

Exhibit No.:
Issue(s): *Accounts Receivable*
Bank Fees, Materials
and Supplies,
Insurance Expense,
Maintenance Expense,
Injuries and Damages,
Regulatory
Assessments, True-Up
Adjustments
Witness: *Nathan Bailey, CPA*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal / True-Up*
Direct Testimony
Case No.: *ER-2024-0189*
Date Testimony Prepared: *September 10, 2024*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS SERVICES DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

NATHAN BAILEY, CPA

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
September 10, 2024

1 **SURREBUTTAL / TRUE-UP DIRECT TESTIMONY**

2 **OF**

3 **NATHAN BAILEY, CPA**

4 **EVERGY MISSOURI WEST, INC.,**

5 **d/b/a Evergy Missouri West**

6 **CASE NO. ER-2024-0189**

7 Q. Please state your name and business address.

8 A. My name is Nathan Bailey. My business address is Fletcher Daniels State Office
9 building, Room 201, 615 East 13th Street, Kansas City, MO 64106.

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

11 A. I am a Utility Regulatory Auditor with the Missouri Public Service Commission.

12 Q. Are you the same Nathan Bailey who filed direct testimony in this case on
13 June 27, 2024?

14 A. Yes.

15 **EXECUTIVE SUMMARY**

16 Q. What is the purpose of your surrebuttal / true-up direct testimony?

17 A. I will provide surrebuttal and true-up direct testimony in response to
18 Evergy Missouri West (“EMW”) witness Linda Nunn’s rebuttal testimony on account
19 receivable bank fees. I will also identify adjustments that I updated with true-up data
20 through June 30, 2024.

1 **ACCOUNTS RECEIVABLE BANK FEES**

2 Q. How did Staff account for accounts receivable bank fees (“bank fees”)?

3 A. In its direct filing on June 27, 2024, Staff annualized bank fees based on actual
4 costs incurred using the 12 months ending December 31, 2023, the most recent available data
5 at that time.

6 Q. Does EMW agree with the methodology that Staff used to annualize bank fees?

7 A. No. Beginning on page 6 of Linda Nunn’s rebuttal testimony, she disagrees with
8 Staff’s methodology stating that it would lead to a misstatement of cost of these fees.
9 Ms. Nunn goes on to state that EMW will evaluate the bank fees at true-up for trends and
10 determine an appropriate methodology.¹

11 Q. After reviewing the bank fees through the June 30, 2024, true-up period in this
12 case, does Staff find that an annualization based on one month is appropriate?

13 A. No. After reviewing EMW’s true-up data, there is no significant trend over the
14 12 months ending June 30, 2024, the true-up period in this case.² Additionally, using a single
15 month excludes seasonal variability in EMW revenues and receivables sold, in addition to
16 normal market interest rate fluctuations.

17 Q. Are there circumstances which would lead Staff to depart from using the most
18 recent 12 months in favor of using a single month for annualizing bank fees?

19 A. Yes. During the prior rate case, Case No. ER-2022-0130, Staff agreed with EMW’s
20 proposed methodology in response to sharp increases in bank fees paid by EMW.³
21 This was almost wholly due to increases in interest rates which were driven primarily

¹ Case Nos. ER-2024-0189, Linda J. Nunn, Rebuttal Testimony, page 6-7.

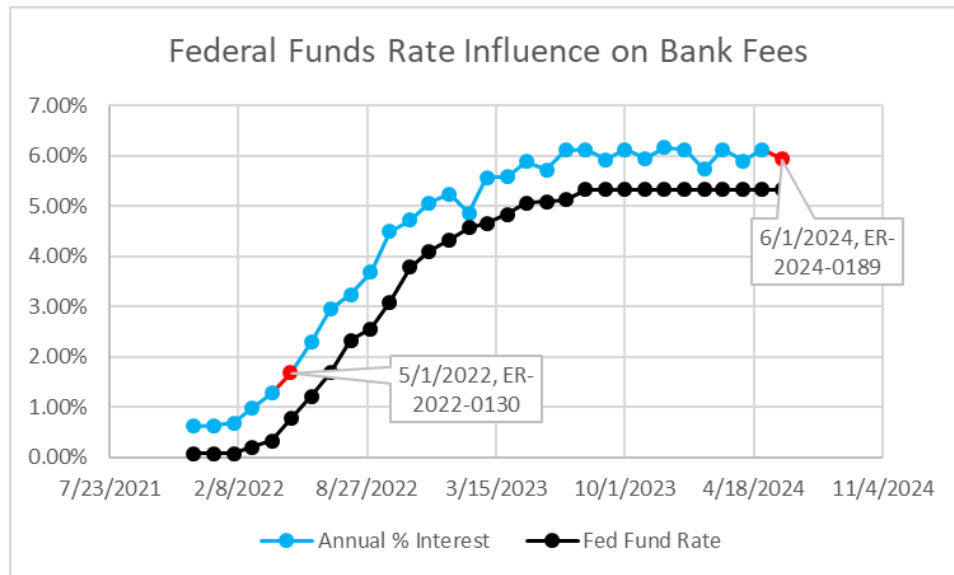
² Case Nos. ER-2024-0189 DR 230.

³ Case Nos. ER-2022-0130, Antonija Nieto, Surrebuttal Testimony, page 2.

1 by the Federal Funds Rate, a component of interest rates. The Federal Reserve Bank
2 (“Federal Reserve”) controls the Federal Funds Rate. Please see the chart below for a
3 comparison of this rate to the rate charged to EMW. At the time, the Federal Reserve’s actions
4 caused Staff to support using the latest, and therefore highest, rate available. These actions
5 included the following.

- 6 1. The Federal Reserve had begun raising the Federal Funds Rate,
- 7 2. The Federal Reserve announced further rate increases going forward and,
- 8 3. The Federal Reserve’s announced intention with these rate increases was to bring
9 down historically high inflation.

10 Below is a graph showing the interest rates for EMW in the past 12 months are not as
11 volatile as in the previous case and how the Federal Funds Rate increases influenced interest
12 rates charged to EMW.⁴



⁴ Federal funds effective rate. FRED. (2024, August 1). <https://fred.stlouisfed.org/series/fedfunds#>

1 Due to this unusual situation, Staff agreed with EMW to use the most recent month
2 available, May 2022, to be more representative of future costs instead of using the
3 previous 12 months of data.

4 Q. How is the June 30, 2024 situation during the present case different from
5 May of 2022?

6 A. The interest rate and economic environment are different and all the stated
7 criteria above for using the latest possible month have not been met.

8 Q. Has Staff determined the net benefit of Accounts Receivable sales to ratepayers?

9 A. Yes. After evaluation, the sales of accounts receivable and associated bank fees
10 paid appear to be, overall, a long-term net benefit to ratepayers as a source of short-term
11 liquidity to EMW. Staff intends to evaluate the program in future Evergy rate cases.

12 **TRUE-UP ADJUSTMENTS**

13 Q. Did you update any revenue requirement adjustments to reflect data through the
14 true up period, 12 months ending June 30, 2024?

15 A. Yes. Using the same methodology described in my direct testimony, I updated
16 adjustments to reflect the following items at the true-up:

- 17 • Insurance Expense
- 18 • Maintenance Expense
- 19 • Materials and Supplies
- 20 • PSC and FERC Assessments

21 Q. Does this conclude your Surrebuttal / True-up Direct testimony?

22 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc.)
d/b/a Evergy Missouri West's Request for)
Authority to Implement A General Rate)
Increase for Electric Service)

Case No. ER-2024-0189

AFFIDAVIT OF NATHAN BAILEY, CPA

STATE OF MISSOURI)
)
COUNTY OF Jackson)

ss.

COMES NOW NATHAN BAILEY, CPA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Nathan Bailey, CPA*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



NATHAN BAILEY, CPA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 5th day of September 2024.



Notary Public

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