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Witness: Seoung Joun Won, PhD
Sponsoring Party: MoPSC Staff
Type of Exhibit: True-Up Rebuttal Testimony
Case No.: ER-2024-0189
Date Testimony Prepared: September 18, 2024

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

FINANCIAL ANALYSIS DEPARTMENT

TRUE-UP REBUTTAL TESTIMONY

OF

SEOUNG JOUN WON, PhD

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
September 18, 2024

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SEOUNG JOUN WON, PhD
EVERGY MISSOURI WEST, INC.,
d/b/a Evergy Missouri West
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1 **TRUE-UP REBUTTAL TESTIMONY OF**

2 **SEOUNG JOUN WON, PhD**

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

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

6 Q. Please state your name and business address.

7 A. My name is Seoung Joun Won and my business address is P. O. Box 360,
8 Jefferson City, Missouri 65102.

9 Q. Who is your employer and what is your present position?

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as a
11 member of the Commission’s Staff (“Staff”) and my title is Regulatory Compliance Manager for
12 the Financial Analysis Department, in the Financial & Business Analysis Division.

13 Q. Are you the same Seoung Joun Won who filed Direct Testimony on June 27, 2024,
14 Rebuttal Testimony on August 6, 2024, and Surrebuttal/True-Up Direct Testimony on
15 September 10, 2024 in this proceeding?

16 A. Yes, I am.

17 Q. What is the purpose of your true-up rebuttal testimony?

18 A. The purpose of my true-up rebuttal testimony is to respond to the true-up direct
19 testimonies of Ronald A. Klote and David Murray. Mr. Klote used a rate of return (“ROR”)
20 based on EMW’s true-up information, cost of debt and capital structure, and return on equity
21 (“ROE”), which was proposed by Ms. Ann Bulkley in her testimonies on behalf of Evergy
22 Missouri West, Inc., d/b/a Evergy Missouri West (“Evergy Missouri West” or “EMW”),
23 subsidiaries of Evergy, Inc. (“Evergy Inc.” or “Evergy”). Mr. Murray sponsored ROE,

1 cost of debt, capital structure and ROR testimony on behalf of the Missouri Office of the Public
2 Counsel (“OPC”).

3 **I. EXECUTIVE SUMMARY**

4 Q. Please provide a summary of your true-up rebuttal testimony.

5 A. In this true-up rebuttal testimony, Staff revised its recommendation for the true-up
6 ratemaking capital structure based on the updated true-up data provided by EMW in its true-up
7 direct workpaper. EMW revised the standalone capital structure of its regulated utility business
8 unit in its true-up direct workpaper and its witness, Ronald A. Klote, used the updated true-up
9 rate of return (“ROR”),¹ but Ms. Bulkley did not provide true-up direct testimony. Staff will
10 respond to the true-up direct testimonies of EMW and OPC and address issues related to the true-
11 up for the ratemaking capital structure, which is relevant to determining a just and reasonable
12 ROR to be applied to EMW’s electric utility rate base for ratemaking purposes in this proceeding.

13 Q. Do you sponsor any schedules in support of the true-up rebuttal testimony?

14 A. Yes. I am sponsoring Confidential Schedule SJW-TR-1 and Schedule SJW-TR-2.
15 Staff’s analyses and conclusions are supported by the data presented in Staff’s true-up rebuttal
16 schedules and workpapers.

17 Q. Please explain how your direct testimony is organized.

18 A. The rest of Staff’s testimony is organized into four sections. In Section II, Staff
19 explains its revised recommendation based on EMW’s revised true-up data regarding its cost of
20 debt and capital structure. In Section III, Staff responds to EMW’s proposed ROR, which is
21 based on its revised true-up capital structure and cost of debt. In Section IV, Staff responds to

¹ Schedule RAK-7, Klote’s Surrebuttal Testimony.

1 OPC witness Mr. Murray's revised true-up recommendation regarding capital structure and cost
2 of debt. In Section V, Staff concludes with the recommendation of EMW's allowed ROR for
3 ratemaking purposes in this proceeding.

4 **II. UPDATED TRUE-UP**

5 Q. Why does Staff want to update the true-up capital structure from its true-up direct
6 testimony?

7 A. In its true-up direct testimony, Staff recommended the standalone capital structure
8 of EMW's regulated utility business unit, which consists of 49.88% common equity and 50.12%
9 long-term debt as of June 30, 2024, based on EMW's response to Staff's Data Request No. 105.5,
10 provided on July 17, 2024.² However, EMW provided its revised true-up capital structure, as of
11 June 30, 2024, in its true-up direct revenue requirement model.³

12 Q. What is the revised capital structure of EMW's regulated utility business unit as
13 of June 30, 2024?

14 A. According to EMW's true-up revenue requirement model, as of June 30, 2024,
15 the standalone capital structure of EMW's regulated utility business unit consists of 49.85%
16 common equity and 50.15% long-term debt.⁴

17 Q. Is this the capital structure that Staff is recommending to the Commission as the
18 ratemaking capital structure in this proceeding?

19 A. Yes.

² Pages 46-47, Won's Surrebuttal/True-Up Direct Testimony.

³ Staff Data Request No. 0105.6.

⁴ Ibid.

1 Q. Does Staff want to update the true-up cost of debt from its true-up direct
2 testimony?

3 A. No. In its true-up direct testimony, Staff recommended cost of debt of 4.34%.⁵
4 In its true-up direct workpaper, EMW reported a revised true-up embedded cost of debt of
5 4.341% as of June 30, 2024,⁶ so there is no material difference.

6 **III. RESPONSE TO TESTIMONY OF EMW'S WITNESS**

7 Q. What is EMW's true-up ROR analysis results?

8 A. EMW's witness, Mr. Klote used an ROR of 7.4114% in his true-up direct
9 testimony,⁷ based on Ms. Bulkley's proposed ROE of 10.50%, within a range of 10.25%
10 to 11.25%, and a cost of debt of 4.341%, using EMW's standalone capital structure as of
11 June 30, 2024, which consists of 49.85% common equity and 50.15% long-term debt.⁸ However,
12 Ms. Bulkley did not provide true-up direct testimony. In her surrebuttal testimony, Ms. Bulkley
13 continued supporting her original recommendation of a 52.04% equity ratio, which is based on a
14 projected capital structure for EMW.⁹

15 Q. What is Staff's response to this discrepancy?

16 A. Ms. Bulkley should revise her proposed ratemaking capital structure from an
17 unrealized projection to the actual standalone capital structure of EMW's regulated business unit
18 as of June 30, 2024, because EMW provided it as true-up information.¹⁰

⁵ Page 3, lines 18-19, Won's Surrebuttal/True-Up Direct Testimony.

⁶ Staff Data Request No. 0105.6.

⁷ Schedule RAK-7, Klote's Surrebuttal Testimony

⁸ Staff Data Request No. 0105.6.

⁹ Page 5, line 24, Bulkley's Surrebuttal Testimony.

¹⁰ Staff Data Request No. 0105.6.

1 Q. What is Staff's response to EMW's true-up ROR analysis result used by
2 Mr. Klote?

3 A. Staff has no concerns with EMW's true-up cost of debt of 4.3414% and true-up
4 capital structure, consisting of 49.85% common equity and 50.15% long-term debt, but disagrees
5 with EMW's ROR of 7.4114%, which is based on Ms. Bulkley's proposed ROE of 10.50% using
6 biased input values in her COE analysis.¹¹

7 **IV. RESPONSE TO TESTIMONY OF OPC WITNESS**

8 Q. What is OPC's witness's true-up ROR analysis results?

9 A. OPC's witness, Mr. Murray, proposed an ROR of 6.73%, based on his
10 proposed ROE of 9.50% and a true-up cost of debt of 4.34%, using his analysis of Evergy Inc.'s
11 true-up consolidated capital structure, which consists of 46.37% common equity and 53.63%
12 long-term debt.¹²

13 Q. What is Staff's response to Mr. Murray's true-up ROR analysis results?

14 A. Staff has concerns with his true-up ratemaking capital structure of 46.37%
15 common equity and 53.63% long-term debt, while it does not have concerns with Mr. Murray's
16 proposed true-up cost of debt of 4.34%. As explained in my direct and surrebuttal / true-up direct
17 testimony, there is no reason to use Evergy Inc.'s capital structure to determine the ratemaking
18 capital structure for this rate proceeding because EMW is financially independent from Evergy
19 Inc.¹³ In addition, the Cost of Capital – A Practitioner's Guide ("CRRA Guide") produced by
20 the Society of Utility and Regulatory Financial Analysts ("SURFA") suggests that it is

¹¹ Page 22, lines 3-8, Won's Rebuttal Testimony.

¹² Schedule DM-S-3, Murray's Surrebuttal and True-up Direct Testimony.

¹³ Page 29, lines 4-14, Won's Direct Testimony, and Page 46, lines 15-21, Won's Surrebuttal/True-up Direct Testimony.

1 inappropriate to use Evergy Inc.'s (the parent company of EMW) capital structure to set EMW's
2 ROR.¹⁴

3 **V. SUMMARY AND CONCLUSIONS**

4 Q. Please summarize the conclusion of your true-up rebuttal testimony.

5 A. Except for the ratemaking capital structure, Staff cannot find any reason to change
6 its recommendation from its true-up direct testimony. Staff recommends an ROR of 7.03%,
7 based on an ROE of 9.74%, within a range of 9.49% to 9.99%, and a cost of debt of 4.34%, using
8 the revised true-up for EMW's regulated electric operation standalone capital structure as of June
9 30, 2024, which consists of 49.85% common equity and 50.15% long-term debt.¹⁵

10 Q. Does this conclude your true-up rebuttal testimony?

11 A. Yes.

¹⁴ Pages 36-38, Won's Rebuttal Testimony.

¹⁵ Staff Data Request No. 0105.6.

Evergy Missouri West, Inc.
Case No. ER-2024-0189

TRUE-UP UPDATED CAPITAL STRUCTURE
Evergy Missouri West Regulated Electric Service
(True-Up as of June 30, 2024)

Capital Structure:	Balance	Goodwill Adjustment	Adjusted Amount	Weight
Common Stock Equity	** [REDACTED] **	168,969,590	** [REDACTED] **	49.85%
Preferred Equity	-			0.00%
Long-term Debt	** \$ [REDACTED] **		** \$ [REDACTED] **	50.15%
Total Capitalization	** \$ [REDACTED] **		** \$ [REDACTED] **	100.00%

Note:
Staff's Data Request No. 0105.6.

Evergy Missouri West, Inc.
Case No. ER-2024-0189

TRUE-UP UPDATED ALLOWED RATE OF RETURN
(True-Up as of June 30, 2024)

<u>Evergy West</u>	Percentage	Embedded	<u>Allowed Rate of Return</u>		
			Lower	ROE	Upper
<u>Capital Component</u>	<u>of Capital</u>	<u>Cost</u>	9.49%	9.74%	9.99%
Common Stock Equity	49.85% ¹	-	4.73%	4.86%	4.98%
Preferred Stock	0.00% ¹	-	0.00%	0.00%	0.00%
Long-Term Debt	50.15% ¹	4.34% ²	2.18%	2.18%	2.18%
Total	<u>100.00%</u>		<u>6.91%</u>	<u>7.03%</u>	<u>7.16%</u>

Note:

1 Staff's Data Request No. 0105.6.

2 Staff's Data Request No. 0106.2.