

FILED  
October 21, 2024  
Data Center  
Missouri Public  
Service Commission

# Exhibit No. 105

Evergy Missouri West – Exhibit 105  
Craig E. Brown  
Surrebuttal  
File No. ER-2024-0189

Exhibit No.:  
Issue: Class Cost of Service Study  
Witness: Craig E Brown  
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**

**CRAIG E. BROWN**

**ON BEHALF OF**

**EVERGY MISSOURI WEST**

**Kansas City, Missouri  
September 2024**

## TABLE OF CONTENTS

1. Staff's Proposed Adjustments to the Company's Class Cost of Service Study.....	2
2. The Company's CCOS Study is Reliable .....	10
3. Additional Staff Critiques of the Company's Distribution Allocations.....	13
4. Staff's Critique of the Company's Proposed Residential Customer Charge .....	17

**SURREBUTTAL TESTIMONY**

**OF**

**CRAIG E. BROWN**

**Case No. ER-2024-0189**

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

2 A: My name is Craig E. Brown. My business address is 9400 Ward Parkway, Kansas City,  
3 Missouri 64114.

4 **Q: Are you the same Craig E. Brown who filed rebuttal testimony on August 6, 2024?**

5 A: Yes.

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

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

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

10 A: The purpose of my surrebuttal testimony is to respond to topics related to the Company’s  
11 Class Cost of Service (CCOS) study and issues raised by Missouri Public Service  
12 Commission (MPSC) Staff witness Ms. Sarah L.K. Lange in her rebuttal testimony.

13 **Q: Please summarize your surrebuttal testimony.**

14 1. Staff’s proposed adjustments to the Company’s minimum system study are  
15 incorrect and severely overestimate the impact of adjusting for the load-carrying  
16 capability of the minimum system.

17 2. Staff’s assertions that the Company’s CCOS study is unreliable are false. The  
18 Company’s study uses the same level of detail used in nearly every investor-owned  
19 utility. Further, the Company’s Average and Excess Demand with a four coincident

1 peak (CP) method (AED 4CP) is a widely accepted method in other regulated  
2 jurisdictions and not a “mistake” as described by Staff.

3 3. Staff’s critiques of the Company’s methods for distribution cost classification and  
4 allocation and many of the points made in rebuttal testimony are completely  
5 irrelevant to the Company’s CCOS study.

6 4. Staff’s critique of the Company’s proposed residential customer charge is incorrect  
7 by stating it reflects the minimum system classification of distribution revenue  
8 requirement, which it does not.

9 **1. Staff’s Proposed Adjustments to the Company’s Class Cost of Service Study**

10 **Q: What “corrections” does Staff propose to the Company’s CCOS study?**

11 A: Staff proposes three adjustments to the Company’s study:

- 12 1. TOU Revenue Adjustment,
- 13 2. Crossroads Transmission Revenue Requirement,
- 14 3. Minimum System Study.

15 The first two are adjustments to the revenue requirements and therefore do not impact cost  
16 allocation decisions. However, the very small impacts those 2 adjustments make to  
17 Residential customers can be found in the surrebuttal testimonies of Marisol Miller and  
18 Darrin Ives. My testimony will focus on the third adjustment to the minimum system study.

19 **Q: What “correction” does Staff make to the Company’s minimum system study?**

20 A: Staff states that “EMW’s study is not consistent with the National Association of Regulated  
21 Utility Commission (“NARUC”) manual, the Realistic Achievable Potential (“RAP”)  
22 manual, or reasonable ratemaking practice.”<sup>1</sup> I believe that the reference to “Realistic

---

<sup>1</sup> Lange Rebuttal, p. 31.

1 Achievable Potential” is a mistake. I assumed she meant the Regulatory Assistance Project  
2 (RAP) manual.

3 **Q: Does the Company’s minimum system study follow the guidelines described in the**  
4 **NARUC manual?**

5 A: Yes, it does. The Company’s study is also considered reasonable ratemaking practice.

6 **Q: What is the purpose of a minimum system study?**

7 A: A minimum system study (or Minimum-Size Method, as it is referred to in the NARUC  
8 manual<sup>2</sup>) is a method used to identify an appropriate split of the classification of  
9 distribution costs between demand-related costs and customer-related costs. It specifically  
10 applies to accounts 364 through 368, which includes poles, overhead and underground  
11 conductor and devices, conduit, and line transformers.

12 **Q: What other methods are accepted methods to classify distribution costs between**  
13 **demand and customer?**

14 A: In addition to the minimum system study, the two other commonly accepted methods are  
15 the Minimum-Intercept Method<sup>3</sup> (or zero-intercept method) and the Basic Customer  
16 Method. The minimum-intercept method is similar to the minimum-system method, but it  
17 seeks to identify the portion of plant related to a hypothetical no-load or zero-intercept  
18 situation. The basic customer method classifies all costs for accounts 364-368 as demand-  
19 related and only considers onsite infrastructure, such as the meter and service drop, as  
20 customer-related.

---

<sup>2</sup> Electric Utility Cost Allocation Manual, National Association of Regulatory Utility Commissioners, January 1992, p. 90.

<sup>3</sup> NARUC Manual, p. 92.

1 **Q: What flaw does Staff find in the Company’s study?**

2 A: Staff has focused on a well-known limitation of the minimum system method related to the  
3 load-carrying capability of the minimum size system. As stated in the NARUC Manual,  
4 “the analyst must be aware that the minimum-size distribution equipment has a certain  
5 load-carrying capability, which can be viewed as a demand-related cost.”<sup>4</sup> Staff has  
6 attempted to make an adjustment for this by assuming that “the minimum system meets the  
7 demand needs for all customers served at 120/240, those customers should not get further  
8 allocation based on demand or energy.”<sup>5</sup>

9 **Q: How has Staff made this adjustment?**

10 A: Staff made a simplified assumption that all Residential, Small General Service (SGS) non-  
11 demand, and lighting were served at 120/240 and that these customers should receive no  
12 share of distribution demand-related costs.

13 **Q: What is the impact of Staff’s adjustment?**

14 A: As shown in Ms. Lange’s workpapers, the impact of her adjustment is a reduction to the  
15 net operating income of the residential class of \$23,089,543<sup>6</sup>, with increases spread to the  
16 commercial and industrial classes.

17 **Q: Is this a reasonable adjustment based on the concepts of the minimum-size method  
18 and an understanding of the operations and design of an electric distribution system?**

19 A: No, it is not. The Staff adjustment results in a movement of distribution cost responsibility  
20 to the commercial and industrial classes far greater than is possible under the minimum  
21 system or basic customer method.

---

<sup>4</sup> NARUC Manual, p. 95.

<sup>5</sup> Lange Rebuttal, p. 32.

<sup>6</sup> CONFIDENTIAL Sarah Lange rebuttal workpapers, Alt Distribution tab, cell E21.

1 **Q: How can you demonstrate that the adjustment is not reasonable?**

2 A: My first reaction when I saw the adjustment was to check the reasonableness of the  
 3 adjustment by determining what the impact on Residential net operating income was if *zero*  
 4 costs were allocated based on the number of customers and classifying 100% of accounts  
 5 364-368 as demand. This is effectively using the basic customer method.

6 **Q: What is the result of this approach?**

7 A: Table CEB-1 shows a comparison of classifying all of accounts 364-368 as 100% Demand  
 8 to the Company’s as-filed study using the minimum system study. To make the table easier  
 9 to read, I have grouped all of the commercial and industrial rate classes together.<sup>7</sup> As shown  
 10 on the bottom row of the table, there is a reduction in the residential net operating income  
 11 of \$10.2 million, with approximately the same increase spread across all  
 12 commercial/industrial rate classes. Because no costs included in the minimum system are  
 13 allocated based on the number of customers, this represents **the maximum adjustment**  
 14 **that is feasibly possible** to adjust for the load-carrying capability of the minimum system.

15 **Table CEB-1 – Impact of 100% Demand Allocation of Minimum System Accounts**

	MO West Retail	Residential	Commercial/ Industrial	Lighting
<b>RETURN AT PRESENT RATES</b>				
<b>Surrebuttal Scenario - 100% Demand</b>				
Rate Base	\$ 2,830,914,746	\$ 1,636,159,609	\$1,136,453,208	\$58,301,929
<b>Net Operating Income at Present Rates</b>	<b>\$131,252,484</b>	<b>\$ 55,666,558</b>	<b>\$ 69,749,729</b>	<b>\$ 5,836,197</b>
Rate of Return at Present Rates	4.64%	3.40%	6.14%	10.01%
Relative Rate of Return	1.00	0.73	1.32	2.16
<b>AS FILED - DIRECT</b>				
Rate Base	\$ 2,830,914,746	\$ 1,724,853,520	\$1,048,962,476	\$57,098,749
<b>Net Operating Income at Present Rates</b>	<b>\$131,252,484</b>	<b>\$ 45,464,639</b>	<b>\$ 79,814,611</b>	<b>\$ 5,973,234</b>
Rate of Return at Present Rates	4.64%	2.64%	9.29%	7.58%
Relative Rate of Return	1.00	0.57	2.00	1.63
<b>Variance in Net Operating Income</b>	<b>\$0</b>	<b>10,201,918</b>	<b>(10,064,882)</b>	<b>(137,036)</b>

16

<sup>7</sup> Small General Service, Large General Service, Large Power Service, Special Contracts, and Electric Vehicles.



1 This means that Staff’s proposed adjustment of \$23.1 million, which is purported to be an  
2 “adjustment” to the customer portion, is more than twice the amount that is possible under  
3 a basic customer allocation approach. Staff’s proposed adjustment is wholly incorrect and  
4 should be completely disregarded. It is also of note that even with my extreme adjustment,  
5 the relative relationship of the inter-class subsidy remains the same, just slightly reduced.  
6 When looking at the relative rate of return on my Surrebuttal Scenario, the residential class  
7 is still 27% below the system average return and the combined commercial/industrial  
8 classes are 32% above the average return.

9 **Q: Can you further describe why Staff’s adjustment is so far out of the range of**  
10 **reasonableness?**

11 **A:** Yes, I can. Staff’s approach grossly over-allocates distribution plant and costs to larger  
12 commercial loads. The example shown below in Table CEB-2 presents a conceptual  
13 electric utility with 10,000 residential customers, 1,000 SGS non-demand customers, and  
14 10 large commercial customers, with annual kWh sales per customer of 12,000, 50,000,  
15 and 1,000,000 kWh per customer, respectively (line 3). We estimate class load factors  
16 similar to those of the Company’s equivalent classes (line 5).

17 **Table CEB-2: Example Minimum System Distribution Allocation**

Line No.	Evergy Minimum System Method				Total System	Residential Secondary	SGS Non Demand Secondary	Large Commercial Secondary
1	Customers				11,010	10,000	1,000	10
2	Customer Factor	%				90.83%	9.08%	0.09%
3	Annual Sales / Customer kWh / year					12,000	50,000	1,000,000
4	Annual Sales	kWh		180,000,000	120,000,000	50,000,000	10,000,000	
5	NCP Load Factor	%			35%	45%	50%	
6	NCP Demand	kW		54,106	39,139	12,684	2,283	
7	NCP Demand Factor	%			72.34%	23.44%	4.22%	
8	NCP Demand / Customer kWh					3.9	12.7	228.3
9	Distribution Allocation	Customer	30%	\$ 1,500,000	\$ 1,362,398	\$ 136,240	\$ 1,362	
10	Distribution Allocation	Demand	70%	\$ 3,500,000	\$ 2,531,815	\$ 820,496	\$ 147,689	
11	Distribution Allocation	Total	100%	\$ 5,000,000	\$ 3,894,213	\$ 956,735	\$ 149,052	
12	Distribution Cost \$/kWh	Total		\$ 0.0278	\$ 0.0325	\$ 0.0191	\$ 0.0149	

1 Table CEB-2 shows a hypothetical distribution allocation of \$5 million in distribution  
2 expenses using a classification split of 30% to customer and 70% to demand (similar to the  
3 Company's minimum system study). The distribution costs per kWh shown on line 12 are  
4 typical of a system utilizing the minimum-size method, with residential's unit cost of 3.25  
5 cents per kWh being slightly higher than the system average cost of 2.78 cents per kWh.  
6 This reflects a portion of the costs being allocated on the number of customers, but also  
7 reflects the class's lower NCP load factor, which is also the case for the Company's  
8 residential class.

9 By comparison, Table CEB-3 shows the same hypothetical system with the  
10 adjustments Staff proposes to make. Lines 1 through 8 are the same in both tables. Where  
11 they differ is on line 10 where Staff assigns zero costs for distribution demand to residential  
12 and SGS no-demand. This leaves the entirety of the \$3.5 million in demand-related costs  
13 to be borne by the 10 large commercial customers. Line 13 demonstrates how unrealistic  
14 this adjustment is by calculating the percentage change in the allocation of distribution  
15 expenses using Staff's adjustment. The residential and SGS non-demand classes see a  
16 reduction in cost allocation of 65% and 86%, respectively, while the large commercial class  
17 gets a 2,249% increase in allocated distribution costs. No cost analyst can look at this  
18 objectively and find it reasonable.

1

**Table CEB-3: Example Distribution Allocation with Staff's Adjustment**

Line No.	Staff Minimum System Adjustments			Total System	Residential Secondary	SGS Non Demand Secondary	Large Commercial Secondary
1	Customers			11,010	10,000	1,000	10
2	Customer Factor	%			90.83%	9.08%	0.09%
3	Annual Sales	kWh		180,000,000	120,000,000	50,000,000	10,000,000
4	Annual Sales / Customer	kWh / year			12,000	50,000	1,000,000
5	NCP Load Factor	%			35%	45%	50%
6	NCP Demand	kW		54,106	39,139	12,684	2,283
7	NCP Demand Factor	%			72.34%	23.44%	4.22%
8	NCP Demand / Customer	kW			3.9	12.7	228.3
9	Distribution Allocation	Customer	30%	\$ 1,500,000	\$ 1,362,398	\$ 136,240	\$ 1,362
10	Distribution Allocation	Demand	70%	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
11	Distribution Allocation	Total	100%	\$ 5,000,000	\$ 1,362,398	\$ 136,240	\$ 3,501,362
12	Distribution Cost \$/kWh	Total		\$ 0.0278	\$ 0.0114	\$ 0.0027	\$ 0.3501
13	Percent Change in Allocated Distribution Costs				-65%	-86%	2249%

2

3 **Q: Are there any obvious concerns with this approach?**

4 A: Yes. There are many electric distribution systems that are built using three-phase single-  
 5 circuit or double-circuit primary distribution feeders to serve jurisdictions that are almost  
 6 entirely Residential. These scenarios exist across the Company's network, and for many  
 7 utilities this may be all that exists to serve customers that are over 90 percent Residential  
 8 load and sales. If I were to employ Staff's approach, a large percentage of those three-phase  
 9 single and double circuit distribution feeders would not be recovered by the very  
 10 Residential customers they are serving.

11 **Q: Are you aware of any other jurisdictions that have allowed an adjustment such as  
 12 Staff proposes?**

13 A: No, I am not aware of anything resembling Staff's adjustment ever being proposed before,  
 14 let alone accepted.

15 **Q: How should the minimum-size method be adjusted for the load-carrying capability of  
 16 the minimum system?**

17 A: First, let me repeat what the NARUC manual says: "the analyst must be aware that the  
 18 minimum-size distribution equipment has a certain load-carrying capability, which can be

1 viewed as a demand-related cost.” It does not say that an adjustment is necessary or  
2 required when using the minimum-size method, only that one should be cognizant of this  
3 fact when applying cost of service results. This is precisely true for how the Company  
4 applies the results of its CCOS study. The Company does not propose to fully adjust class  
5 revenue requirements based on the CCOS study. The Company acknowledges that its  
6 current rate structure results in the residential class being somewhat subsidized by the  
7 larger classes and intends to maintain that relationship, only making small direction  
8 adjustments based on CCOS. Further, the Company does not fully apply the unit costs of  
9 service in determining rate components such as the residential customer charge. There  
10 could be a potential argument against the use of the minimum-size method if the Company  
11 had proposed a customer charge equal to the unit cost of service of \$32.19, but because the  
12 Company is aware of the limitations of the minimum-size method, their proposed Customer  
13 Charge is nowhere close to the fully-costed rate.

14 As for what is the appropriate approach to adjust the minimum-size method for the  
15 load-carrying capability of the minimum system, the NARUC manual does not prescribe a  
16 specific approach. I have rarely seen the adjustment made, but it results in a moderate  
17 reduction of the customer portion, not the complete elimination of any demand allocation.  
18 If an analyst truly believes an adjustment should be made for the load-carrying capability  
19 of the minimum system, they would likely have used the minimum-intercept method  
20 instead, as it represents a theoretical no-load scenario.

1 **Q: Please summarize your review of Staff’s adjustments to the Company’s CCOS study**  
2 **related to its minimum system study.**

3 A: Staff has proposed an adjustment to the results of the Company's minimum system study  
4 that is more than twice what is even feasibly possible. This shows a lack of understanding  
5 of the concepts of the minimum-size method and how it is developed. The Commission  
6 should reject Staff’s proposed adjustment and rely on the Company’s CCOS study.

7 **2. The Company’s CCOS Study is Reliable**

8 **Q: What reasoning does Staff use to say the Company’s CCOS study is not reliable?**

9 A: Staff states “Significant work is needed to reasonably allocate distribution revenue  
10 requirement, customer service revenue requirement, and production and transmission  
11 revenue requirement.”<sup>8</sup> The primary reasoning relates to the level of detail available to  
12 meet Staff’s requests.

13 **Q: What is the key driving factor impacting the level of detail used in the Company’s**  
14 **CCOS study?**

15 A: Like nearly every other investor-owned utility in the country, the Company uses the  
16 Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts  
17 (“USoA”) as a standard for how to maintain its regulatory accounting records, including  
18 the level of detail that is necessary. It would be irresponsible for the Company to go to the  
19 extreme measures Staff thinks should be available because it would come at a significant  
20 cost to the Company’s ratepayers. The Company has and continues to look for areas to  
21 improve the level of detail used, as evidenced by the incorporation of a split of primary and  
22 secondary assets and expenses in the current case.

---

<sup>8</sup> Lange Rebuttal, p. 33.

1 **Q: Outside of the level of detail used, what is your response to the reasons Staff says the**  
2 **Company’s CCOS is not reliable?**

3 A: Staff’s assertion that “significant work” is needed to allocate distribution revenue  
4 requirements is discussed at length in my surrebuttal testimony and has been demonstrated  
5 as incorrect. While Staff states there are issues with how customer service revenue  
6 requirements are allocated, she provides no examples or even discusses customer service  
7 anywhere else in her testimony. I will use the remainder of this section to address the  
8 perceived shortcomings of the Company's production and transmission allocations.

9 **Q: Staff continues to characterize the Company’s production and transmission demand**  
10 **allocation method as a “mistake.”<sup>9</sup> Can you please reiterate your support for the**  
11 **Average and Excess Demand (AED) method using the average of the 4 coincident**  
12 **peak (CP) summer months (AED 4CP) you discussed in your rebuttal testimony?**

13 A: As I have previously demonstrated in testimony<sup>10</sup>, the NARUC manual’s rationale against  
14 the use of AED with a CP factor, stating that the results are identical to a direct CP allocator,  
15 is factually incorrect. As for the reasoning for using a CP factor instead of a non-coincident  
16 peak (“NCP”) factor, the primary consideration is related to cost causation for production  
17 and transmission plant. It is established that the Company is a summer peaking utility, and  
18 its production and transmission investment decisions are primarily driven by the need to  
19 provide peak capacity in the four summer months (June – September). The appropriate  
20 sizing of this investment is based on the coincident peak demands of the customer classes.  
21 If Evergy sized its generation fleet based on the non-coincident peak needs of each  
22 customer class, it would oversize its generation fleet and transmission facilities. Basing

---

<sup>9</sup> Lange Rebuttal, p. 35.

<sup>10</sup> Rebuttal Testimony of Craig E. Brown, Case No.: ER-2022-0129 / 0130.

1 investment decisions on the class CP results in more efficient use of capital and lower  
2 overall costs for the Company's ratepayers. As such, I apply the same rationale for the  
3 excess portion of the AED allocator as the Company uses in its investment decisions and  
4 recommend 4CP as a basis for the excess portion of Evergy's AED allocation factor.

5 **Q: Are there other utilities that use a CP factor with Average and Excess Demand?**

6 A: Yes, there are. In fact, many regional utilities use AED with a CP factor, and some are  
7 mandated to do so by their Commission.

8 **Q: Can you provide examples?**

9 A: Yes, I can. Use of AED 4CP is mandated in Arkansas by the Commission. Per the  
10 Arkansas code subtitle-1/chapter-4/subchapter-4/section-23-4-422: "*Production demand*  
11 *costs are allocated to each customer class pursuant to the **average and excess method***  
12 *shown in Table 4-10B on page 51 of the 1992 National Association of Regulatory Utility*  
13 *Commissioners Electric Utility Cost Allocation Manual, as it existed on January 1, 2021,*  
14 *using the average of the four (4) monthly coincident peaks for the months of June, July,*  
15 *August, and September for each class for the coincident peak referenced in Table 4-10B*  
16 *of the 1992 National Association of Regulatory Utility Commissioners Electric Utility Cost*  
17 *Allocation Manual*"<sup>11</sup>

18 To quote the order from the Public Utilities Commission of the State of Colorado  
19 case 23AL-0243E for the Public Service Company of Colorado (Xcel Energy): "*Public*  
20 *Service has used the four coincident-peak (4CP) average and excess demand (AED) cost*  
21 *allocation methodology (4CP-AED) for decades*".

---

<sup>11</sup> <https://law.justia.com/codes/arkansas/title-23/subtitle-1/chapter-4/subchapter-4/section-23-4-422/>

1 As noted in the order from North Carolina Utilities Commission case E-2, SUB 1300 for  
2 Duke Energy Progress, LLC, “*DEP modified the method to conform the A&E allocators to*  
3 *the 12 CP method used at the North Carolina retail jurisdictional level. Id. at 97. In*  
4 *response to Commissioner Clodfelter’s question, witness Hager testified that this method*  
5 *was used by Dominion in Virginia, but has never been used by Dominion in North*  
6 *Carolina. Id. at 130. Additionally, Witness Hager testified that since the sum of NCPs*  
7 *exceeds the coincident system peak, the excess components for each rate class were scaled*  
8 *down proportionally, such that the sum of their demand matches the coincident system*  
9 *peak.”*

10 **Q: What is your key takeaway for the MPSC?**

11 A: Use of the AED 4CP is a widely accepted method for allocating production and  
12 transmission costs and is not a “mistake” as suggested by Staff. It is the most appropriate  
13 method for use by the Company to reflect the peak demand and energy factors that are  
14 inherent in making generation and transmission investment decisions.

### 15 3. Additional Staff Critiques of the Company’s Distribution Allocations

16 **Q: Have you reviewed Ms. Lange’s discussion of distribution cost allocation methods on**  
17 **pages 35-41 of her rebuttal testimony?**

18 A: Yes, I have.

19 **Q: What is your overall response to these pages?**

20 A: Staff quotes many passages from both the NARUC and RAP manuals but does not provide  
21 much context or explanation as to why they are applicable to the Company’s CCOS study.  
22 Further, many of the passages she quotes are taken in the wrong context or are irrelevant  
23 to the current case.



1 **Q: Can you provide some examples?**

2 A: Yes, I can. On page 38, Staff references a section from page 138 of the NARUC manual  
3 that she emphasizes that it is necessary to *“take care that the minimum size equipment*  
4 *being analyzed is, in fact, the minimum-sized equipment available, and not merely the*  
5 *minimum size stocked by the company or usually installed by the company.”* The problem  
6 with including this passage is that it is related to conducting a marginal cost of service  
7 study, not an embedded cost of service study, which is what is used by the Company and  
8 Commission. The equivalent passage related to choosing the minimum size for an  
9 embedded cost of service study is shown on page 95 and states: *“The analyst must*  
10 *determine the minimum size for each piece of equipment: “Should the minimum size be*  
11 *based upon the minimum size equipment currently installed, historically installed, or the*  
12 *minimum size necessary to meet safety requirements?”* This demonstrates that there are  
13 different standards for determining the minimum size for an embedded versus a marginal  
14 cost of service study.

15 **Q: Has the Company prepared a marginal cost of service study or made any cost of**  
16 **service or rate design decisions based on one?**

17 A: No, they have not. It is my understanding that marginal cost studies have not been used in  
18 relation to Evergy ratemaking for at least 25 years.

19 **Q: Is quoting guidelines for a marginal cost of service study pertinent to this case?**

20 A: No, it is not and thus these referenced guidelines should be ignored.

1 **Q: Are there other examples of Staff quoting passages from manuals that are not**  
2 **relevant to this case?**

3 A: Staff spends nearly three pages of testimony, from page. 38, line 8 through page 40, line  
4 23, quoting the NARUC manual without any context on how it applies to this case or  
5 providing a single example of something the Company has done incorrectly.

6 **Q: Please elaborate.**

7 A: The passages come from the NARUC Manual instructions on developing the minimum  
8 system study. What is perplexing to me is Ms. Lange emphasizes numerous lines in the  
9 instructions like she is attempting to point out something the Company has done wrong.  
10 For example, Staff emphasized the following passages:

- 11       ▪ *Balance of plant account is demand component.*
- 12       ▪ *Balance of plant account is demand component. (repeated)*
- 13       ▪ *If accounts are divided between primary and secondary voltages*
- 14       ▪ *When developing the customer component, consider only the investment in*  
15 *conductors, and not in devices such as circuit breakers, insulators,*  
16 *switches, etc. The investment in these devices will be assigned later between*  
17 *the customer and demand component,*
- 18       ▪ *Total primary or secondary dollars in the account, including devices, are*  
19 *assigned to customer and demand components based on conductor ratio.*

20 A reader of Staff's testimony could incorrectly infer that the Company has made a mistake.

21 **Q: Did you treat balance of plant as demand when conducting your minimum system**  
22 **study?**

23 A: Yes, I did.

1 **Q: Why did Staff point out this passage on balance of plant?**

2 A: I don't know.

3 **Q: When developing the customer component of your minimum system study, did you**  
4 **consider only the investment in conductors, and not in devices such as circuit**  
5 **breakers, insulators, switches, etc.?**

6 A: Yes, I did. This is shown in my workpapers filed by the Company with its direct  
7 testimony. It shows we have gone through a process of "inclusions" and "exclusions"  
8 that marks each line item with a "1" or a "0" and all devices are marked with a "0" and  
9 not included in the minimum cost.

10 **Q: Why did Staff point out this passage on developing the customer component?**

11 A: I don't know.

12 **Q: Did you assign primary or secondary dollars based on the conductor ratio?**

13 A: Yes, I did.

14 **Q: Staff also quotes the RAP Manual and refers to it as "the relevant authority"**  
15 **concerning customer-specific costs. Are you familiar with the RAP Manual?**

16 A: Yes, I am familiar with the RAP manual published in 2020.

17 **Q: What does Staff quote from the RAP Manual?**

18 A: Staff quotes a passage that is related to direct assignment of distribution plant, where it  
19 emphasizes "*Short tap lines from a main primary voltage line to serve a single primary*  
20 *voltage customer's premises may be another example, as they are analogous to a*  
21 *secondary distribution service drop.*" This theoretical example could be true for some  
22 systems. I do not know if it's applicable to Evergy because there is no context for providing  
23 the quote. Further, it would require special tracking of these facilities to be able to isolate

1 the associated costs. What I find most interesting is the sentence that follows the one that  
2 is emphasized, which states: **Beyond some limited situations, it is not practical or useful**  
3 **to determine which distribution equipment (such as lines and poles) was built for only**  
4 **one class or currently serves only one class or currently serves only one class** and to  
5 ensure that the class is properly credited for not using the other distribution equipment  
6 jointly used by other classes in those locations. [emphasis added]

7 This passage, taken directly from the RAP Manual that Staff purports to be the  
8 “relevant authority,” seems to undermine Staff’s entire position on directly assigning every  
9 feasible cost and asset to a class. It effectively lays out the conceptual framework for how  
10 costs could be directly assigned, then clarifies that it is not practical to attempt it except in  
11 limited situations.

#### 12 **4. Staff’s Critique of the Company’s Proposed Residential Customer Charge**

13 **Q: What is Staff’s critique of the Company’s proposed residential customer charger of**  
14 **\$14.99 per month?**

15 A: Staff incorrectly states that the Company requests that “*the residential customer charge*  
16 *reflect its minimum system classification of distribution revenue requirement, and has*  
17 *proposed a residential customer charge increase to \$14.99 from the current \$12 level.*”<sup>12</sup>

18 **Q: Does the Company’s proposed residential customer charge reflect its minimum**  
19 **system study?**

20 A: No, it does not; quite the contrary, in fact. Consistent with prior Missouri rate cases, the  
21 Company has proposed a residential customer charge that is based on the unit cost of  
22 service for customer costs that include onsite facilities only. Onsite facilities in this context

---

<sup>12</sup> Lange Rebuttal, p. 43.

1 include the meter and service drop (accounts 369 and 370). There are no costs allocated to  
2 the minimum system accounts (364-368) included in the Company's proposed residential  
3 customer charge. If the minimum system accounts were included, the proposed customer  
4 charge would have been much higher, as demonstrated in Table CEB-4, below.

5 **Table CEB-4 – Customer Unit Costs With and Without Minimum System Accounts**

Unit Cost Basis Excluding Minimum System Accounts	
Test Year Cost	\$15.68
At Equalized ROR	\$17.83
<b>Proposed Customer Charge</b>	<b>\$14.99</b>

Unit Cost Including Minimum System Accounts	
Test Year Cost	\$23.84
At Equalized ROR	\$32.19

6  
7 **Q: Please describe Table CEB-4.**

8 A: This table shows the unit costs of service for customer-related costs at two levels: test year  
9 actual costs and at an equalized rate of return (ROR). Test year costs are the actual  
10 customer-related cost with no additional allowance for return. This represents the floor  
11 when applying unit costs of service for rate design decisions.

12 The upper section of the table shows the unit costs excluding any costs associated  
13 with the minimum system study. These costs include all direct customer-related costs such  
14 as customer records, customer service, meter reading, etc. Also included in these unit costs  
15 are the cost of onsite facilities, specifically meter and service costs. These unit costs range  
16 from \$15.68 to \$17.83 per bill.

17 The bottom section of the table shows the customer unit costs of service when  
18 including the customer portion of accounts 364-368 identified as part of the minimum  
19 system study. These unit costs range from \$23.84 to \$32.19 per bill as described in the

1 table. If the Company proposed a residential customer charge that is based on the minimum  
2 system study as Staff claimed, it would have been approximately \$32 per bill.

3 **Q: What does Staff recommend should be the basis for the residential customer**  
4 **charge?**

5 A: Staff “*recommends the Commission continue to rely on the basic customer method of cost*  
6 *causation for the residential customer charge*”<sup>13</sup>

7 **Q: What method has the Company based its residential customer charge on?**

8 A: The Company’s proposed residential customer charge of \$14.99 is based on the principles  
9 of the basic customer method. As noted by Staff, the basic customer method is premised  
10 on inclusion of only (1) the costs and expenses of metering and billing customers, (2) the  
11 cost of the infrastructure that varies with the number of customers served, including related  
12 income taxes, and (3) the proportionate labor, non-labor, and distribution expense  
13 associated with the above infrastructure.

14 In other words, what Staff recommends as the appropriate method is precisely what  
15 the Company has proposed. More specifically, the Company has proposed a charge that is  
16 less than that using Staff’s method.

17 **Q: Why did the Company choose one method for allocating distribution costs to all**  
18 **classes (Minimum-Size Method) and a different one (Basic Customer Method) as a**  
19 **basis for rate design decisions? Is this appropriate for the Company?**

20 A: Yes, it is appropriate for the Company. They serve two different purposes. The CCOS  
21 study serves primarily as a basis to support class revenue allocations. The Company has  
22 appropriately applied the Minimum-Size Method by acknowledging that the results will

---

<sup>13</sup> Lange Rebuttal, p. 43.

1 skew the results slightly toward smaller classes such as residential and SGS, and the  
2 Company has moderated its recommended class shifts to correct for this. The CCOS study  
3 provides the detailed unit cost of service calculations to support rate design decisions. The  
4 detail allows for the breakout of individual components to support rate design decision  
5 making.

6 The Company's rate design decisions are more influenced by Commission  
7 precedent and an understating that lower customer charges are likely to be the outcome in  
8 this case. Therefore, recommending a \$32 customer charge, while supported by the CCOS  
9 study, would likely be an exercise in futility. As such, the Company has been consistent  
10 with its proposals in prior rate cases and proposed a residential customer charge that  
11 includes only onsite facilities.

12 **Q: Please summarize your position on the Company's residential customer charge.**

13 A: Staff is incorrect in stating that the Company's proposed residential customer charge  
14 includes costs associated with the minimum system classification of distribution customer  
15 costs. The method the Company used as a basis for its customer charges is precisely the  
16 method that Staff states is the correct method. As the Company has proposed a charge that  
17 is actually less than what the method Staff states is the correct method, logic dictates that  
18 Staff should now be fully supportive of the Company's proposed \$14.99 residential  
19 customer charge.

20 **Q: Does that conclude your surrebuttal testimony?**

21 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 CRAIG E. BROWN**

**STATE OF MISSOURI** )  
) ss  
**COUNTY OF JACKSON** )

Craig E. Brown, being first duly sworn on his oath, states:

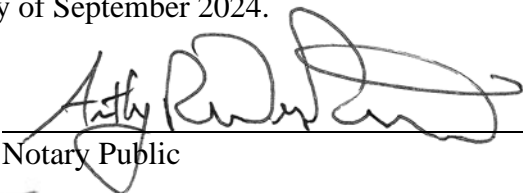
1. My name is Craig E. Brown. I work in Kansas City, Missouri, and I am employed by 1898 & Co., a division of Burns & McDonnell Engineering Company, Inc. as Senior Project Manager in Utility Finance Advisory.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri West consisting of twenty (20) 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.

  
\_\_\_\_\_  
Craig E. Brown

Subscribed and sworn before me this 10<sup>th</sup> day of September 2024.

  
\_\_\_\_\_  
Notary Public

My commission expires: 4/26/2025

