

Exhibit No. 237P

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Cedric E. Cunigan, PE
Rebuttal Testimony
File Nos. ER-2022-0129 & ER-2022-0130

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Witness: Cedric E. Cunigan, PE
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MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
ENGINEERING ANALYSIS DEPARTMENT

REBUTTAL TESTIMONY

OF

CEDRIC E. CUNIGAN, PE

Evergy Metro, Inc., d/b/a Evergy Missouri Metro
Case No. ER-2022-0129

Evergy Missouri West, Inc., d/b/a Evergy Missouri West
Case No. ER-2022-0130

Jefferson City, Missouri
July 2022

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **CEDRIC E. CUNIGAN, PE**

4 **Evergy Metro, Inc., d/b/a Evergy Missouri Metro**
5 **Case No. ER-2022-0129**

6 **Evergy Missouri West, Inc., d/b/a Evergy Missouri West**
7 **Case No. ER-2022-0130**

8 Q. Please state your name and business address.

9 A. My name is Cedric E. Cunigan. My business address is 200 Madison Street,
10 Jefferson City, Missouri 65101.

11 Q. Are you the same Cedric E. Cunigan that previously provided direct testimony
12 in this case on June 8, 2022?

13 A. Yes.

14 **EXECUTIVE SUMMARY**

15 Q. What is the purpose of your direct testimony?

16 A. I will be providing an update to Staff's position on depreciation rates given
17 new information that Staff was made aware of in the testimony of Midwest Energy
18 Consumers Group witness Mr. Greg Meyer. I will also be responding to Evergy witnesses
19 Mr. John S. Spanos regarding depreciation, Mr. Bradley D. Lutz regarding the Solar
20 Subscription Pilot Rider ("SSP"), and Ms. Kimberly H. Winslow regarding the Residential
21 Battery Energy Storage pilot ("RBES").

22 Q. Through this testimony, do you provide any recommendations that should be
23 specifically reflected in the Commission's Report and Order in this case?

1 A. Yes. I recommend that the Commission reject tariff changes to the SSP and the
2 proposed RBES.

3 **DEPRECIATION**

4 Q. What new information was Staff made aware of regarding plant depreciation?

5 A. In his direct testimony, Mr. Greg Meyer identifies discrepancies between the
6 reserve balances in Case No. ER-2018-0146 and the reserve balances as proposed by Evergy in
7 the current case for several accounts. The Jeffrey Energy, Lake Road, Iatan common, Iatan 1,
8 and Iatan 2 accounts have significantly less reserve in the current case than they did in Case No.
9 ER-2018-0146. Mr. Meyer states that Evergy has decreased the reserve in the accounts listed
10 above to account for a portion of the Sibley unit retirements. Staff witness Keith Majors gives
11 further explanation of this issue.

12 Q. Does this change Staff's original recommendation?

13 A. Staff is still investigating this matter at this time. Staff is awaiting Data Request
14 responses and will be meeting with the Company and other parties to discuss this issue. If Staff
15 determines that the reserve balances should be changed, then Staff's depreciation rates would
16 be altered accordingly. Staff will update this issue in Surrebuttal.

17 Q. What issues would you like to address with Mr. Spanos's testimony?

18 A. Mr. Spanos includes terminal net salvage, which was derived from
19 an 1898 & Co. study attached to the Direct Testimony of Jeffrey T. Kopp, in rates for
20 generating plants.

21 Q. Why is using terminal net salvage an issue?

22 A. In Staff's direct testimony, Staff briefly discusses the Commission Order in
23 Case No. ER-2016-0285 that denied recovery of terminal net salvage in depreciation expense

1 due to the costs being speculative. The Findings of Fact from that Report and Order stated
2 in part:

3 95. Terminal net salvage should not be included in depreciation rates
4 because the actual cost KCPL will incur is unknown, cannot be
5 measured, and is speculative.

6 96. The Commission has previously excluded terminal net salvage
7 from rates for exactly that reason.

8 97. Nothing has changed in the interim and there is no good reason to
9 admit costs for terminal net salvage to rates now.

10 98. As with any speculative cost, if the amount accrued for retirement
11 during the plant's operation in fact exceeds the actual cost of that
12 retirement, there will be no feasible way to return that money to the
13 ratepayers that paid too much.¹

14 Nothing has changed in the interim regarding terminal net salvage since the Order in
15 Case No. ER-2016-0285. Costs associated with terminal salvage are not known and measurable
16 at this time and are still speculative. Mr. Kopp discusses the methodology used to estimate
17 terminal costs in his direct testimony. He acknowledges that the estimated costs are not a firm
18 plan for decommissioning and that a contractor chosen in the future "will determine the means
19 and methods by which the decommissioning will occur."² He also acknowledges that some
20 costs cannot be determined until the decommissioning process has begun³ and recommends a
21 20% contingency cost on top of his estimation of the direct costs.⁴ There is error inherent to
22 any estimation process. Given that some of these plants are not expected to be retired for more

¹ Case No. ER-2016-0285 Report and Order issued May 3, 2017, page 37.

² Direct Testimony of Jeffrey T. Kopp page 16, lines 1-9.

³ Direct Testimony of Jeffrey T. Kopp page 17, line 18 through page 18, line 2.

⁴ Direct Testimony of Jeffrey T. Kopp page 19, lines 10-14.

1 than 20 years, there are a myriad of factors that could change. Market costs, best practices, and
2 available technology are just a sample of the factors that could influence the price of
3 decommissioning in the future. The simple fact is no one knows at this time what the final cost
4 will be and no one is sure of the method that will be used to decommission most of these plants.
5 The estimations may give an idea of what to prepare for, but they are just estimations with
6 inherent error. On top of those errors, Mr. Kopp has added a 20% contingency cost. These
7 speculative amounts should not be included in depreciation rates. The rates proposed by
8 Mr. Spanos include the speculative amounts as a component of net salvage.

9 Q. Does Staff think that cost of final termination should be recovered?

10 A. Yes. The costs of final termination should be recovered. The issue with
11 speculating what those costs will be is that it can be vastly over or under estimated at present
12 time. This creates generational inequity if you over or under collect from customers.

13 Q. Do you have generational inequity with the current recovery methods for final
14 termination costs?

15 A. Yes. It is near impossible to eliminate generational inequity related to these
16 costs without exact foreknowledge of final termination costs. The current approach of
17 amortizing the final costs after they are known, or securitizing those costs limits the impact to
18 current customers compared to speculating the costs prior to them being known. The utility
19 does not actually incur costs related to final termination until the facility is terminated.
20 However, under Mr. Spanos' approach, the utility would begin recovering the termination
21 expense from the moment a facility is placed in rate base. An over recovery prior to termination
22 would be impossible to return to previous customers. An under recovery prior to termination

1 would work in a similar manner to how termination costs are currently handled with the cost
2 either being securitized or amortized over a period of time.

3 Q. What does Staff recommend regarding terminal salvage?

4 A. Staff recommends that the Commission not include terminal salvage in
5 depreciation expense due to the speculative nature. The costs of final termination should be
6 recovered once they are known, but the utility should not be able to collect speculative amounts
7 and use them for other purposes.

8 **SOLAR SUBSCRIPTION PILOT RIDER (“SSP”)**

9 Q. Please describe the SSP.

10 A. Evergy’s SSP was approved in Case No. ER-2018-0145 and ER-2018-0146. The
11 SSP allows customers to subscribe to a portion of a solar resource. Subscribers pay a solar block
12 charge, which is based on the cost to of the solar resources built to serve the program, and a
13 services and access charge for the amount of energy produced from their subscribed blocks.
14 The energy produced by the resource would offset customer usage.

15 Q. What changes are being proposed to the SSP?

16 A. Evergy has proposed the following changes to the SSP:

- 17 • Convert the program from a pilot rider to a permanent program
- 18 • Reduce subscription threshold to construct a new facility from 90% to 70%
- 19 • Remove requirement that the program maintain a 90% subscription level
20 for 2 years prior to constructing a new facility
- 21 • Remove section defining pilot evaluation terms, but commit to providing
22 the reporting information for 2 years
- 23 • Remove 50% limit for nonresidential customers participating in the
24 program
- 25 • Remove sizing requirement of the facilities

- 1 • Change subscription limit from 50% to 100% of annual energy
- 2 • Change cost sharing of unsubscribed costs from 75/25
- 3 shareholder/ratepayer split to first 50% shareholders, remaining 50%
- 4 ratepayers

5 Q. What is Evergy's reasoning for proposing the changes?

6 A. Evergy states that its program is similar to Ameren Missouri's Community Solar
7 Program and is proposing similar changes to those made in ER-2021-0240.⁵ Evergy also states
8 that the proposed changes would remove some delay of future expansion.⁶

9 Q. What is Staff's recommendation on these changes?

10 A. Staff is opposed to the changes to the SSP.

11 Q. Please explain Staff's reasoning.

12 A. As of the date of this testimony, the solar facility used for the pilot has not been
13 completed. Therefore, Evergy, and thus Staff and other stakeholders, have not been able to
14 evaluate the cost and benefits of Evergy's offering, making expansion and changes premature.
15 Many of the tariff changes Evergy proposes involve tariff and program requirements meant to
16 help evaluate the success of the initial program that have not been able to be fulfilled so proper
17 examination of the usefulness of the information provided is not possible. In addition, some of
18 the tariff requirements were directly agreed to in the third stipulation and agreement in
19 Case No. ER-2018-0145, specifically the requirement for 90% subscription of the initial
20 facility for two years prior to building an additional facility, the cost sharing of unsubscribed
21 portions of the resource, and the evaluation criteria of the program. The current tariff
22 language states, "This program may be expanded, depending on Customer interest and with

⁵ Direct Testimony of Brian D. Lutz page 54, lines 2-4.

⁶ Direct Testimony of Brian D. Lutz page 56, lines 15-16.

1 Commission approval, after successful completion of the initial offering and pilot evaluation.”⁷

2 And further states,

3 The Company will complete and submit to Staff an evaluation of
4 this Program prior to any request for expansion or after five years of
5 operation, whichever is first. The evaluation will include:

6 1. Tracking of program costs and revenues (participants, all
7 ratepayers, Company),

8 2. Numbers and types of subscribers (by rate class and
9 participation by low and moderate-income customers if available),

10 3. Annual surveys of participating customers covering
11 (economic considerations and customer service),

12 4. Impact or benefits of the facility on the utility distribution
13 system, and

14 5. Plans to site program expansion facilities in areas where
15 distributed generation would benefit the electric utility’s distribution
16 system, such as areas where there is a potential to avoid or minimize
17 distribution system investment.⁸

18 To reiterate, bulk of the information required to be submitted prior to a request for
19 expansion has not been provided as Evergy has not acquired the solar facility necessary for the
20 project. Evergy has provided quarterly updates on the status of the program that show the
21 number of customers subscribed and the amount of money spent on marketing. However, for
22 lessons learned Evergy has consistently reported, “At this stage in the pilot program, the
23 Company has nothing to report in this area. This will be provided after solar resources have
24 been acquired.”⁹ It is Staff’s recommendation that Evergy should actually run the pilot program

⁷ P.S.C. MO. No. 1 2nd revised sheet No. 109, 2nd paragraph.

⁸ P.S.C. MO. No. 1 Original Sheet no. 109.3, Pilot Evaluation section.

⁹ Case No. ER 2018-0145, Notice of Solar Subscription Rider Report.

1 as agreed to and collect the agreed to information prior to expanding the program or making it
2 a permanent offering. While the programs are similar, they are not identical. Ameren's pilot
3 facility was one-fifth the size of Evergy's pilot program. Ameren Missouri also completed the
4 initial facility and ran the program while completing required reporting on the program prior to
5 the changes made in ER-2021-0240. Evergy has yet to complete the first facility and the
6 reporting agreed to in the third stipulation and agreement from Case No. ER-2018-0145 and
7 ER-2018-0146, for these reasons, Staff is opposed to the tariff changes to the SSP.

8 **RESIDENTIAL BATTERY ENERGY STORAGE ("RBES") PILOT PROGRAM**

9 Q. Please describe the RBES.

10 A. The RBES pilot program as proposed would consist of Evergy purchasing
11 50 battery energy storage systems and placing them at residential sites. The batteries will have
12 a capacity of 4.5kW or 6kW and 19.4 kWh each. Evergy has listed the following as being
13 selection criteria for participants:

- 14 • Enrolled in TOU rate
- 15 • Seeking to integrate storage with rooftop photovoltaic systems
- 16 • Owning an electric vehicle or other smart home devices

17 Evergy will own and operate the batteries for the duration of the pilot (2025). At the end
18 of the pilot Evergy has 3 options:

- 19 1. Make battery available for purchase by the customer at the depreciated cost
20 at the end of the program (estimated 10 year life),
- 21 2. Evergy will transfer ownership to the customer under the condition that
22 Evergy is allowed to dispatch the battery for the remaining useful life
23 (estimated 10 years),
- 24 3. Evergy will remove the battery and consider re-deployment to another
25 customer site for the remaining useful life of the battery.

1 Q. What are Evergy’s objectives and anticipated benefits of the program?

2 A. In her direct testimony, Kimberly H. Winslow states that the program will
3 “advance Evergy’s operational knowledge of how battery energy storage systems can be
4 utilized to achieve customer savings and grid benefits.”¹⁰ Ms. Winslow also states, “the pilot
5 will also provide opportunities to further explore customer behaviors and acceptance of battery
6 energy storage technology.”¹¹ Specific benefits were broken down into operational benefits
7 and customer benefits. Operational benefits listed include:

- 8 • Ability to use battery energy storage resources for peak demand reduction
- 9 • Ability to use battery energy storage to supports self-consumption of
10 renewable energy which can minimize distribution grid impacts and increase
11 hosting capacity of the existing distribution systems
- 12 • Improvement in utility grid operations through the use of battery energy
13 resources to help maintain power quality and reliability of the distribution
14 grid and to address localized distribution constraints¹²

15 Customer benefits listed include:

- 16 • Opportunities to create retail savings for customers on TOU rates
- 17 • Ability to integrate storage technology platform with renewable energy or
18 smart technologies to optimize home energy use
- 19 • Potential to provide a source of back-up power for customers during grid
20 outages¹³

21 Q. What is Staff’s view of the program?

¹⁰ Direct Testimony of Kimberly H. Winslow page 42, lines 12-14.

¹¹ Direct Testimony of Kimberly H. Winslow page 44, lines 10-11.

¹² Direct Testimony of Kimberly H. Winslow page 43, line 22 through page 44, line 3.

¹³ Direct Testimony of Kimberly H. Winslow page 44, lines 4-9.

1 A. Staff is opposed to the program as proposed, due to the subsidizing of assets by
2 all ratepayers being used for a small customer group. The operational benefits listed above
3 would theoretically benefit all customers to some extent. However, the battery systems
4 proposed are too small to provide back-up power and reliability for more than one residence.
5 Further, the customer benefits would be limited to the 50 chosen participants at this time. It is
6 not necessary to locate the battery system in a residence to reduce peak demand, reduce grid
7 system impacts or improve reliability.

8 Q. What is Staff's recommendation regarding the RBES?

9 A. Staff is opposed to the program as submitted and recommends the Commission
10 reject that proposed program.

11 Q. What issues does Staff have with the RBES?

12 A. First, the costs are high for an extremely small portion of customers who will
13 benefit. The total cost of the pilot is estimated to be around ** [REDACTED]
14 [REDACTED]** While the pilot will provide some operational
15 benefits, only the chosen 50 customers will receive the customer benefits.¹⁴ That is close
16 to ** [REDACTED] ** in free equipment per enrollee plus whatever cost savings and improved
17 reliability that are gained from having the battery system. Further, the customers that are likely
18 to be chosen for the program will most likely be affluent customers, while the program will be
19 funded by all ratepayers. The selection criteria includes owning an electric vehicle or other
20 smart home device, seeking to integrate storage with rooftop photovoltaic systems, and enrolled

14 ** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] **

1 in TOU rate. At least two of these criteria would be more common in higher income
2 demographics. Staff has concerns that the program would subsidize battery storage options for
3 a very small portion of customers while charging all ratepayers. Also, there is a high potential
4 for inequity between affluent and low income customers in the selection criteria.

5 Q. What is Staff's recommendation for the RBES pilot program?

6 A. Staff recommends the Commission reject the RBES pilot program.

7 Q. Does this conclude your testimony?

8 A. Yes.

