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Ronald A. Klote
Direct
File No. ER-2024-0189

Exhibit No.:
Issue: Revenue Requirement Model and Schedules;
Test Year; Misc. Accounting Adjustments
including Pensions and Other Post Employment
Benefits, PISA, Security Tracker, Storm and
I&D Reserves; TOU Deferral
Witness: Ronald A. Klote
Type of Exhibit: Direct Testimony
Sponsoring Party: Evergy Missouri West
Case No.: ER-2024-0189
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2024-0189

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
February 2024**

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DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2024-0189

1 **I. INTRODUCTION AND PURPOSE**

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

3 A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri
4 64105.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by Evergy Metro, Inc. I serve as Senior Director – Regulatory Affairs for
7 Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“EMM”), Evergy Missouri West, Inc.
8 d/b/a Evergy Missouri West (“EMW”), Evergy Metro, Inc. d/b/a Evergy Kansas Metro
9 (“EKM”), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as
10 Evergy Kansas Central (“EKC”) the operating utilities of Evergy, Inc.

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

12 A: I am testifying on behalf of EMW or “Company”.

13 **Q: What are your responsibilities?**

14 A: My responsibilities include the coordination, preparation and review of financial
15 information and schedules associated with rate case filings, compliance filings and other
16 regulatory filings.

17 **Q: Please describe your education, experience and employment history.**

18 A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of
19 Missouri-Columbia. In May 2016, I completed my Master of Business Administration

1 Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant
2 holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP
3 holding various positions of increasing responsibilities in the auditing division. I conducted
4 and led various auditing engagements of company financial statements. In 1995, I joined
5 Water District No. 1 of Johnson County as a Senior Accountant. This position involved
6 operational and financial analysis of water operations. In 1998, I joined Overland
7 Consulting, Inc. as a Senior Consultant. This position involved special accounting and
8 auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I
9 joined Aquila, Inc. (“Aquila”) holding various positions within the Regulatory department
10 until 2004 when I became Director of Regulatory Accounting Services. This position was
11 primarily responsible for the planning and preparation of all accounting adjustments
12 associated with regulatory filings in the electric jurisdictions. As a result of the acquisition
13 of Aquila by Great Plains Energy Incorporated (“GPE”), I began my employment with
14 Kansas City Power & Light Company (“KCP&L”) as Senior Manager, Regulatory
15 Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a
16 Senior Manager remaining in charge of Regulatory Accounting responsibilities. In
17 December 2015, I became Director, Regulatory Affairs continuing my Regulatory
18 Accounting responsibilities. In addition, I was responsible for the coordination, preparation
19 and filing of rate cases and rider filings in our electric jurisdictions. In October 2021, I

1 became Senior Director of Regulatory Affairs and I continue in that position today with
2 Evergy.

3 **Q: Have you previously testified in a proceeding before the Missouri Public Service**
4 **Commission (“Commission” or “MPSC”) or before any other utility regulatory**
5 **agency?**

6 A: Yes, I have testified before the MPSC, Kansas Corporation Commission, California Public
7 Utilities Commission, and the Public Utilities Commission of Colorado.

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to: (i) describe the revenue requirement model and
10 schedules that are used to support the rate increase EMW is requesting in this proceeding
11 (Schedules RAK-1 through RAK-3 attached to this testimony) (Section II); and (ii) to
12 identify the witnesses who support various accounting adjustments listed on the Rate Base
13 and Summary of Adjustments (Schedule RAK-2 and RAK-4 attached to this testimony)
14 and provide support on various accounting adjustments. As discussed in Section IV of my
15 Direct Testimony, these include but are not limited to adjustments for various pensions and
16 Other Post Employment Benefits, Plant In Service Accounting (“PISA”), Dogwood Energy
17 Facility (“Dogwood”), storm reserve, and Time-of-Use (“TOU”) deferral request.

18 **II. REVENUE REQUIREMENT MODEL AND SCHEDULES**

19 **Q: What is the purpose of Schedules RAK-1 through RAK-3?**

20 A: These schedules represent the key outputs of the Company’s revenue requirement model
21 used to support the rate increase that EMW requests in this proceeding. Schedule RAK-1
22 shows the revenue requirement calculation. Schedule RAK-2 lists the rate base

1 components, along with the sponsoring witnesses. Schedule RAK-3 is the adjusted income
2 statement.

3 **Q: Were the schedules prepared either by you or under your direction?**

4 A: Yes, they were.

5 **Q: Please describe the process the Company used to determine the requested rate**
6 **increase.**

7 A: We utilized our historical ratemaking preparation process to determine the rate increase
8 request. We used historical test year data from the financial books and records of the
9 Company as the basis for operating revenues, operating expenses and rate base. We then
10 adjusted the historical test year data to reflect: (i) normal levels of revenues and expenses
11 that would have occurred during the test year; (ii) annualizations of certain revenues and
12 expenses; (iii) amortizations of regulatory assets and liabilities; and (iv) known and
13 measurable changes that have been identified since the end of the historical test year. We
14 then allocated the adjusted test year data to arrive at operating revenues, operating
15 expenses, and rate base applicable to the EMW jurisdiction. We subtracted operating
16 expenses from operating revenues to arrive at operating income. We multiplied the net
17 original cost of rate base times the requested rate of return to determine the net operating
18 income requirement. This was compared with the net operating income available to
19 determine the additional net operating income before income taxes that would be needed
20 to achieve the requested rate of return. Additional current income taxes were then added to
21 arrive at the gross revenue requirement. This requested rate increase is the amount
22 necessary for the post-increase calculated rate of return to equal the rate of return proposed

1 by EMW witness Kirkland Andrews in his Direct Testimony and supported by EMW
2 witness Ann Bulkley in her Direct Testimony.

3 III. TEST YEAR

4 **Q: What historical test year did EMW use in determining rate base and operating**
5 **income?**

6 A: The revenue requirement schedules are based on a historical test year of the 12 months
7 ending June 30, 2023, with known and measurable changes projected through June 30,
8 2024. At the true-up date, we plan to true up to actuals as part of the true-up process
9 associated with this rate case proceeding.

10 **Q: Why was this test year selected?**

11 A: The Company used the 12-month period ending June 30, 2023 for the test year in this rate
12 proceeding because that period reflects the most currently available quarterly financial
13 information to provide adequate time to prepare the revenue requirement for this case.

14 **Q: Does EMW's test year expense reflect an appropriate allocation of Evergy Metro and**
15 **EKC overhead to EMW and other affiliated companies?**

16 A: Yes, Evergy Metro and EKC incur costs for the benefit of EMW and other affiliated
17 companies and these costs are billed out as part of the normal accounting process. Certain
18 projects and operating units are set up to allocate costs among the various affiliated
19 companies based on appropriate cost drivers while others are set up to assign costs directly
20 to the benefiting affiliate.

21 **Q: Does EMW incur costs that are allocated to Evergy Metro and EKC?**

22 A: Yes, these are not as significant as the costs allocated from Evergy Metro and EKC, but
23 EMW does incur some costs that are allocated to Evergy Metro and EKC.

1 **Q: Why is a true-up period needed for this rate case?**

2 A: Historically, rate cases have included true-up periods which provide for updates to test year
3 data. This process allows for changes in cost levels included in the test year to be updated
4 to the most current information as of a specified date which is closer to the date rates are
5 to become effective. This allows for a proper matching of rate base, revenues and expenses
6 to account for known and measurable changes that have occurred since the end of the test
7 year. As stated above, the Company is requesting a true-up date effective June 30, 2024 in
8 order to provide this update to rate base, revenues and expenses in this rate case.

9 **IV. ACCOUNTING ADJUSTMENTS**

10 **Q: Please discuss Schedule RAK-4.**

11 A: This schedule presents a listing of adjustments to net operating income for the 12 months
12 ended June 30, 2023, along with the sponsoring Company witnesses. Various Company
13 witnesses will support, in their direct testimonies, the need for each of these adjustments.

14 **Q: Please explain the adjustments to reflect normal levels of revenues and expenses.**

15 A: Adjustments are made to reflect “normal” levels of revenues and expenses; for example,
16 retail revenues are adjusted to reflect revenue levels that would have occurred if the weather
17 had been “normal” during the test year.

18 **Q: Please explain the adjustments to annualize certain revenues and expenses.**

19 A: Revenues are annualized to reflect anticipated customer growth during the true-up period.
20 Annualization adjustments have been made to reflect an annual level of expense in cost of
21 service, such as the annualization of payroll and depreciation expenses. The former reflects
22 a full year’s impact of recent and expected pay increases, while the latter reflects the impact
23 of a full year’s depreciation on plant additions included in rate base.

1 **Q: Please explain the adjustments to amortize regulatory assets and liabilities.**

2 A: Various regulatory assets and liabilities have been established in past EMW jurisdictional
3 rate cases. These assets/liabilities are then amortized over the number of years authorized
4 in the orders for the applicable rate cases. Adjustments are sometimes necessary to
5 annualize the amortization amount included in the test year or remove amortizations that
6 have ceased during the test year.

7 **Q: Did the Company comply with the prospective tracking of regulatory assets and**
8 **liabilities as agreed to in the Stipulation and Agreement from Rate Case No. ER-2022-**
9 **0130 (“2022 Case”)?**

10 A: Yes, in this rate case filing, EMW complied with this agreement and reflected the
11 prospective tracking treatment of regulatory assets and liabilities in accordance with this
12 agreement. Please see the individual regulatory asset and regulatory liability adjustments
13 that describe the prospective treatment where applicable in the Direct Testimony of
14 Company witness Linda Nunn.

15 **Q: Please explain the adjustments to reflect known and measurable changes that have**
16 **been identified since the end of the historical test year.**

17 A: These adjustments are made to reflect changes in the level of revenue, expense, rate base
18 and cost of capital that either have occurred or are expected to occur prior to the true-up
19 date in this case. For example, payroll expense and fuel costs have been adjusted for known
20 and measurable changes.

1 **Q: Do the adjustments listed on Schedule RAK-4 and discussed throughout the**
2 **remainder of this testimony and other EMW witnesses' testimony entail an**
3 **adjustment of test year amounts?**

4 A: Yes, the adjustments summarized on Schedule RAK-4 and discussed in this testimony and
5 other EMW witnesses' testimony reflect adjustments to the test year ended June 30, 2023.

6 **RB-20 PLANT IN SERVICE**

7 **Q: Please explain adjustment RB-20.**

8 A: EMW rolled the test year ended June 30, 2023 plant balances forward to June 30, 2024, by
9 using the Company's actual results through June 2023 and the 2023-2024 capital budgets
10 for subsequent additional capital additions post June 2023. Projected plant additions, net
11 of projected retirements, were added to actual balances through June 2023 to arrive at
12 projected plant balances at June 30, 2024.

13 **Q: Was the Transmission and Distribution Plant disallowance adjustment contemplated**
14 **in the Stipulation and Agreement in Case No. ER-2012-0175 ("2012 Case") included**
15 **in RB-20.**

16 A: Yes, per the Stipulation and Agreement in the 2012 Case, the Company agreed to reduce
17 its Transmission and Distribution Plant in rate base by \$8 million. This disallowance was
18 included in adjustment RB-20.

19 **Q: Was the Crossroads Generating Station included in rate base in this rate case**
20 **reflective of previous case disallowances?**

21 A: Yes, Adjustment RB-20 includes the disallowance adjustment associated with the
22 Crossroads Generating Station. The Crossroads Generating Station is included in rate base
23 for the following amounts for plant of \$67,700,450 and accumulated depreciation of

1 \$32,719,988 (RB-30). These amounts are the roll forward jurisdictional amounts at June
2 30, 2024 consistent with the amount of plant and accumulated depreciation after the
3 disallowance adjustment that was included in Case Nos. ER-2010-0356, ER-2012-0175,
4 ER-2016-0156, ER-2018-0146, and ER-2022-0130.

5 **Q: Please describe some of the significant plant in service additions that are forecasted**
6 **to occur through June 30, 2024?**

7 A: Significant additions include projects such as 161kv Rebuild Lexington-Richmond,
8 Richmond Substation 161kv, Lake Road Electrode Boiler, STP Fiber Communications,
9 new residential overhead extensions and a new circuit 24.9kv to mention a few. These plant
10 projections will be replaced with actual plant placed in service for projects at the true-up
11 date of June 30, 2024.

12 **Q: Does the forecasted plant in service through June 30, 2024 include the addition of a**
13 **portion of Dogwood Energy Facility?**

14 A: Yes, as discussed in the testimony of EMW witnesses Darrin Ives and John Carlson, EMW
15 is expected to purchase a share of Dogwood prior to June 30, 2024. As such, a forecasted
16 amount has been included in adjustments RB-20 and RB-30 which represents a net plant
17 amount of \$57.4 million. This forecasted amount will be replaced with actual plant placed
18 in service prior to June 30, 2024.

19 **RB-30 RESERVE FOR DEPRECIATION**

20 **Q: Please explain adjustment RB-30.**

21 A: This adjustment rolls forward the Reserve for Depreciation from June 30, 2023 to balances
22 projected as of June 30, 2024.

1 **Q: How was this roll-forward accomplished?**

2 A: The depreciation/amortization provision component was calculated in two steps: (i) the
3 June 2023 depreciation provision was multiplied by twelve months to approximate the
4 provision that will be charged to the Reserve for Depreciation from July 2023 through June
5 2024 for plant existing at June 30, 2023; and (ii) by estimating the
6 depreciation/amortization through June 30, 2024 attributable to projected net plant
7 additions from July 2023 through June 2024. In the second step, we assumed the net plant
8 additions occurred ratably over this period.

9 **Q: Was the impact of retirements included in the roll-forward?**

10 A: Yes, projected retirements for the period July 2023 through June 2024 were based on actual
11 calendar year 2022 retirements except for General Plant Amortization accounts. For
12 General Plant Amortization accounts, the company used the actual amount of retirements
13 that are expected to occur in December 2023 as the value is already known.

14 **Q: Were the accumulated depreciation impacts for the Crossroads disallowance and the
15 Transmission and Distribution Plant disallowances discussed in adjustment RB-20
16 reflected in Adjustment RB-30?**

17 A: Yes, both the Crossroads disallowance and the Transmission and Distribution Plant
18 disallowance were included in adjustment RB-30.

19 **Q: Did the Stipulation and Agreement in the 2022 Case address depreciation reserve?**

20 A: Yes, it did. Under the agreement with Staff, their proposed depreciation rates were to be
21 used, except for the Wolf Creek plant's current depreciation rates, which would remain
22 unchanged. Further, the Company agreed to record and track depreciation reserves for
23 generating facilities on an individual unit/location basis.

1 **Q: Has the Company recorded and tracked depreciation reserves for generating facilities**
2 **on an individual unit/location basis?**

3 A: Yes, the Company has completed the work to provide the depreciation reserve for
4 generating facilities on an individual unit/location basis. The Company created new
5 depreciation groups for each generating unit by generating plant accounts within
6 PowerPlan, its plant accounting system. Each of these depreciation groups reflect the
7 current authorized depreciation rate for the unique generating units / plant accounts.

8 **RB-84 PISA FUEL ADJUSTMENT CLAUSE (“FAC”) REGULATORY ASSET/ CS-94**
9 **AMORTIZATION OF PISA FAC REGULATORY ASSET**

10 **Q: Please explain the background that led to adjustment RB-84.**

11 A: As discussed by Mr. Ives in his testimony, the Company participates in PISA. The original
12 PISA statute allowed EMW to use regulatory assets to offset a portion of the negative lag
13 associated with capital investments. This version of PISA statute required the Company to
14 limit the growth of its rates to a compound annual growth rate of 3.0%. Any FAC related
15 increase that caused rate changes to go above the allowed annual growth rate were allowed
16 deferral for inclusion in rate base and a 20-year amortization in a general rate case. These
17 two adjustments relate to that type of deferral.

18 **Q: Please explain adjustment RB-84.**

19 A: In the FAC semi-annual tariff filing in Docket No. ER-2019-0413 it was determined that
20 the Company’s FAC under recovery exceeded the PISA CAGR cap increase allowed,
21 which at the time was 2.21% (This was a partial year of the annual 3% CAGR cap). A
22 deferral of the excess amount, which exceeded the PISA CAGR cap, was made at that time.
23 This adjustment includes the regulatory asset amount projected at June 30, 2024 in rate
24 base.

1 **Q: Please explain adjustment CS-94 Amortization of PISA FAC regulatory asset.**

2 A: The projected deferral of the PISA FAC regulatory asset balance at the true-up date, June
3 30, 2024, will be amortized over 20 years as set out in the PISA statute. An annual
4 amortization amount was included in Adjustment CS-94

5 **RB-85 PISA REGULATORY ASSET/**
6 **CS-93 AMORTIZATION OF PISA REGULATORY ASSET**

7 **Q: Please explain the current PISA Deferral Process.**

8 A: The Company has participated in PISA since January 1, 2019. Beginning January 1, 2024,
9 a modification to PISA allows for the deferral of depreciation expense in a regulatory asset
10 and return on investment associated with 85% of qualifying rate base additions between
11 rate cases, including carrying costs at the weighted average cost of capital.

12 **Q: Please explain what is included in qualifying rate base additions?**

13 A: Qualifying electric plant is defined in section 393.1400 RSMo. as follows:

14 All rate base additions, except rate base additions for new coal-fired
15 generating units, new nuclear generating units, new natural gas units, or rate
16 base additions that increase revenues by allowing service to new customer
17 premises.

18 The Company has calculated its PISA deferrals associated with rate base additions that
19 follow these guidelines.

20 **Q: What recovery does 393.1400 RSMo. prescribe for the PISA regulatory asset that
21 has been established?**

22 A: The statute allows for the regulatory asset that has been accumulated to be included in rate
23 base. The Company has forecasted the amount expected at the time of the true up in this
24 rate case and included it in rate base in its revenue requirement calculation. In addition, the
25 regulatory asset will be amortized over a 20-year period according to the statute.

1 **Q: Please explain adjustment RB-85.**

2 A: Adjustment RB-85 includes the projected deferral of the PISA regulatory asset balance at
3 June 30, 2024, in rate base. For qualifying electric plant, this regulatory asset deferral
4 includes 85% of the depreciation expense recorded once the asset has been placed in service.
5 In addition, the deferral includes 85% of the return on the plant that has been placed in
6 service between rate cases.

7 **Q: Please explain adjustment CS-93.**

8 A: The PISA regulatory asset deferred at May 31, 2022, the true-up date in the 2022 Case is
9 referred as “Vintage 1”. The Company continued the amortization of Vintage 1 based on
10 the amortization levels established in the 2022 Case. Adjustments are necessary to reflect
11 a full year’s amortization in this rate case. The PISA regulatory asset deferred from June
12 1, 2022, and projected through June 30, 2024, as Vintage 2 will be amortized over 20 years,
13 as set out in the statute. An annual amortization amount for Vintage 2 was also included in
14 Adjustment CS-93.

15 **R-100 DOGWOOD CAPACITY RESERVES AND CS-100 DOGWOOD O&M**

16 **Q: Please explain adjustment R-100.**

17 A: With the purchase of a portion of Dogwood, the Company will receive a portion of the
18 capacity sales revenues that Dogwood earns. This adjustment was made to add capacity
19 sales revenues to the revenue requirement model to account for that expected increase in
20 revenues. The contracted capacity sales agreement that will transfer to EMW upon
21 completion of the purchase prior to June 30, 2024 was annualized for 12 months.

1 **Q: Please explain adjustment CS-100.**

2 A: With the purchase of a portion of Dogwood, the Company will also receive its share of
3 operating expenses associated with the generating facility. This adjustment annualizes
4 expected operating and maintenance expenses that will be included in revenue requirement
5 when the purchase is complete prior to June 30, 2024.

6 **CS-61/RB-61 OTHER POST-EMPLOYMENT BENEFITS**

7 **Q: Please explain adjustments CS-61 and RB-61.**

8 A: CS-61 is the adjustment for Other Post-Employment Benefits (“OPEB”) expense as
9 recorded under Accounting Standards Codification No. 715, Compensation-Retirement
10 Benefits to an annualized level for ratemaking purposes for EMW’s portion of the Evergy
11 postretirement benefit plans. Previously, the accounting guidance was referred to as
12 Financial Accounting Standards No. 106 “Employers’ Accounting for Postretirement
13 Benefits Other Than Pensions” (“FAS 106”) and this description will continue to be used
14 in the regulatory process.

15 RB-61 is the roll forward of the FAS 106 regulatory liability and the prepaid OPEB
16 regulatory asset to the projected true-up date of June 30, 2024.

17 **Q: Do these adjustments take into consideration OPEB expense billed to joint partners,
18 billed to affiliated companies, and charged to capital?**

19 A: Yes, total company costs, for adjustment CS-61, are adjusted for projected billings to
20 affiliates, joint partners and charges to capital, based on data from the payroll adjustment
21 discussed later in this testimony (adjustment CS-50). Adjustment RB-61 also takes into

1 account billings to joint partners and affiliates, but the balances are before charges to
2 capital.

3 **Q: Please explain the components of adjustment CS-61.**

4 A: CS-61 has two components which include (1) the annualized FAS 106 expense for the
5 Company's OPEB plans based on the projected 2024 cost provided by the Company's
6 actuary, Willis Towers Watson; and (2) the five-year amortization of the FAS 106
7 regulatory liability.

8 **Q: Was annualized OPEB expense determined in accordance with established regulatory
9 practice?**

10 A: Yes, annualized OPEB expense was determined based on the methodology established in
11 the Non-Unanimous Stipulation and Agreement in the 2022 Case.

12 **Q: What is the amount of FAS 106 expense currently built into rates?**

13 A: The Non-Unanimous Stipulation and Agreement in the 2022 Case established the annual
14 FAS 106 amount in rates at \$146,407, after removal of capitalized amounts and the portion
15 of EMW's annual OPEB cost allocated to EMW's joint partners, but before the inclusion
16 of FAS 106 amortization.

17 **Q: What is the comparable level of FAS 106 expense on a total company Missouri basis
18 included in cost of service for this case?**

19 A: The comparable amount included in cost of service in this case is \$(277,339).

20 **Q: Please explain the FAS 106 regulatory liability.**

21 A: This regulatory liability represents the cumulative unamortized difference in FAS 106
22 OPEB expense for ratemaking purposes and the postretirement expense built into rates.

1 **Q: How was the FAS 106 regulatory liability rolled forward to the June 30, 2024,**
2 **balance?**

3 A: The FAS 106 OPEB regulatory liability balance at May 31, 2022 was adjusted by the
4 projected difference between FAS 106 expense for Missouri ratemaking purposes and the
5 FAS 106 amount built into rates for the period June 1, 2022 through June 30, 2024. The
6 balance was also adjusted for the projected amortizations for the June 1, 2022 through June
7 30, 2024 time period.

8 **Q: What is the projected FAS 106 regulatory liability balance at June 30, 2024?**

9 A: The FAS 106 regulatory liability is projected to be \$3,844,007 at June 30, 2024.

10 **Q: Is the FAS 106 regulatory liability properly includable in rate base?**

11 A: Yes, the FAS 106 regulatory liability is included in rate base consistent with the Non-
12 Unanimous Stipulation and Agreement in the 2022 Case.

13 **Q: Does adjustment CS-61 take into consideration OPEB expense billed to EMW as a**
14 **joint partner in the Iatan 1 and 2 generating units and amounts charged to capital?**

15 A: Yes, it does. It is based on data from the payroll adjustment.

16 **Q: Please explain the FAS 88 regulatory asset.**

17 A: This regulatory asset represents the cumulative deferred costs for OPEB plan special
18 termination benefits. Because these do not occur on a regular basis and vary over time, they
19 are tracked by vintage for ease of calculation and discussion. This case will include one
20 vintage for the 2022 Special Termination Benefits.

21 **Q: What is EMW's projected cumulative FAS 88 regulatory balance at June 30, 2024?**

22 A: EMW's projected FAS 88 regulatory asset at June 30, 2024 is \$1,415,404, all of which
23 consists of the 2022 vintage for the special termination benefits.

1 **CS-65/RB-65 PENSION COSTS**

2 **Q: Please explain adjustments CS-65 and RB-65.**

3 A: CS-65 is the adjustment for pension expense as recorded under Accounting Standards
4 Codification No. 715, Compensation-Retirement Benefits to an annualized level for
5 ratemaking purposes. Previously, the accounting guidance was referred to as Financial
6 Accounting Standards No. 87 “Employers’ Accounting for Pensions” (“FAS 87”) and No.
7 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension
8 Plans and for Termination Benefits” (“FAS 88”) and these descriptions will continue to be
9 used in the regulatory process.

10 RB-65 is the roll forward of the FAS 87, FAS 88 and prepaid pension regulatory assets to
11 their projected June 30, 2024 balances.

12 **Q: Do these pension adjustments take into consideration pension expense billed to EMW
13 as a joint partner in the Iatan 1 and Iatan 2 generating units as well as amounts
14 charged to capital?**

15 A: Yes, they do. They are based on data from the payroll adjustment discussed later in this
16 testimony (adjustment CS-50).

17 **Q: Please explain the components of adjustment CS-65, pension expense.**

18 A: CS-65 consists of the EMW’s share of the annualized FAS 87 expense, which is based on
19 the projected 2024 total company cost provided by the Company’s actuarial firm, Willis
20 Towers Watson. In addition, annualized pension expense includes the five-year
21 amortization of the FAS 87 and FAS 88 regulatory assets.

1 **Q: Was annualized pension expense determined in accordance with established**
2 **regulatory practice?**

3 A: Yes, annualized pension expense continues to follow the methodology agreed to in the
4 prior EMW rate proceeding, Case No. ER-2022-0130.

5 **Q: What is the amount of FAS 87 expense on a total company basis currently built into**
6 **rates for EMW?**

7 A: The 2022 Non-Unanimous Stipulation and Agreement Regarding Pensions and OPEBs
8 established the annual total company amount of FAS 87 expense built into rates at
9 \$7,429,450 for EMW. This amount is 1) after removal of capitalized amounts and 2) after
10 inclusion of the portion of Metro's annual pension cost which is allocated to EMW for its
11 joint owner share of Metro's Iatan 1 and Iatan 2 generating unit/stations, but 3) before
12 inclusion of allowable Supplemental Executive Retirement Plan ("SERP") pension costs
13 and 4) before amortization of pension-related regulatory assets/liabilities.

14 **Q: What is the comparable level of FAS 87 expense for EMW on a total company basis**
15 **included in cost of service for this case?**

16 A: The comparable amount included in cost of service in this rate case for EMW is \$4,347,888.

17 **Q: Please explain the FAS 87 regulatory asset?**

18 A: This regulatory asset represents the projected cumulative unamortized difference in FAS
19 87 pension expense for ratemaking purposes and pension expense built into rates. The
20 balance is rolled forward to June 30, 2024 to determine the proper amount to be included
21 in rate base and upon which to base an annualized amortization in this case.

1 **Q: How was the FAS 87 regulatory asset rolled forward to the June 30, 2024 balance?**

2 A: The total company FAS 87 pension regulatory asset balance at May 31, 2022 was adjusted
3 by the projected total company difference between FAS 87 expense for Missouri
4 ratemaking purposes and the FAS 87 expense built into rates for the period June 1, 2022
5 through June 30, 2024. The regulatory asset balance was also reduced by the projected
6 amortizations for the June 1, 2022 through June 30, 2024 period.

7 **Q: What is EMW's projected amount at June 30, 2024 for the FAS 87 regulatory liability**
8 **on a total company basis?**

9 A: EMW's FAS 87 regulatory liability is projected to be \$8,781,056 at June 30, 2024.

10 **Q: Why was a five-year amortization period used for the FAS 87 regulatory asset?**

11 A: A five-year amortization period was used consistent with the 2022 Rate Case Pension and
12 OPEB stipulated amounts.

13 **Q: Is the FAS 87 regulatory asset properly includable in rate base?**

14 A: Yes, it is included in rate base per the Non-Unanimous Stipulation and Agreement
15 Regarding Pensions and OPEBs in the 2022 Case.

16 **Q: Please explain the FAS 88 regulatory asset.**

17 A: This regulatory asset represents the cumulative deferred costs for pension plan settlements
18 accounted for under FAS 88. Because these do not occur on a regular basis and vary over
19 time, they are tracked by vintage for ease of calculation and discussion. This case will
20 include four vintages: (1) the 2017 vintage for settlements related to the Joint Trusteed
21 Pension Plan during 2017, which was approved in the 2018 Case for amortization over five
22 years; and (2) the 2019, 2020, 2021 and 2022 settlement costs.

1 **Q: What is EMW’s projected cumulative FAS 88 regulatory balance at June 30, 2024?**

2 A: EMW’s projected FAS 88 regulatory asset at June 30, 2024 is \$21,240,353. The balance
3 consists of \$4,406,071 for the 2019 vintage, \$2,214,368 for the 2020 vintage, \$1,821,939
4 for the 2021 vintage, \$8,540,395 for the 2022 vintage, and \$(5,461,625) for the 2023
5 vintage, and \$9,719,205 for the 2019, 2020 and 2021 actuarial report vintage correction.
6 The 2023 vintage includes settlement charges through September 30, 2023 and will need
7 to be adjusted to include final 2023 settlement charges once those amounts are available
8 from actuaries prior to the true-up date of June 30, 2024.

9 **Q: Why was a five-year amortization period used for the FAS 88 regulatory asset?**

10 A: A five-year amortization period was used consistent with the Non-Unanimous Stipulation
11 and Agreement in the 2022 Case.

12 **Q: Is the FAS 88 regulatory asset included in rate base?**

13 A: No, it is not included in rate base in accordance with the Non-Unanimous Stipulation and
14 Agreement in the 2022 Case.

15 **Q: Please explain the prepaid pension asset adjustment.**

16 A: This asset represents the cumulative projected difference between pension expense
17 computed under FAS 87 and contributions to the pension trusts. This adjustment was made
18 to roll forward the prepaid pension regulatory asset to June 30, 2024 to determine the proper
19 amount of the prepaid pension asset to be included in rate base.

20 **Q: What is EMW’s projected amount at June 30, 2024 for prepaid pension assets?**

21 A: The prepaid pension asset is projected to be \$0 for EMW at June 30, 2024.

1 **Q: Does annualized pension expense include SERP expense?**

2 A: No, SERP expense is considered separately in adjustment CS-62, which is discussed later
3 in this testimony.

4 **CS-45 TRANSMISSION OF ELECTRICITY BY OTHERS**

5 **Q: Please explain adjustment CS-45.**

6 A: The Company annualized transmission expense recorded in Federal Energy Regulatory
7 Commission ("FERC" accounts 565000 - Trans Of Elec By Other, 565020 - Trans Res
8 Load Chg, 565027 -Trans By Other Demand, 565030 – Trans By Other Offsys, and 565090
9 – Trans OF Elec SPECCUST, based on forecasted levels for the 12 months ended June 30,
10 2024.

11 **Q: Did the Company include an amount for transmission costs associated with the
12 Crossroads Generating Station?**

13 A: Yes, the forecasted annualized amount of Crossroads transmission expense for the twelve
14 months ended June 30, 2024 is \$16,491,398. Please see the Direct Testimony of Company
15 Witness Cody VandeVelde and Darrin Ives for further explanation on Crossroads
16 transmission expenses.

17 **CS-50 PAYROLL**

18 **Q: Please explain adjustment CS-50.**

19 A: EMW annualized payroll expense is based on employee headcount as of June 30, 2023
20 adjusted for labor impacts of the energy efficiency rider implementation, multiplied by
21 salary and wage rates expected to be in effect as of June 30, 2024.

1 **Q: How were salary and wage rates determined?**

2 A: Salary rates for non-bargaining employees were based on annual salary adjustments
3 expected to be in effect as of June 30, 2024. Wage rates for bargaining (union) employees
4 were based on contractual agreements. Currently, Evergy is in negotiations with all local
5 unions. Any changes finalized from those negotiations are expected to be reflected at the
6 true-up date June 30, 2024 in this rate case.

7 **Q: Were amounts over and above base pay, such as overtime, premium pay, etc. included**
8 **in the payroll annualization?**

9 A: Yes, overtime was annualized at an amount equal to the average of overtime hours incurred
10 for the 12-month periods ending December 2020, December 2021 and June 2023, including
11 a calculation to current 2024 dollars. Temporary and summer employees O&M labor were
12 annualized at an average of these same 12-month periods as well. Amounts were included
13 for other categories at test year levels.

14 **Q: Does annualized payroll include payroll Evergy Metro and EKC billed to EMW and**
15 **other affiliates?**

16 A: The annualization process includes all payroll, since all employees are either Evergy Metro
17 employees or EKC employees. However, annualized payroll included in this rate
18 proceeding includes only EMW's allocated share of this cost.

19 **Q: Was payroll expense associated with the Company's interest in the Jeffrey Energy**
20 **Center generating station included in the payroll annualization?**

21 A: Yes, it was.

1 **Q: Does the payroll annualization adjustment take into consideration payroll billed to**
2 **joint venture partners and payroll charged to capital?**

3 A: Yes, the payroll annualization adjustment takes these factors into consideration.

4 **Q: How was the payroll capitalization factor determined?**

5 A: The Company used a three-year average payroll capitalization factor, as being
6 representative of payroll capitalization going forward. The periods included in the three-
7 year average capitalization factor included the 12 months ending December 2020,
8 December 2021 and June 2023.

9 **CS-51 INCENTIVE COMPENSATION**

10 **Q: Please explain adjustment CS-51.**

11 A: EMW annualized incentive compensation is based on a 3-year average of payouts for the
12 2020, 2021, and 2022 Plan Years. Adjustments were made to the annualized amount to
13 remove all incentive compensation that was associated with metrics tied to earnings per
14 share for the AIP Plan (executives only), and also the earnings per share portion included
15 in the Variable Compensation Plan (“VCP”) (non-union management personnel) and Wolf
16 Creek PAR (union).

17 **Q: Does this adjustment take into consideration incentive compensation billed to joint**
18 **venture partners, billed to affiliated companies, and charged to capital?**

19 A: Yes, it is based on data from the payroll adjustment discussed earlier in this testimony
20 (adjustment CS-50).

1 **CS-53 PAYROLL TAXES**

2 **Q: Please explain adjustment CS-53.**

3 A: The Company annualized FICA, Medicare, and FUTA payroll tax expense by applying the
4 tax rate (assuming the FUTA and SUTA ceiling had been achieved) to the annualized
5 O&M portions of base salary plus VCP, executive incentive compensation, overtime,
6 premium, temporary wages, and EMW's share of Jeffrey Energy Center.

7 **Q: Does this adjustment take into consideration payroll tax expense billed to joint
8 venture partners, billed to affiliated companies, and charged to capital?**

9 A: Yes, it is based on data from the payroll adjustment discussed earlier in this testimony
10 (adjustment CS-50).

11 **CS-60 OTHER BENEFITS**

12 **Q: Please explain adjustment CS-60.**

13 A: EMW annualized other benefit costs based on the projected costs included in the 2024
14 budget. This adjustment will be trued up to actual in the true-up phase of this rate case.

15 **Q: What types of benefits are included in this category?**

16 A: The most significant benefit is medical expense. In addition, dental, Company 401k match,
17 various insurance and other miscellaneous benefits are included with the other benefits
18 adjustment.

19 **Q: Does this adjustment take into consideration benefits expense billed to joint venture
20 partners, billed to affiliated companies, and charged to capital?**

21 A: Yes, it is based on data from the payroll adjustment discussed earlier in this testimony
22 (adjustment CS-50).

1 **Q: Was other benefit expense associated with the Company’s interest in the Jeffrey**
2 **Energy Center generating station annualized in a similar manner?**

3 A: Yes, it was.

4 **CS-62 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (“SERP”)**

5 **Q: Please explain SERP Expense.**

6 A: SERP is an additional component to the standard pension plan and is customary in many
7 companies due to limitations imposed by the IRS on standard retirement plans for
8 executives.

9 **Q: Was SERP expense included in Adjustment CS-65 with pension costs?**

10 A: No.

11 **Q: Please explain the CS-62 SERP Adjustment.**

12 A: CS-62 consists of two components. First, EMW’s portion of SERP costs for the previous
13 entity Aquila’s SERP plan is included in the calculation based on historical calculation, as
14 provided in previous EMW rate cases. Secondly, Evergy’s SERP plan is included. Under
15 the Evergy SERP plan, SERP costs are funded when the benefit is paid. Given that some
16 plan participants elect a lump-sum payment method rather than an annuity, annual funding
17 requirements can vary significantly between years. By using an average of total funding
18 over a typical single life annuity period of 14.3 years for lump-sum payments, the
19 adjustment reflects actual cash payments spread over time. Monthly annuity payments
20 were normalized using a five-year average.

21 Test year amounts, which are based on expense as calculated by the Company’s
22 actuaries, are adjusted to reflect EMW’s portion of SERP cash payments.

1 **CS-71 INJURIES AND DAMAGES**

2 **Q: Please explain adjustment CS-71.**

3 A: The Company normalized Injuries and Damages (“I&D”) costs based on a five-year
4 average payout history during the 12-month periods ending June 2019, June 2020, June
5 2021, June 2022 and June 2023, as reflected by amounts relieved from Federal Energy
6 Regulatory Commission (“FERC”) account 228.2. This account captures all accrued
7 claims for general liability, workers’ compensation, property damage, and auto liability
8 costs. The expenses are included in FERC account 925 as the costs are accrued. The
9 liability reserve is relieved when claims are paid under these four categories.

10 **Q: Does account 925 also include costs charged directly to that account?**

11 A: Yes, for smaller dollar claims that are recorded directly to expense, the Company averaged
12 these expenses over the same five-year average.

13 **Q: Why were multi-year averages chosen?**

14 A: I&D claims and settlements of these claims can vary significantly from year-to-year. A
15 period of 5 years was used to establish an appropriate on-going level of this expense by
16 leveling out fluctuations in the payouts that can exist from one year to the next depending
17 on claims activity and settlements.

18 **Q: Please explain the second part of this adjustment.**

19 A: The Company is proposing to set up an I&D reserve due to the unpredictability of expenses
20 associated with these types of claims, rather than trying to predict precisely when and in
21 what amount these costs will be incurred. The cost to build up the reserve is recorded as a
22 consistent expense month to month and included in rates. This reserve, once established,

1 will provide a smoothing of annual expenses associated with I&D claims which are volatile
2 year to year.

3 **Q: Does the Company have an I&D Reserve in any other jurisdiction?**

4 A: Yes, the Company has had an I&D Reserve established in both its EKC and EKM
5 jurisdictions. Establishing an I&D Reserve for EMW will provide for more consistency in
6 accounting across the operating jurisdictions.

7 **Q: Please explain how the reserve amount was determined.**

8 A: The Company is proposing to begin establishing the reserve by increasing operating
9 expense equal to the annual amount calculated from a five-year average of claims
10 experience incurred over a three-year period.

11 **Q: Will this adjustment be trued-up?**

12 A: Yes, I&D claims experience will be re-evaluated at the time of the true-up June 30,
13 2024.

14 **CS-72 STORM RESERVE**

15 **Q. Please explain why the Company is proposing to establish a storm reserve in this**
16 **proceeding.**

17 A. Storms are a normal occurrence in our service territory. When they occur, they can be quite
18 devastating in many ways and have a significant financial cost impact on the utility. The
19 establishment of a storm reserve would allow EMW to collect in rates the cost of storms
20 that are significant in nature and are likely to occur in the future. Collecting amounts in
21 rates, prior to when the storm costs are actually incurred, assists the Company in
22 maintaining the distribution system to be shared by current and future customers and avoid

1 placing all the burden on future customers who are using the system at the time the storm
2 occurs.

3 **Q: What are the benefits of a storm reserve?**

4 A: The storm reserve will be used to levelize expenditures associated with significant storms
5 benefitting both the customers through reduced rate volatility and the Company by
6 lessening the financial burden impact through a smoothing of month-to-month storm
7 expenditures associated with the unpredictable, but likely significant storm events. The
8 utility's focus and number one priority at the time of significant storms should be in
9 restoring customer services that have been impacted by outages. The use of a storm reserve
10 allows the Company to do just that and focus on service restoration and not on the current
11 financial implications, since these costs will be spread over time instead of the constant
12 sporadic and unpredictable uptick in costs when storms arrive.

13 **Q: What is the Company proposing in adjustment CS-72?**

14 A: The Company is proposing to set a reserve level and annualized level based upon a three-
15 year average of storms costs (12-months ending September 2021, September 2022, and
16 September 2023), where the costs related to individual storms were greater than \$200,000.
17 An annual amount equal to the three-year average has been included in the revenue
18 requirement on an on-going basis. This is needed to continue to cover expenses paid out of
19 the reserve over time due to the unpredictable and sporadic nature of storm events. The
20 implementation of this reserve will be used to cover intermediate to large storms by using
21 a \$200,000 minimum storm level, but in the event a storm is very significant and impactful
22 to Company operations, this request does not preclude the Company from requesting an
23 Accounting Authority Order if the magnitude of the storm warrants the request, as has been

1 done historically. In addition, please see the testimony of Company Witness Ryan Mulvany
2 for additional discussion on why the Company has requested a Storm Reserve in this rate
3 case.

4 **Q: How will storm costs be identified and tracked?**

5 A: When a storm occurs, restoration costs will be tracked by project ID in Maximo under work
6 orders. The costs are monitored, and once a single event accumulates costs in excess of
7 \$200,000 these costs would be moved out of expense and booked as an offset to the
8 established storm reserve.

9 **CS-117 COMMON USE BILLINGS – COMMON PLANT ADDS**

10 **Q: What are common use billings?**

11 A: Common use billings represent the monthly billings of common use plant maintained by
12 Evergy Metro, EKC and EMW. Assets belonging to Evergy Metro, EKC and EMW may
13 be used by another entity. This property, referred to as common use plant, is primarily
14 service facilities, telecommunications equipment, network systems and software. In order
15 to ensure that Evergy Metro, EKC and EMW's regulated entities do not subsidize other
16 Evergy companies or jurisdictions, Evergy Metro, EKC or EMW charge for the use of their
17 respective common use assets. Monthly billings are based on the depreciation and/or
18 amortization expense of the underlying asset and a rate of return is applied to the net plant
19 basis. The total cost of all common use plant is then accumulated before being billed to the
20 appropriate jurisdictions.

21 **Q: Why was an adjustment needed from amounts included in the test year?**

22 A: The Company analyzed plant additions that are expected to be placed into service prior to
23 the true-up date in this rate case proceeding. These include capital additions associated with

1 network systems and software that will be billed to EMW as part of the Common Use
2 Billing Process. As such, this adjustment is the result of annualizing these costs to ensure
3 an appropriate amount of Common Use Billings is included in EMW's cost of service.

4 **Q: Please explain adjustment CS-117.**

5 A: First, adjustment CS-117 computes the annual amortization expense and expected return
6 on the new common use plant additions for the estimated plant additions prior to the true-
7 up-date on Evergy Metro and EKC's books that will be billed to EMW. The annual
8 amortization expense, for the common use software additions, is based on lives lasting five
9 to fifteen years. The return component is based on the expected rate of return that will be
10 used in this rate case proceeding. Second, the actual common use journal entry at June 30,
11 2023 is annualized. The resulting amount is then compared to the test year per books
12 amount to determine the adjustment.

13 **CS-120 DEPRECIATION**

14 **Q: Please explain adjustment CS-120.**

15 A: We calculated annualized depreciation expense by applying the authorized jurisdictional
16 depreciation rates to adjusted Plant in Service balances. The jurisdictional rates used in the
17 annualization were those Ordered by the Commission in EMW's 2022 rate case attached
18 to the Final Reconciliation filing dated December 12, 2022. The steam production
19 depreciation rates were updated from those reflected in the 2022 Rate Case Stipulation and
20 Agreement as a result of the Commission's final decision on the Sibley issues.

21 **Q: Were there any depreciation rate requests in this case?**

22 A: Yes, since the company now maintains depreciation reserves by unit, there are four
23 individual unit/plant account rates needed for the following units (1) New "Hawthorn

1 Solar” - existing plant account 34401. The company proposes a 25-year life or 4%
2 depreciation rate. (2) New “Battery Storage” with a new plant account 38700. The
3 company proposes a 10-year life or 10% depreciation rate. In the company’s Direct filing,
4 the projected battery storage assets have been reflected in plant account 37102. A new
5 FERC ruling, in Docket No. RM21-11-000; Order No. 898 is changing the plant accounts
6 for energy storage to plant account 38700. (3) Existing “Lake Road Unit 2” - plant account
7 31600. The company proposes using the current authorized rate for “Lake Road Common
8 plant account 31600” of 6.10% until the next depreciation study. (4) Existing “Lake Road
9 Boiler Common” - plant account 31202. The company proposes using the current
10 authorized rate for “Lake Road Common plant account 31202” of 8.59% until the next
11 depreciation study.

12 CS-121 AMORTIZATION

13 **Q: Please explain adjustment CS-121.**

14 A: We annualized amortization expense applicable to certain plant including computer
15 software, land rights and other intangibles, by multiplying June 2023 amortization expense
16 by twelve. The Company added to the intangible plant amounts, an annualized amortization
17 expense amount on projected intangible plant net additions for the period July 2023 through
18 June 2024.

19 **Q: What amortization periods were used to amortize intangible assets?**

20 A: Computer software, the most significant intangible asset, is amortized over a five-year
21 amortization period consistent with the Company’s past practice. Cost of land rights is
22 amortized using rates that vary by function, consistent with the Company’s past practice.
23 Accumulated amortization is maintained by each individual intangible asset, other than

1 land rights which is maintained in total by account, and amortization stops when the net
2 book value reaches zero.

3 **V. CIP/CYBER SECURITY O&M TRACKER**

4 **Q: Why is the Company requesting a Critical Infrastructure Protection (“CIP”)**
5 **Cybersecurity Tracker (“Security Tracker”)?**

6 A: The Company fully anticipates these expenses related to CIP and Cyber Security will
7 increase substantially over the next few years, and more importantly, in emergency
8 situations we need to be able to respond quickly and with flexibility to new threats
9 surfacing every day. A tracker provides this ability. In the past, costs in this area have
10 proven to be unpredictable and can vary from amounts established in base rates.
11 Additionally, the Company is including a security component to the Security Tracker
12 because security threat costs are expected to have an increasing impact on the Company.

13 **Q: Please explain.**

14 A: The security threat landscape continues to increase and evolve. Critical infrastructure—the
15 electric grid at all voltage levels—is a rich target for United States’ adversaries. In addition,
16 there have been increases in violent domestic attacks on the nation’s critical infrastructure.
17 While Evergy has been responsive to compliance with regulations, reporting and risk-based
18 prudent security measures, the ever-changing attack surface requires the Company to be
19 flexible and expeditiously deploy prudent security response measures to protect the assets
20 that serve Evergy’s customers.

21 **Q: What are some of the considerations beyond compliance regulations?**

22 A: Physical security of widely dispersed unmanned assets is a challenge. While regulations
23 may speak to the risk and protection of these assets, the current threat landscape reinforces

1 the need for additional reasoned and prudent investments, and additional security measures.
2 In addition to this, the electric industry is experiencing increased risk through supply chain
3 sources, such as embedded cyber technology (chips, malware, backdoors, etc.) in electrical
4 equipment installed by nation-state adversaries. While regulations exist to address each of
5 these issues, compliance is representative of the security baseline or floor. Reasonable
6 layered security controls represent the most effective way to protect assets that serve
7 Evergy's customers. Another risk that continues to promulgate across all industries and
8 entities is ransomware attacks, such as the one involving Colonial Pipeline in May 2021
9 that disrupted oil supply for five days primarily in the southeastern United States. These
10 types of attacks are very costly and disruptive to businesses and customers.

11 **Q. How do these investments benefit customers?**

12 A: To ensure reliability of systems and electrical service, Evergy needs to anticipate service
13 disruptions and have processes in place to anticipate issues, root cause analysis tools and
14 response tools for recovery/restoration of service. Similar to service disruptions by
15 weather, Evergy has been working to anticipate disruptions from threat actors whether that
16 is a local threat hacking into networks for personal gain or a nation state with intent to harm
17 the United States infrastructure. Evergy's ability to deploy security measures in an efficient
18 and reasonable manner is critical to keeping the lights on. In addition, because of the
19 pandemic and the slowing of global supply chains, certain equipment has much longer lead
20 times than historical experience. Destruction of equipment by bad actors, coupled with the
21 inability to respond quickly with new equipment, could extend restoration times
22 significantly. The Company has spare equipment and response plans to prepare for outage

1 restoration. Whether required by storms or breaches of security measures, Evergy has the
2 same goal – ensure customer service is restored promptly.

3 **Q: Broadly stated, what is the impact to the Company with respect to security?**

4 A: Security continues to be a top priority for the Company. Evergy is committed and required
5 to comply with standards set out to establish a baseline and floor for protection of the
6 electric grid and Evergy’s assets. In addition to compliance with regulations, Evergy takes
7 additional steps to ensure a layered defense posture or “defense in depth” and prudent
8 mitigation of risk to manage exposure to the evolving security threat landscape. The
9 security measures are necessary to ensure Evergy is positioned to reliably provide services
10 to customers given the evolving and increasing threats to the United States and its critical
11 infrastructure. The costs of compliance with regulations and being responsive to prudent
12 security measures are constantly changing, but are expected to be substantial. The
13 Company has already committed significant resources to ensuring the security of the assets,
14 customers, and personnel. Going forward, the dedication of resources and efforts will
15 continue and will be increasing.

16 **Q: What is the Company requesting regarding the security portion of the tracker in this**
17 **2024 case?**

18 A: With the escalating threat landscape discussed above, the attack surface continues to
19 expand, and concurrently, the Company’s focus has expanded. We deploy resources to
20 both physical and cyber security programs beyond the floor of compliance adherence.
21 Evergy requests the Commission authorize the establishment of a Security Tracker and, in
22 addition, a security component to ensure recovery of the costs necessary to respond to
23 evolving threats, new reporting requirements that are expected to be mandated in the near

1 term, and additional government-mandated regulations regarding security of assets—both
2 physical and cyber—essential to the safe and reliable operation of Evergy’s assets. These
3 requirements are expected to affect all of Evergy’s infrastructure regardless of voltage.

4 **Q: What is the cost for security to the Company?**

5 A: The costs to secure Evergy’s assets and comply with existing regulations and increasing
6 requirements have the potential to be substantial. Evergy has a cost plan for security spend
7 as it exists today. However, we will need the ability to be agile and responsive to emerging
8 threats as well as new requirements and regulations.

9 **Q: Why are these costs in addition to the Company’s costs to comply with regulations?**

10 A: There are security events that require Evergy to respond with third party evaluations or
11 additional security measures to protect Evergy assets and people. These responses are
12 above and beyond compliance with baseline regulations and are necessary to meet our
13 service obligations to our customers. The associated costs are prudently incurred and would
14 be appropriately recovered through the proposed Security Tracker.

15 **Q: Is this request asking for unlimited spending for security costs?**

16 A: No, Evergy must meet compliance requirements of Department of Energy (“DOE”), the
17 FERC and the North American Electric Reliability Corporation (“NERC”) that are targeted
18 at security. Government mandated requirements and government partnership initiatives are
19 costly. The mandates for reporting and partnerships continue to grow and are coming from
20 other federal agencies. In addition to FERC and NERC compliance mandates, Evergy faces
21 new and increasing security requirements from numerous federal agencies and
22 departments. The Company is asking the Commission to authorize an expense tracker for
23 CIP/Cybersecurity and physical asset security. The costs will include the addition of

1 personnel, substantial physical security measures, computer software enhancements and
2 support, and the development of new programs to address the hardening of the Company's
3 infrastructure. The Company will use specific accounting treatment through specific
4 general ledger codes, to track all costs associated with each specific effort responsive to
5 appropriate security measures for reporting, partnerships, and Company asset protection.
6 The Company will track these costs for consideration for recovery in the next rate
7 proceeding when the costs would be reviewed by Commission Staff.

8 **Q: Does the requested security tracker include internal labor costs?**

9 A: It does not include internal labor costs for Evergy employees.

10 **Q: How are the costs defined that would be included in the CIPS/Cybersecurity Tracker?**

11 A: The O&M CIPS/Cybersecurity Tracker would be defined in the same manner as is included
12 in Evergy's Kansas jurisdictions. In Docket No. 23-EKCE-775-RTS, Evergy Kansas Metro
13 and Evergy Kansas Central were granted continuation of an O&M tracker defined as
14 follows:

15 The Security Tracker is for incremental costs spent to meet continuously emerging
16 security threats to critical infrastructure and growing regulatory requirements for protection
17 of critical infrastructure, inclusive of Department of Defense, Department of Homeland
18 Security, DOE, Nuclear Regulatory Commission , Securities and Exchange Commission ,
19 Federal Communications Commission , FERC, NERC, etc., or security needs. Historically,
20 the impacts to Evergy have been heavily focused on cybersecurity and the growing attack
21 surface in cyber warfare that require the critical infrastructure industries to invest in
22 security to protect the electric system. Today, the threats to critical infrastructure persist
23 and continue to grow inclusive of physical security. These regulatory obligations, such as

1 NERC Critical Infrastructure Protection Standards, are publicly available and subject to
2 federal audits. Security needs are driven by many government entities, threat intelligence
3 and analytics as well as industry best practices.

4 **Q: Is the Company providing a sunset provision in this rate case associated with the**
5 **Security Tracker?**

6 A: Yes, the Security Tracker will terminate upon completion of the first EMW full general
7 rate proceeding filed on or after January 1, 2028. If Evergy wishes to continue the Security
8 Tracker beyond that time, Evergy must propose such action to the Commission. In that
9 proceeding, Evergy may request the Security Tracker mechanism be reauthorized and
10 continued. Evergy will bear the burden of showing the extension of the Security Tracker is
11 in the public interest and will result in just and reasonable rates. All other parties retain the
12 right to object to an extension of the Security Tracker in that future proceeding.

13 **Q: If the Commission approves the continuation of the Security Tracker what are the**
14 **base level of costs included in the revenue requirement in this case?**

15 A: The base level included in the revenue requirement for EMW is \$1,283,620.

16 VI. TIME-OF-USE RATE DEFERRAL

17 **Q: Please summarize the Company's TOU rate deferral request.**

18 A: The Company is proposing to track and defer in a regulatory asset and/or a regulatory
19 liability the differences between the revenues collected and associated financial impacts
20 experienced by the Company under its TOU rates, and the revenues collected under the
21 standard general residential block rates that were in effect during the test year prior to the
22 implementation of default TOU rates.

1 **Q: Why is the Company seeking a TOU deferral mechanism?**

2 A: In the last general rate case for EMW (Docket No. ER-2022-0130), the Commission
3 approved tariffs to implement TOU rates for residential customers. In its ER-2022-0130
4 Order, supplemented by the order from Docket No. ET-2024-0061, the Commission
5 ordered that TOU rates for residential customers and the default rate will be Staff's
6 proposed Peak Adjustment Charge Rate. In the Order there was no option for customers to
7 opt-in to a traditional, non-TOU residential rate structure for residential service, if the
8 traditional rate structure was the customer's preference. Instead, the Order stated: "The
9 Commission is not approving any traditional ratemaking structure for residential customers
10 to be used after December 31, 2023, when the transition to TOU default rates is completed,
11 with the exception of those residential customers without AMI meters."¹

12 The Company believes it is the first Missouri electric utility to have TOU rates with
13 no customer opt-in option for non-TOU rates. Since Evergy's traditional blocked rate
14 structures (non-TOU) for residential customers were eliminated, there is much uncertainty
15 among residential customers and the Company itself on the level of revenues that will be
16 collected by the Company under the TOU rates ordered by the Commission. As the
17 Commission knows, the roll-out of the TOU rate is not intended to cause a financial
18 windfall to the Company or a financial loss for Evergy's shareholders. The requested
19 deferral mechanism will ensure that neither a windfall nor a loss will occur as a result of
20 the implementation of TOU rates ordered by the Commission.

¹ See, p. 73, *Amended Report and Order* issued December 8, 2022, File Nos. ER-2022-0129 / 0130.

1 **Q: Has the Company estimated the projected reduction in revenues from the**
2 **implementation of TOU rates?**

3 A: Yes, the Company estimates for the potential change if EMW customers select their best
4 rate. The decrease in revenues is expected to be \$11.6 million. This amount is significant,
5 and concerning.

6 **Q: How is this quantification different from the adjustment made to test year revenues**
7 **discussed in the Direct Testimony of Company Witness Marisol Miller?**

8 A: The adjustment included in Ms. Miller's testimony quantifies the customers who had made
9 a rate choice prior to the implementation of the new rates. The above quantification
10 assumes customers shifted to their "best fit" rate.

11 **Q: Would the approval of the TOU deferral mechanism ensure that EMW will not be**
12 **damaged financially by the implementation of the TOU rate program ordered by the**
13 **Commission?**

14 A: Although a TOU deferral mechanism provides no lasting assurance that EMW will not be
15 financially damaged, it would defer the negative financial effects of implementing the
16 TOU rate program until a future rate case where the issues of cost recovery can be decided.

17 **Q: Please describe how the proposed deferral will function.**

18 A: The deferral would capture, beginning January 1, 2024, the time TOU implementation was
19 complete and continue through the rates effective date of the Company's next general rate
20 case in which TOU rates are effective for the entire test period in that general rate case, the
21 difference in revenues between the new TOU rates and the previous traditional blocked
22 residential rates for all residential customers that are placed on TOU rates. The Company
23 will utilize a third-party, Oracle, to model and quantify the differences in revenues. Oracle

1 will rely on its rate comparison tool that was developed for Evergy’s customers to compare
2 the bill impact of the various TOU rates. Depending on the results of the analysis, the
3 difference would be recorded as a regulatory asset or regulatory liability for possible
4 recovery or refund in a future rate case.

5 **Q: Is EMW proposing to quantify and defer the incremental costs of developing the tools**
6 **necessary to capture the changes in revenue for purposes of the deferral?**

7 A: Yes, the Commission has already ordered that the Company should be allowed to track and
8 defer the costs associated with education and outreach expenses related to the
9 implementation of the TOU rate program.² The cost to run the analyses that will be used
10 in tracking the difference in revenues are additional and should be tracked and deferred.

11 **Q: Will the Commission have the opportunity to review the accuracy of the calculations**
12 **of the difference in revenues between the TOU rates and traditional residential rates,**
13 **as well as the prudence of the TOU education and outreach costs and other**
14 **incremental costs in a future rate proceeding?**

15 A: Yes, in future rate cases the Commission and other stakeholders will have an opportunity
16 to review the accuracy of the calculations of the difference in revenues between the TOU
17 rates and traditional residential rates, as well as the prudence of the TOU education,
18 outreach costs, and the incremental costs associated with implementation of the AAO. The
19 Commission will also have the opportunity to consider other issues such as the appropriate
20 form and time of recovery or refund (i.e., amortization period) for the approved amount of
21 regulatory assets and regulatory liabilities. In this case the Company is asking for approval

² *Amended Report and Order*, p. 72, *In re Evergy Metro, Inc. d/b/a Evergy Missouri Metro’s and Evergy Missouri West’s Request for Authority to Implement a General Rate Increase for Electric Service*, Nos. ER-2022-0129 and ER-2022-0130 (Dec. 8, 2022).

1 to defer the difference in revenues between the TOU rates and the traditional residential
2 rates, and to defer costs associated with implementing this program for consideration and
3 possible recovery in a future general rate case.

4 **Q: Does this conclude your testimony?**

5 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 RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

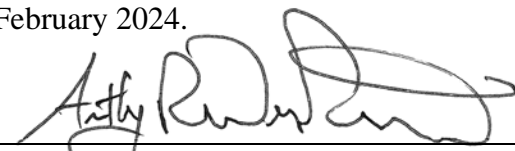
Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Senior Director – Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri West consisting of forty-one (41) 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.



Ronald A. Klote

Subscribed and sworn before me this 2nd day of February 2024.



Notary Public

My commission expires: 4/26/2025



Evergy
2024 RATE CASE - MO WEST - Direct
TY 6/30/23; Update 12/31/23; True-Up 6/30/24

Revenue Requirement

Line No.	Description	7.5661% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	\$ 2,830,914,746
2	Rate of Return	<u>7.5661%</u>
3	Net Operating Income Requirement	\$ 214,189,841
4	Net Income Available (Sch 9)	<u>\$ 131,252,482</u>
5	Additional NOIBT Needed	82,937,359
6	Additional Current Tax Required	<u>\$ 25,966,858</u>
7	Gross Revenue Requirement	<u><u>\$ 108,904,216</u></u>

Evergy
2024 RATE CASE - MO WEST - Direct
TY 6/30/23; Update 12/31/23; True-Up 6/30/24

Rate Base

Line No.	Description A	Amount B	Witness C	Adj No. D
	Total Plant :			
1	Total Plant in Service - Schedule 3	\$ 4,828,347,342	Klote	RB-20
	Subtract from Total Plant:			
2	Depreciation Reserve Schedule 5	\$ 1,444,267,459	Klote	RB-30
3	Net (Plant in Service)	<u>\$ 3,384,079,883</u>		
	Add to Net Plant:			
4	Cash Working Capital	(54,205,918)	Nunn	Model
5	Materials and Supplies	61,702,835	Nunn	RB-72
6	Prepayments	9,335,397	Nunn	RB-50
7	Fuel Inventory - Oil	14,999,360	Tucker	RB-74
8	Fuel Inventory - Coal	12,357,433	Tucker	RB-74
9	Fuel Inventory - Other	350,573	Tucker	RB-74
10	Pre-MEEIA DSM Programs	(2,004,668)	Nunn	RB-100
11	Iatan 1 & Common Regulatory Asset	3,247,177	Nunn	RB-25
12	Iatan 2 Regulatory Asset	11,502,042	Nunn	RB-26
13	Property Tax Tracker Deferral	5,491,467	Hardesty	RB-126E
14	Regulatory Asset - PAYS	476,246	Nunn	RB-86
15	Regulatory Asset - PISA Deferral	75,012,097	Klote	RB-85
16	Regulatory Asset - PISA FAC Deferral	5,014,941	Klote	RB-84
17	Reg Asset - FAS 87 Pension Tracker	(8,491,939)	Klote	RB-65
18	Reg Asset (Liab) - OPEB Tracker	(3,717,443)	Klote	RB-61
	Subtract from Net Plant:			
19	Customer Advances for Construction	\$ 4,655,235	Nunn	RB-71
20	Customer Deposits	\$ 1,432,929	Nunn	RB-70
21	Income Eligible Weatherization	\$ 936,162	Nunn	RB-101
22	Deferred Income Taxes - Retail/Whsl/Steam	\$ 529,510,177	Hardesty	RB-125
23	Deferred Income Taxes - Retail/Whsl Only	\$ 35,647	Hardesty	RB-125
24	Deferred Income Taxes - 100% MO Retail Elec	\$ 147,664,586	Hardesty	RB-125
25	Total Rate Base	<u><u>\$ 2,830,914,746</u></u>		

Evergy
2024 RATE CASE - MO WEST - Direct
TY 6/30/23; Update 12/31/23; True-Up 6/30/24

Income Statement

Line No.	Description	Total Company Test Year	Adjustment	Adjusted Total Company	Electric Juris Adjusted Balance
	A	B	C	D	E
1	Operating Revenue	\$ 957,215,108	(14,087,815)	943,127,293	918,498,964
2	Operating & Maintenance Expenses:				
3	Production	\$ 403,392,862	\$ 12,125,787	\$ 415,518,649	\$ 409,760,221
4	Transmission	52,230,570	3,082,039	55,312,609	55,200,387
5	Distribution	30,049,386	(650,887)	29,398,499	28,359,892
6	Customer Accounting	23,910,313	7,670,495	31,580,808	31,580,808
7	Customer Services	30,982,753	(25,827,335)	5,155,418	5,155,418
8	Sales	148,305	6,692	154,997	154,997
9	A & G Expenses	65,318,140	\$ (11,463,303)	53,854,837	52,096,393
10	Total O & M Expenses	<u>\$ 606,032,329</u>	<u>\$ (15,056,512)</u>	<u>\$ 590,975,817</u>	<u>\$ 582,308,116</u>
11	Depreciation Expense	\$ 131,193,292	\$ 12,374,374	\$ 143,567,666	\$ 141,887,776
12	Amortization Expense	1,728,724	78,375	1,807,099	1,805,266
13	Amortization Regulatory Debits & Credits	9,409,395	(5,534,516)	3,874,879	5,117,612
14	Taxes other than Income Tax	54,937,510	4,296,320	59,233,830	58,560,248
15	Net Operating Income before Tax	<u>\$ 153,913,858</u>	<u>\$ (10,245,856)</u>	<u>\$ 143,668,002</u>	<u>\$ 128,819,946</u>
16	Income Taxes	\$ (16,237,731)	\$ 24,094,192	\$ 7,856,461	\$ 7,856,461
17	Income Taxes Deferred	22,531,748	(32,820,746)	(10,288,998)	(10,288,998)
18	Investment Tax Credit	(4,179)	4,179	-	-
19	Total Taxes	<u>\$ 6,289,838</u>	<u>\$ (8,722,374)</u>	<u>\$ (2,432,536)</u>	<u>\$ (2,432,536)</u>
20	Total Net Operating Income	<u><u>\$ 147,624,020</u></u>	<u><u>\$ (1,523,481)</u></u>	<u><u>\$ 146,100,539</u></u>	<u><u>\$ 131,252,482</u></u>

Evergy
2024 RATE CASE - MO WEST - Direct
TY 6/30/23; Update 12/31/23; True-Up 6/30/24

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
1	R-20	Revenue Normalization	Bass/Miller	\$ (103,479,586)
2	R-21a	Forfeited Discounts	Nunn	\$ 935,740
3	R-21b	Forfeited Discounts - Revenue Requirement "Ask"	Nunn	\$ 130,626
4	CS-23	Remove FAC Under-Recovery (Revenue)	Nunn	\$ 5,935
5	R-35	Off-System Sales Revenue	Tucker	\$ 85,868,334
6	R-40	PAYS Revenue Offset	Nunn	\$ 19,954
7	R-80	Transmission Revenue Credit	Reuter	\$ (168,830)
8	R-82	Transmission Revenue Annualization	Nunn	\$ (3,927,808)
9	R-99	NUCOR Revenue	Nunn	\$ -
10	R-100	Dogwood Capacity Revenues	Klote	\$ 6,527,820
11	CS-4	GREC Bad Debt Expense	Nunn	\$ 1,396,018
12	CS-9	GREC Bank Fees	Nunn	\$ 2,716,243
13	CS-10	Customer Deposits - Interest	Nunn	\$ 99,362
14	CS-11	Out-of-Period Items - Cost of Service	Nunn	\$ (23,138,252)
15	CS-20a	Bad Debt	Nunn	\$ 1,451,731
16	CS-20b	Bad Debt - Revenue Requirement "Ask"	Nunn	\$ 333,412
17	CS-23	Remove FAC Under-Recovery (Expense)	Nunn	\$ 19,003,061
18	CS-24	Fuel & PP Energy (On-system)	Tucker	\$ (13,530,083)
19	CS-25	Purchased Power (Capacity)	Tucker	\$ (455,803)
20	CS-39	IT Software Maintenance	Nunn	\$ 569,478
21	CS-40	Transmission Maintenance	Nunn	\$ (489,025)
22	CS-41	Distribution Maintenance	Nunn	\$ (1,878,087)
23	CS-42	Generation Maintenance	Nunn	\$ 806,533
24	CS-43	Major Maintenance	Nunn	\$ (761,860)
25	CS-44	ERPP	Nunn	\$ (143,741)
26	CS-45	Transmission of Electricity by Others	Klote	\$ 2,016,228
27	CS-50	Payroll	Klote	\$ 2,809,373

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
28	CS-51	Incentive	Klote	\$ 290,423
29	CS-53	Payroll Taxes	Klote	\$ 458,174
30	CS-60	Other Benefits	Klote	\$ (185,817)
31	CS-61	OPEB	Klote	\$ (283,871)
32	CS-62	SERP	Klote	\$ (58,955)
33	CS-65	Pension Expense	Klote	\$ (10,362,386)
34	CS-70	Insurance	Nunn	\$ 583,045
35	CS-71	Injuries and Damages	Klote	\$ 107,615
36	CS-72	Storm Reserve	Klote	\$ 948,859
37	CS-75	Critical Needs Program & Rehousing Pilot Program	Nunn	\$ 275,000
38	CS-76	Customer Deposit - Interest	Nunn	\$ 15,272
39	CS-78	GREC Bank Fees	Nunn	\$ 419,042
40	CS-80	Rate Case Expense	Nunn	\$ (242,960)
41	CS-85	Regulatory Assessment	Nunn	\$ 410,758
42	CS-86	SPP Schedule 1A Admin Fees	Nunn	\$ 680,810
43	CS-88	CIPS / Cyber Security O&M	Klote	\$ -
44	CS-89	Meter Replacement O&M	Nunn	\$ 393,739
45	CS-90	Advertising	Nunn	\$ -
46	CS-92	Dues & Donations	Nunn	\$ (4,000)
47	CS-93	Amortization PISA Deferral	Klote	\$ 3,119,442
48	CS-94	Amort PISA FAC Deferral	Klote	\$ 250,747
49	CS-95	Amortization of Merger Transition Costs	Nunn	\$ -
50	CS-98	MEEIA	Nunn	\$ (18,811,025)
51	CS-99	Annualize NUCOR Costs	Nunn	\$ -
52	CS-100	Dogwood O&M	Klote	\$ 4,681,426
53	CS-101	Income Eligible Weatherization	Nunn	\$ 118,888
54	CS-108	Remove CWIP/FERC Incentives-Transource	Reuter	\$ 85,681

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Summary of Adjustments

Line No.	Adj No. A	Description B	Witness C	Total Company Increase (Decrease) D
55	CS-111	Amort Iatan I and Common Reg Asset	Nunn	\$ -
56	CS-112	Amort Iatan II Reg Asset	Nunn	\$ -
57	CS-113	Amort Prospective Tracking	Nunn	\$ (105,852)
58	CS-116	Renewable Energy Standards	Nunn	\$ (7,347,539)
59	CS-117	Common Use Billings - Common Plant Adds	Klote	\$ 4,573,040
60	CS-120	Depreciation Expense	Klote	\$ 16,493,621
61	CS-121	Plant Amortization Expense	Klote	\$ 78,375
62	CS-125	Income Taxes	Hardesty	\$ 10,752,394
63	CS-126	Property Taxes	Hardesty	\$ 8,966,721
64	CS-131	Amort Electrification Deferred Asset	Nunn	\$ 74,146
65	CS-132	Amort Exp Portion of Sibley AAO Deferral	Nunn	\$ (1,821,006)
66	CS-133	Amort Customer Education Reg Asset	Nunn	\$ 12,491
67	CS-134	Amort TOU Program Costs Reg Asset	Nunn	\$ 238,955
68	CS-135	PAYS Amort	Nunn	\$ 36,801
69	CS-136	COVID AAO Amort	Nunn	\$ 362,640
70	CS-138	Amort RA - TOU Program Costs	Nunn	\$ 1,575,000
71	CS-139	Amort RL - Low Income Solar Subs Program	Nunn	\$ -
72	CS-140	Excess Maintenance Reserve	Nunn	\$ (3,839,406)
73	CS-141	Amort Hedging Gains/Losses	Nunn	\$ 3,165,557
74		Total Impact on Net Operating Income		<u><u>\$ (20,998,249)</u></u>

Evergy
2024 RATE CASE - MO WEST - Direct
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Cash Working Capital

Line No.	Account Description	(Elec-Juris)	Revenue	Expense	Net	Factor	CWC Req
		Test Year Expenses	Lag	Lead	(Lead)/Lag (C) - (D)	(Col E/365)	(B) X (F)
	A	B	C	D	E	F	G
<u>Operations & Maintenance Expense</u>							
1	Gross Payroll excl Accrued Vac	39,947,084	28.51	13.21	15.30	0.04	1,674,494
2	Accrued Vacation	1,603,539	28.51	365.00	(336.49)	(0.92)	(1,478,287)
3	Iatan - Coal & Freight	24,478,937	28.51	11.84	16.67	0.05	1,117,983
4	Purchased Gas & Oil	28,080,369	28.51	38.87	(10.36)	(0.03)	(797,021)
5	Purchased Power	299,726,103	28.51	36.25	(7.74)	(0.02)	(6,355,836)
6	Pension Expense	6,543,214	28.51	42.25	(13.74)	(0.04)	(246,312)
7	Employee Benefits	(492,209)	28.51	13.29	15.22	0.04	(20,524)
8	Incentive Compensation	3,386,363	28.51	257.50	(228.99)	(0.63)	(2,124,502)
9	Bad Debt Expense	2,847,749	-	-	-	-	-
10	PSC Assessment	1,978,581	28.51	(30.50)	59.01	0.16	319,880
11	Cash Vouchers	174,208,387	28.51	38.30	(9.79)	(0.03)	(4,672,603)
12	Total Operation & Maintenance Expense	<u>582,308,116</u>					<u>(12,582,728)</u>
<u>Taxes other than Income Taxes</u>							
13	City Franchise Taxes - 6%, 4% & Other GRT - MO	43,314,227	13.30	55.64	(42.34)	(0.12)	(5,024,450)
14	FICA / FUTA / SUTA	3,278,024	28.51	13.21	15.30	0.04	137,408
15	Ad Valorem / Property Taxes	55,241,416	28.51	205.79	(177.28)	(0.49)	(26,830,680)
16	Sales & Use Tax- MO and Fuel, Heavy Vehicle Taxes	25,458,486	13.30	5.17	8.13	0.02	567,062
17	Total Taxes other than Income Taxes	<u>127,292,153</u>					<u>(31,150,661)</u>
<u>Tax Offset From Rate Base</u>							
18	Current Income Taxes-Federal	6,677,290	28.51	38.00	(9.49)	(0.03)	(173,610)
19	Current Income Taxes-State	1,179,171	28.51	38.00	(9.49)	(0.03)	(30,658)
20	Interest Expense	59,500,166	28.51	91.50	(62.99)	(0.17)	(10,268,262)
21	Total Offset from Rate Base	<u>67,356,627</u>					<u>(10,472,530)</u>
22	Total Cash Working Capital Requirement	<u>776,956,896</u>					<u>(54,205,918)</u>

Eergy
2024 RATE CASE - MO WEST - Direct
TY 6/30/23; Update 12/31/23; True-Up 6/30/24

Allocation Factors

Retail/Wholesale - Electric/Steam Combined

Alloc	Jurisdiction Factors	Electric		
		Retail	Wholesale	STEAM
	A	B	C	D
1,1	100% Jurisdictional/100% Electric	100.0000%	0.0000%	0.0000%
1,3	100% Jurisdictional/Allocated Plant Base	99.1600%	0.0000%	0.8400%
1,13	100% Jurisdictional/O&M	84.4153%	0.0000%	15.5847%
2,2	Non-Juris/Steam	0.0000%	100.0000%	0.0000%
3,1	Demand/Electric	99.7971%	0.2029%	0.0000%
3,4	Demand/Land	99.7971%	0.2029%	0.0000%
3,5	Demand/Structures	94.1705%	0.2029%	5.6267%
3,6	Demand/Boiler Plant	75.4968%	0.2029%	24.3003%
3,7	Demand/Turbogenerators	98.1414%	0.2029%	1.6558%
3,8	Demand/Access Elec Eqpt & General	91.1211%	0.2029%	8.6760%
3,9	Demand/Misc Steam GEN Eqpt	69.7399%	0.2029%	30.0572%
3,10	Demand/Electric/Steam Plant	82.1341%	0.2029%	17.6630%
3,13	Demand/O&M	84.2440%	0.2029%	15.5531%
4,1	Energy/Electric	99.8021%	0.1979%	0.0000%
5,1	Distribution/Electric	99.8683%	0.1317%	0.0000%
6,1	Payroll/Electric	99.8251%	0.1749%	0.0000%
6,14	Payroll/A&G	96.7075%	0.1749%	3.1176%
7,1	Plant/Electric	99.8316%	0.1684%	0.0000%
7,3	Plant/Alloc Plant	98.9931%	0.1684%	0.8386%
7,14	Plant/A&G	96.7138%	0.1684%	3.1178%
8,1	Transmission/Electric	99.7971%	0.2029%	0.0000%

Retail/Wholesale Allocation Factors - Combined

Alloc	Jurisdiction Factors	Retail	Wholesale	Total
		B	C	D
1	Jurisdictional-100%	100.0000%	0.0000%	100.0000%
2	Non-jurisdictional-100%	0.0000%	100.0000%	100.0000%
3	Demand (Capacity) Factor	99.7971%	0.2029%	100.0000%
4	Energy Factor	99.8021%	0.1979%	100.0000%
5	Distribution Factor	99.8683%	0.1317%	100.0000%
6	Payroll Factor	99.8251%	0.1749%	100.0000%
7	Plant Factor	99.8316%	0.1684%	100.0000%
8	Transmission Factor	99.7971%	0.2029%	100.0000%

Electric/Steam Allocation Factors - Combined

Alloc	Jurisdiction Factors	Electric	Steam	Total
		B	C	D
Rate Base Allocation Factors (Elec/Steam)				
1	Electric - 100%	100.0000%	0.0000%	100.0000%
2	Steam - 100%	0.0000%	100.0000%	100.0000%
4	Land Factor	100.0000%	0.0000%	100.0000%
5	Structures Factor	94.3619%	5.6381%	100.0000%
6	Boiler Plant Factor	75.6503%	24.3497%	100.0000%
7	Turbogenerators Factor	98.3409%	1.6591%	100.0000%
8	Access Elec Eqpt & General Factor	91.3064%	8.6936%	100.0000%
9	Misc Steam GEN Eqpt Factor	69.8817%	30.1183%	100.0000%
10	Electric/Steam Plant Factor	82.3011%	17.6989%	100.0000%
15	Fuel Oil Demand Factor	83.9856%	16.0144%	100.0000%
Income Statement Allocation Factors (Elec/Steam)				
13	Electric After Steam Alloc (O&M)	84.4153%	15.5847%	100.0000%
14	Electric After Steam Alloc (A&G)	96.8769%	3.1231%	100.0000%
Factors Used to Calculate Other Factors				
3	Allocated Plant Base Factor	99.1600%	0.8400%	100.0000%
11	900 lb Steam Demand Factor	59.2168%	40.7832%	100.0000%
12	Total Coal Burned Factor	8.1257%	91.8743%	100.0000%