regulatory precedent,
15 shareholders are expected to have a reasonable opportunity to earn returns
16 authorized by the Commission. An arbitrary disallowance of rate case expenses is
17 in direct opposition to providing the shareholders the opportunity that they are
18 supposed to be afforded.

19 Staffing levels at the Company are not set to include all forms of expertise
20 needed to file and support a complete and accurate case. Prudent financial
21 management includes bringing in incremental support during periods when there is
22 additional work load that is in excess of regular day to day operations. Staff
23 augmentation through outside legal and consulting firms minimizes overall

1 regulatory costs and these costs are rightfully included in the Company's cost of
2 service.

3 **XVI. ADVERTISING EXPENSE**

4 **Q: Please describe Staff's approach to advertising expenses.**

5 A: Staff witness Lindsey Smith explains that Commission precedent is to allow
6 charges associated with general and safety advertising, never allow costs associated
7 with political advertisements, and only allow the cost of promotional
8 advertisements to the extent that the utility can provide cost-justification for the
9 advertisement. She states that in Staff's review of advertising expenses they were
10 unable to determine the justification for the YOUtility advertising campaign.
11 Specifically, they were not able to discern which portions for the campaign were
12 associated with promoting the Company's public image. Ms. Smith recommends
13 that going forward EMW be required to record advertising expenses in a way that
14 establishes an auditable paper trail.

15 **Q: Is Staff's recommendation reasonable?**

16 A: From our discussions with Staff, it simply appears that some additional data which
17 has been provided in data requests needs to be explained in more detail so Staff can
18 ascertain the reasoning behind the advertising campaigns. The Company and Staff
19 are currently working together to address Staff's concerns. The Company will
20 provide surrebuttal testimony if Staff's concerns are not alleviated.

21 **XVII. NUCOR REVENUE IMPUTATION**

22 **Q: What is the Nucor revenue imputation topic?**

23 A: As explained in my direct testimony, the revenues achieved by Nucor adequately
24 cover the costs of providing service to Nucor. If Nucor revenues did not cover the

1 associated costs, the Company would be obligated to impute revenue to cover the
2 shortfall in order to hold non-Nucor customers harmless. Staff witness Justin Tevie
3 filed in his direct testimony that Nucor's revenues did not cover expenses by \$4.9M.

4 **Q: Do you agree with this claim?**

5 A: No. In addition to my rebuttal testimony, Company witnesses Hsin Foo and JP
6 Meitner provide rebuttal testimony on this subject. Ms. Foo discusses a significant
7 error in using an incorrect settlement node to calculate the net purchased power
8 costs associated with Nucor. Mr. Meitner discusses how EMW's capacity is
9 adequate to cover Nucor's load according to SPP and thus no additional capacity
10 charges should be identified as Nucor costs.

11 **Q: Have these errors been communicated to the Commission Staff?**

12 A: Yes.

1 **Q: Was there a recognition by Staff that changes to its Nucor adjustment needed**
2 **to be made?**

3 A: Yes, for the calculation of the net purchased power costs associated with Nucor. It
4 appears as though Staff has corrected for the use of the improper node to settle
5 Nucor. I haven't yet seen a workpaper, but I have a listing of corrections made.
6 From this listing, I have put together a schedule that I believe represents the changes
7 Staff intends to make. Please see **Confidential Schedule LJN-7** attached to this
8 testimony. The Company is still working with Staff related to the additional
9 capacity costs that have been associated with Nucor but are no longer incurred.

10 **XVIII. PAY AS YOU SAVE PROGRAM**

11 **Q: Please summarize Staff's testimony with regard to the Pay As You Save**
12 **("PAYS") program.**

13 A: Staff witness Matthew Young provides a brief history and overview of the PAYS
14 program. He explains that the PAYS program provides energy efficiency measures
15 for customers and charges a small monthly fee on the customer's bills to recover
16 the cost of those investments. Mr. Young recommends including annualized PAYS
17 revenue based on the current customer contracts as of December 31, 2023 and
18 including the December 31, 2023 deferred asset in rate base while amortizing the
19 asset balance over a 12-year period.

20 **Q: Do you agree with Staff's recommendation?**

21 A: I generally agree that PAYS revenues should be recognized in deriving overall
22 revenue short falls and that the outstanding balance of PAYS loan amounts should
23 be recognized as a deferred asset in rate base. However, I do not agree with the
24 details of Staff's calculation. Staff's calculation of revenues over estimated the

1 number of customers paying monthly fees on their bills. Staff included twelve
2 months of revenue for the customers with loans initiated during 2023. No full-year
3 revenue was collected for these customers. Staff also included twelve months of
4 revenue for the customers with signed contracts but not yet being charged. The
5 loan was still in process of being set up on the customers' accounts. No revenue
6 has been collected for the signed but not active customers.

7 **Q: What methodology does the Company propose to use for the calculation of**
8 **revenue?**

9 A: The Company proposes to annualize revenue for the true-up adjustment using the
10 monthly revenue as of June, 2024 times 12, as June is the most recent known
11 amount.

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

13 A: Yes, it does.

**SCHEDULE LJN-7
CONTAINS CONFIDENTIAL
INFORMATION
NOT AVAILABLE TO THE PUBLIC.**

ORIGINAL FILED UNDER SEAL.

**Evergy Metro, Inc. d/b/a Evergy Missouri Metro and
Evergy Missouri West, Inc. d/b/a Evergy Missouri West**

Docket No.: ER-2024-0189

Date: August 6, 2024

CONFIDENTIAL INFORMATION

The following information is provided to the Missouri Public Service Commission under CONFIDENTIAL SEAL:

Document/Page	Reason for Confidentiality from List Below
Nunn Rebuttal, p. 4, ln. 6	3, 4, and 6
LJN-7	3, 4, and 6

Rationale for the “confidential” designation pursuant to 20 CSR 4240-2.135 is documented below:

1. Customer-specific information;
2. Employee-sensitive personnel information;
3. Marketing analysis or other market-specific information relating to services offered in competition with others;
4. Marketing analysis or other market-specific information relating to goods or services purchased or acquired for use by a company in providing services to customers;
5. Reports, work papers, or other documentation related to work produced by internal or external auditors, consultants, or attorneys, except that total amounts billed by each external auditor, consultant, or attorney for services related to general rate proceedings shall always be public;
6. Strategies employed, to be employed, or under consideration in contract negotiations;
7. Relating to the security of a company's facilities; or
8. Concerning trade secrets, as defined in section 417.453, RSMo.
9. Other (specify) _____.

Should any party challenge the Company’s assertion of confidentiality with respect to the above information, the Company reserves the right to supplement the rationale contained herein with additional factual or legal information.