

Exhibit No.:
Issue: FAC; Data Issues
Witness: Kevin D. Gunn
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Evergy Missouri West
Case No.: ER-2024-0189
Date Testimony Prepared: September 10, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2024-0189

SURREBUTTAL TESTIMONY

OF

KEVIN D. GUNN

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
September 2024**

SURREBUTTAL TESTIMONY

OF

KEVIN D. GUNN

Case No. ER-2024-0189

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

2 A: My name is Kevin D. Gunn. My business address is 1200 Main Street, Kansas
3 City, Missouri 64105.

4 **Q: Are you the same Kevin D. Gunn who filed rebuttal testimony in this docket**
5 **on August 6, 2024?**

6 A: I am.

7 **Q: Who are you testifying for?**

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

10 **Q: What is the purpose of your surrebuttal testimony?**

11 A: The purpose of my surrebuttal testimony is to respond to Commission Staff
12 (“Staff”) witness Brooke Mastrogiannis and Office of Public Counsel (“OPC”)
13 witness Lena Mantle on issues surrounding the sharing split in the Fuel Adjustment
14 Clause (“FAC”), as well as respond to Staff witness Sarah L.K. Lange’s
15 recommendation that we relitigate issues that were resolved by the Commission’s
16 Report & Order in No. EO-2024-0002.

1 **Q: What are Ms. Mastrogiannis' and Staff's positions regarding sharing in the**
2 **FAC?**

3 A: Ms. Mastrogiannis and Staff recommend keeping the 95/5% sharing mechanism
4 intact. Staff's research indicates that a 75/25% sharing mechanism would be more
5 extreme than most other US states, and Staff argues that changing the current
6 sharing percentage in this rate case would be inconsistent with prior Commission
7 rulings, as well as the sharing percentages of other Missouri regulated utilities with
8 an FAC.¹

9 **Q: Does Staff agree with OPC's rationale for changing the sharing percentage?**

10 A: No. Staff understands that OPC and Ms. Mantle's motivation for advocating for
11 changing the sharing percentage in the FAC is OPC's view that the Company was
12 imprudent in its resource planning activities by relying on the SPP energy market
13 to meet the energy needs of its customers instead of building or acquiring cost-
14 effective generation.² Staff does not agree with OPC, noting that the Commission
15 has never found EMW imprudent in its resource planning decisions on the basis of
16 not acquiring enough generation to meet the energy needs of its customers.³

17 **Q: Staff lists other states with various types of FAC sharing mechanisms. Have**
18 **you reviewed this list?**

19 A: Yes. I am aware of the majority of these examples, although Ms. Mastrogiannis has
20 identified several examples with which I was not familiar. I am aware of several
21 other examples not listed by Ms. Mastrogiannis, for example, that at least one utility

¹ Mastrogiannis Rebuttal, at 8, 12.

² Mastrogiannis Rebuttal, at 7.

³ Mastrogiannis Rebuttal, at 7.

1 in Montana employs sharing through the FAC, and that Colorado, Kentucky, and
2 South Dakota share margins from off-system sales and renewable energy credit
3 sales.^{4,5}

4 **Q: How do the sharing examples listed by Ms. Mastrogiannis on pages 10-11 of**
5 **her rebuttal testimony, or the examples you note above, compare to Ms.**
6 **Mantle’s 75/25% sharing proposal?**

7 A: None of the known comparable FAC sharing examples from other states come close
8 to being as punitive as the one being proposed here by OPC. In fact, in several cases
9 the sharing provisions employed by other states are more limited than Missouri’s
10 current 95/5% split. It should also be reiterated that most states have no sharing
11 provisions embedded in their FAC mechanisms, and 100% of the costs that flow
12 through the FAC are eligible for recovery.

13 **Q: Turning to OPC, has Ms. Mantle presented any new evidence or**
14 **argumentation in support of her 75/25% FAC sharing proposal?**

15 A: Ms. Mantle’s new argument is that the disparity between the Company and Staff’s
16 base fuel factor proposals demonstrates the volatility of the market, and supports a
17 75/25% sharing provision on the rationale that a higher sharing split would
18 incentivize the Company to not make a “wrong guess”⁶ in its resource planning
19 activities.

⁴ Either through the FAC or through a related adjustment mechanism.

⁵ *See, for example:* Black Hills Colorado Electric, LLC Energy Cost Adjustment Tariff, Sheet No. 62.
Kentucky Power Company, 2023 Annual Report, p. 15.
Duke Energy Kentucky Rider PSM Profit Sharing Mechanism.
Black Hills Energy SD Tariff Section 3C, Fuel and Purchased Power Adjustment.
Montana-Dakota Utilities Co. Montana Fuel and Purchases Power Cost Tracking Adjustment Rate 58.

⁶ Mantle Rebuttal, at 20.

1 **Q: Is Ms. Mantle implying that the Company should be penalized when actual**
2 **costs exceed forecasts?**

3 A. Yes. Ms. Mantle says that if the Company’s base fuel factor is too low, then based
4 on her proposal, “customers only have to pay 75% of Evergy West’s error.”⁷ The
5 opposite would also be true. If the Company’s base fuel factor is too high, then
6 Evergy West would retain 25% of over-collections under Ms. Mantle’s proposal.
7 This proposal does not adhere to sound regulatory policy. It weakens price signals
8 to customers, distorts the incentives around resource planning, divorces rates from
9 costs, and overly penalizes (or overly rewards) the Company regardless of prudent
10 decision making. Ms. Mantle is attempting to deviate from prudence policy, which
11 considers actions and decisions rather than outcomes. Ms. Mantle’s proposal
12 contradicts the Commission’s prior decisions around FAC prudence, and
13 superimposes a new penalty regime that is in direct conflict with what the
14 Commission has previously deemed prudent decision-making on the part of EMW.

15 **Q: Ms. Mantle claims that the Company’s FAC base factor is purposely**
16 **understated to manipulate the requested rate increase. Do you agree?**

17 A: No, I do not. Ms. Mantle’s contention that the Company has purposely understated
18 its base fuel factor “believing that it will recover almost all the fuel costs that is
19 underestimated from its customers through its FAC”¹⁰ is without basis.
20 There is no evidence to support Ms. Mantle’s claims, and no logical reason that the
21 Company would purposely *increase* the number of dollars it will potentially *under*
22 *recover* through the FAC. Ms. Mantle suggests that the Company would be satisfied

⁷ Mantle Rebuttal, at 21.

1 with understating the base fuel factor, thereby purposely absorbing 5% of *prudently*
2 *incurred* FAC costs. I will state unequivocally that this is simply not true.

3 **Q: On pages 41-42 of Ms. Lange’s rebuttal testimony, she recommends that the**
4 **Commission order EMW to compile and produce in its next rate case a lengthy**
5 **catalogue of 12 months of certain calculations, associated detailed workpapers,**
6 **and installation cost estimates, along with lists and documentation of types of**
7 **circuits by voltage bins, mileage, substation, interconnections, and customers.**
8 **What is your response?**

9 A: Ms. Lange is apparently dissatisfied with the Commission’s recent resolution of
10 this issue, and is attempting to re-litigate it here. In its January 24, 2024 Order
11 Regarding Motion to Compel in No. EO-2024-0002, the Commission denied
12 Staff’s Motion to Compel its 16-page list of data requests, reasoning “that many of
13 the subject DRs seek information that does not appear to be kept in Evergy’s usual
14 course of business” and “Evergy claims that compiling the requested information
15 could cost upwards of \$100 million and the determination of whether it is
16 reasonable to require Evergy to provide this information is at the heart of the issues
17 in and the purpose of this case.”

18 In the Commission’s later Report & Order in that proceeding, the
19 Commission recognized that Data Set 1—which requested nearly the same
20 information and documents as Ms. Lange again seeks in her rebuttal testimony in
21 this case—was “not able to be provided using Evergy’s current accounting
22 methods” and would cost the Company an estimated “\$80 to 110 million to

1 provide,” which “appeared to overshadow the potential benefits of the Staff having
2 the information.”

3 Once more, the Company does not create or maintain in the ordinary course
4 of its business the data or materials sought by Ms. Lange in her rebuttal testimony.
5 Doing so would be exorbitantly costly, far outweighing any potential benefit to
6 Staff having the information or documents. This burden of production is not
7 required by the Missouri rules of discovery, and the Commission has twice decided
8 not to compel such production from the Company despite Staff’s urging it to do so.

9 As I described in my rebuttal testimony, this is another example of Staff
10 attempting to re-raise already-decided issues in multiple forums where there has
11 been no change in circumstances since the Commission decision.

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

13 **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) Case No. ER-2024-0189
Implement A General Rate Increase for Electric)
Service)

AFFIDAVIT OF KEVIN D. GUNN

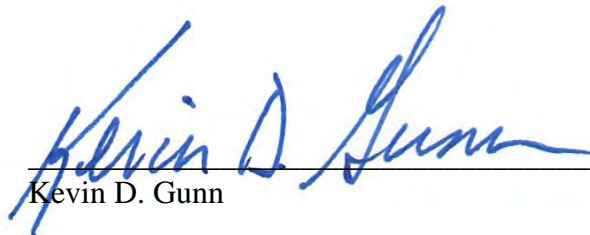
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Kevin D. Gunn, being first duly sworn on his oath, states:

1. My name is Kevin D. Gunn. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President – State and Federal Regulatory Policy.

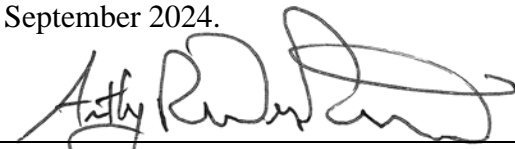
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri West consisting of six (6) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Kevin D. Gunn

Subscribed and sworn before me this 10th day of September 2024.



Notary Public

My commission expires: 4/26/2025

