

## Exhibit No. 42

Exhibit: \_\_\_\_\_

Issues: Sibley Station, Bad Debt Factor  
and Bad Debt Tracker, Property  
Tax Tracker, Regulatory Lag,  
PISA Deferral, Income Eligible  
Programs and Capital Structure

Witness: Darrin R. Ives

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Evergy Missouri Metro and  
Evergy Missouri West

Case No. ER-2022-0129 / 0130

Date Testimony Prepared: August 16, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO: ER-2022-0129 / 0130**

**SURREBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**EVERGY MISSOURI METRO AND EVERGY MISSOURI WEST**

**Kansas City, Missouri  
August 2022**

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**SURREBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**Case Nos. ER-2022-0129 / 0130**

1 **I. INTRODUCTION**

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

3 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,  
4 Missouri 64105.

5 **Q: Are you the same Darrin R. Ives who submitted rebuttal testimony in these dockets**  
6 **on July 13, 2022?**

7 A: Yes.

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

9 A: I am testifying on behalf of Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro  
10 (“Evergy Missouri Metro” or “EMM”) and Evergy Missouri West, Inc. d/b/a Evergy  
11 Missouri West (“Evergy Missouri West” or “EMW”) (collectively the “Company”).

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

13 A: The purpose of my surrebuttal testimony is to introduce the witnesses who are filing  
14 surrebuttal testimony on the Company’s behalf in this proceeding and to respond to  
15 portions of the rebuttal testimony of Staff witnesses Kim Bolin, Kory Boustead and Keith  
16 Majors, and Office of the Public Counsel (“OPC”) witnesses Lisa Kremer, Lena Mantle,  
17 Geoff Marke, Murray and John Robinette.

1 **Q: Who else is filing surrebuttal testimony for the Company?**

2 A: Table 1, below, introduces the Company’s other witnesses and the interveners responded  
3 to and topics addressed.

4 *Table 1: Company Witnesses*

<b>Company Witness</b>	<b>Intervener(s) Responded To</b>	<b>Topics</b>
Bruce Akin	Staff	Reliability
Forrest Archibald	OPC	Customer Forward
Albert Bass, Jr.	Staff	COVID Demand Impact on Test Year, Weather Normalization, AMI
Craig Brown	Staff	Class Cost of Service Study
Ann Bulkley	Staff, OPC	Cost of Capital; Capital Structure, Return on Equity
Steven P. Busser	OPC	Management Expense
Charles A. Caisley	Staff, OPC	AMI meters, customer issues, Clean Charge Network, TOU
John Carlson	Staff	Nucor SIL; Capacity Costs; and SPP Charges
Brian File	Staff, OPC	Advance Easy Pay Tariff
Jim Flucke	Staff	Transmission ROE, Transource
Melissa Hardesty	OPC	Income Tax, Property Tax Kansas Earnings Tax
Ryan Hledik	Staff, OPC	Subscription Pricing Pilot Program
Darrin R. Ives	Staff, OPC	Sibley Station, Bad Debt Factor and Bad Debt Tracker, Property Tax Tracker, Regulatory Lag, PISA Deferral, Income Eligible Programs and Capital Structure
Ronald Klote	Staff, OPC	Incentive, Storm Reserve, Sibley Retirement Costs, AFUDC, CIS/CFP

Bradley Lutz	Staff, OPC, Renew MO	Emergency Conservation Plan, Net Metering Application modifications, Distributed Generation Interconnection terms, Class Cost of Service (“CCOS”), Solar Subscription Rider modifications, the Company Privacy Policy including treatment of Data Disaggregation, Developer-installed streetlighting, Limited Large Economic Development rider modifications, and TOU for Net Metering customers
James Meitner	Staff	Hedging
Kayla Messamore	Staff, OPC, Sierra Club	Resource Planning, Wind Purchased Power Agreements
Marisol E. Miller	Staff, OPC, MCEG, MIEC	Annualized/Normalized Revenues, CCOS, Tariffs, Rate Design, AMI
Linda J. Nunn	Staff, OPC	Fuel Adjustment Clause, Misc. Accounting Adjustments; Surveillance Reporting
John Reed	OPC	Prudence, Resource Planning, Capital Structure
John Spanos	Staff, OPC	Depreciation Studies
Jessica Tucker	OPC, MCEG	Fuel Runs, Fuel Inventories, Fuel Prices, FAC
Kimberly Winslow	Staff, OPC, Renew MO	TOU Rates and Education, Business Transportation Electrification, Residential Battery Energy Storage Pilot, Income-Eligible Weatherization, Market Based Demand Response, MEEIA Demand Annualization Adjustment, Green Pricing Tariff, Energy Burden Data Sharing
John Wolfram	Staff	Allocations

1 I note that the Company has attempted to address all substantive issues raised by Staff,  
2 OPC, MECG and other parties which the Company contests. Certain parties, however,  
3 continue to submit testimony that is inaccurate, not supported, and/or simply sensational  
4 accusations or hyperbole with no factual or analytical basis. Such testimony is not  
5 addressed at all or not fully addressed by the Company because in such instances the issues  
6 are not yet ripe for rebuttal. Further, certain parties have indicated to the Company that  
7 they were not prepared to respond fully to the Company's direct and rebuttal testimonies  
8 in their rebuttal and may do so in their surrebuttal. To the extent parties raise issues for the  
9 first time in their surrebuttal, or in hearings, this violates the state's longstanding regulatory  
10 process and both denies the Company the opportunity to respond and the Commission the  
11 ability to have a complete, and clear, record. The Company will be prepared to respond  
12 further in the proceeding should the parties further develop the issues. Finally, if the  
13 Company did not, or inadvertently failed to, address an issue raised by any party, the  
14 absence of a response does not constitute agreement by the Company with that party.

15 **Q: How will your surrebuttal testimony be organized?**

16 A: Following section I (introduction), I will address the following topics:

- 17 II. Sibley Station
- 18 III. Bad Debt Factor and Bad Debt Tracker
- 19 IV. Property Tax Tracker
- 20 V. Regulatory Lag
- 21 VI. PISA Deferral
- 22 VII. Income Eligible Programs
- 23 VIII. Capital Structure
- 24 IX. FAC

1 **II. SIBLEY STATION**

2 **Q: Please describe Staff's recommendation regarding Sibley Station.**

3 A: Beginning on page 3 of his rebuttal testimony, Staff witness Majors recommends Evergy's  
4 shareholders and customers share the responsibility for the unrecovered costs of the Sibley  
5 station, to be accomplished by including an amortization of the "appropriate" net book  
6 value ("NBV") of the Sibley units at the time of retirement but excluding the unamortized  
7 balance from rate base so the Company does not receive a return on its investment.

8 **Q: Do you agree with Staff's recommendation?**

9 A: No, there is no basis for Mr. Majors' recommendation. As I stated in my rebuttal testimony,  
10 the plant's undepreciated book balances were prudently incurred. The Company's decision  
11 to retire Sibley was prudent. Shareholders are entitled to a compensatory return on those  
12 prudently incurred investments. While Mr. Majors asserts that Staff's recommendation  
13 will not penalize Evergy, denying shareholders the opportunity to earn a return on  
14 investments prudently made on behalf of customers is inappropriate and punitive. Mr.  
15 Majors rationale – that including both the return of and a return on the investment in Sibley  
16 and the recovery of costs for new generating resources in rates would penalize customers  
17 – is equally unfounded. As discussed by Company witness Messamore in her rebuttal  
18 testimony, when Sibley was no longer economic, it was retired, creating savings for  
19 customers as compared to continuing to operate an uneconomic power plant. As discussed  
20 by Company witness Kennedy in his direct and rebuttal testimonies, the retirement of  
21 Sibley was consistent with broader industry trends regarding coal fired generation. If Mr.  
22 Majors' recommendations were adopted, they would, in fact, create an incentive to



1 continue to operate uneconomic power plants. This clearly is not in the best interest of  
2 customers.

3 **Q: While in its direct case Staff relied upon the \$145.6 million NBV presented by the**  
4 **Company, in response to MECG witness Meyer, Staff now recommends the**  
5 **Commission consider using \$300 million NBV from Staff’s EMS in the 2018 rate case**  
6 **“absent any additional evidence that the \$145.6 million figure is a better**  
7 **representation of true NBV.” Do you agree?**

8 A: No. The Company was surprised at this change in position that Mr. Majors presented in  
9 his rebuttal testimony. This position completely ignores the evidence presented by our  
10 Company expert in this field, Mr. John Spanos. Mr. Spanos is the only expert in  
11 depreciation that has provided any studies and testimony on the retirement of the Sibley  
12 generating station and its associated net book value calculation which was provided in this  
13 rate case and in the AAO complaint Case No. EC-2019-0200. As discussed in the direct,  
14 rebuttal and surrebuttal testimonies of Company witness John Spanos the net book value  
15 based on studies completed by Mr. Spanos and by depreciation studies that are required by  
16 this Commission, the net book value associated with Sibley Station as of June 30, 2018  
17 (the true up date for rates effective from the 2018 rate case) is \$145.6 million, *not* \$300  
18 million as purported by Mr. Meyer of MECG and accepted in rebuttal testimony by Mr.  
19 Majors of Staff.

1 **Q: What is your understanding of the source of the \$300 million book value for Sibley**  
2 **Station asserted by MECG and supported by Staff and why is this not the correct net**  
3 **book value as of June 31, 2018?**

4 A: The origins of the \$300 million net book value amount that was included in the Staff's  
5 EMS runs supporting their revenue requirement calculations in the Company's 2018 rate  
6 case which resulted in a global settlement of issues. Consistent with customary utility  
7 practices, the Company does not track at any level of specificity accumulated reserve  
8 amounts at the generating station level. Instead, the Company relies on depreciation studies  
9 conducted by Company experts and required by this Commission every 5 years to analyze  
10 the relationship of gross plant and reserve. As such, periodically there are occasions such  
11 as rate cases that for reporting purposes only the gross accumulated reserve is reported by  
12 generating station location. Instead of producing a depreciating study each time this  
13 presentation is needed, the Company's PowerPlan system, which is the Company asset  
14 accounting system, completes a simple allocation of reserve amounts to generating station  
15 locations. This simple allocation in no way provides the specificity needed to look at the  
16 life and history of assets that are completed in regularly required depreciation studies. As  
17 such, Staff witness Majors, MECG witness Meyer and to some extent OPC witness John  
18 Robinett place their expert opinion on these amounts simply because Staff accounting  
19 schedules in the prior rate case which did not address the complexities associated with  
20 retirement of the Sibley Generating Station. Yet, the above witnesses have chosen to rely  
21 on this amount instead of relying on the analysis that was conducted by Company witness  
22 Spanos in his depreciation studies. Further, neither Staff nor MECG even addressed Mr.  
23 Spanos' depreciation study or questioned its validity. In my opinion, expert studies should

1 be relied upon unless it can be proven that the studies are flawed in some material way.  
2 That type of evidence has not been provided in this rate case.

3 **Q: On page 5 of his rebuttal testimony, Mr. Majors states that EMW has experienced a**  
4 **substantial reduction in accumulated depreciation reserves between the 2018 Rate**  
5 **Case and this case. What is your response?**

6 A: Mr. Majors does not appear to consider and apply Federal Energy Regulatory Commission  
7 (“FERC”) accounting standards in assessing the accounting treatment of retirement of  
8 assets that have remaining net book values at the time of their retirement. The Company  
9 simply made customary accounting entries when Sibley was retired which, as expected,  
10 impacted the depreciation reserve. The reduction in Sibley’s accumulated depreciation  
11 reserves since the 2018 rate case is normal, to be expected, and should not cause any  
12 concern.

13 **Q: On page 7 of his rebuttal testimony, Mr. Majors testifies that Evergy did not realize**  
14 **a gain or loss when it retired Sibley with a remaining unrecovered net book value.**  
15 **What is your response?**

16 A: This is true and consistent with FERC retirement accounting entries. As discussed above  
17 normal FERC retirement accounting as was applied to the Sibley Generating station  
18 retirement does not require a gain or loss to be recorded. The gross amount of the asset is  
19 recorded to the Company’s accumulated reserve. Thus, for plants that are not fully  
20 depreciated the accumulated reserve is reduced.

1 **Q: Mr. Majors goes on to recommend that if the Commission accepts Staff’s proposal to**  
2 **not include Sibley’s NBV in rate base, then the Commission should also consider if**  
3 **Evergy will receive a “windfall” if the deferred return on Sibley rate base in the AAO**  
4 **deferral is not returned to customers through a regulatory liability (page 12). What**  
5 **is your response?**

6 A: It appears Mr. Majors is providing the Commission an either - or scenario to continue his  
7 concept of sharing the costs of Sibley between shareholders and ratepayers. As I have  
8 already stated, this type of recommendation is simply an attempt by Staff to disallow costs  
9 associated with a plant that has served customers reliably for many years. This either - or  
10 scenario conveniently ignores the carrying costs to the Company and its investors  
11 associated with holding without recovery a balance such as the unrecovered balance on its  
12 balance sheet.

13 Secondly, as the Commission is fully aware, in its order establishing the deferral in  
14 the AAO complaint case, it did not order the Company to defer and return to customers the  
15 return on the amount included on rate base in the Company’s 2018 rate case in Case No.  
16 EC-2019-0200. The Commission’s Order in that case simply stated that the Company  
17 should do the following:

18 *KCP&L Greater Missouri Operations Company shall record as a*  
19 *regulatory liability in Account 254 the revenue and the return on the*  
20 *Sibley unit investments collected in rates for non-fuel operations*  
21 *and maintenance costs, taxes, including accumulated deferred*  
22 *income taxes, and all other costs associated with Sibley units 1, 2,*  
23 *3, and common plant. **The regulatory liability should quantify***  
24 *separately dollars related to return and other cost of service*  
25 *expense saving.*

26 The Company complied with this Order and deferred both the return and other cost of  
27 service items separately. The Commission’s Order did not state that this regulatory liability

1 was required to be returned to customers. The Company in this case has proposed to return  
2 the non-fuel operation and maintenance costs as described in Company witness Klote's  
3 surrebuttal testimony. As the Company testimony and evidence in this case demonstrates,  
4 the Commission should not deny recovery of the return component of investments that  
5 were prudently incurred and benefitted customers for many years. To do so, would be  
6 punitive, not recognize the benefits for customers of the retirement demonstrated by the  
7 Company through its IRP filings, and would create an environment where Missouri utilities  
8 are incentivized to continue operating uneconomic supply resources that are otherwise  
9 demonstrated to provide benefits to customers if retired.

10 **Q: Please describe OPC's recommendation regarding Sibley Station.**

11 A: Through this case I have found OPC testimony to be all over the place on Sibley Station  
12 and it is difficult to understand their recommendation other than they seem to be throwing  
13 every disallowance scenario they can devise into the proceedings. Specific to OPC witness  
14 Robinette though, beginning on page 18 of his rebuttal testimony, he reasserts the  
15 recommendation made in the direct testimony of OPC witness Marke that no return on or  
16 of the unrecovered plant balances should be allowed. If, however, the Commission does  
17 not accept this patently unreasonable position, Mr. Robinette offers two additional options  
18 of how to calculate the unrecovered balances for Sibley: (1) using the "theoretical" plant  
19 balance calculated using Evergy's 2014 depreciation study, or (2) using the \$300 million  
20 NBV from Staff's EMS in the 2018 rate case.

21 **Q: What is your response to OPC's recommendations?**

22 A: In this testimony as I discuss above, and more fully rebutted by Company witness John  
23 Spanos, our depreciation expert in this case as well as in prior cases, we have fully

1 discussed the inappropriateness of utilizing the \$300 million value advanced by parties as  
2 the net unrecovered book value for the Sibley Station.

3 As to the new position advanced by OPC witness Robinette in his rebuttal  
4 testimony, the Company also disagrees with this third value proposed by OPC witness  
5 Robinette. As I previously discussed, the Company has relied upon depreciation studies  
6 recently completed by the Company's depreciation expert John Spanos. Using a study  
7 dating back to 2014 and simply rolling forward the balances ignores factors contemplated  
8 in witness Spanos studies. Witness Spanos conducted both the 2014 depreciation study  
9 and the current depreciation study and is providing surrebuttal testimony explaining why  
10 the \$145.6 million net book value amount is the appropriate balance to use. The  
11 Company's depreciation expert, Mr. Spanos, is the only depreciation expert authority  
12 providing evidence to the Commission in this proceeding and his testimony on this topic  
13 fully supports the Company position to utilize the \$145.6 million net book value for the  
14 Sibley Station and should be given the weight by the Commission that his background and  
15 expertise reflects.

### 16 III. BAD DEBT FACTOR AND BAD DEBT TRACKER

17 **Q: Staff opposes the Company's bad debt expense proposal arguing that the Company**  
18 **has not demonstrated a correlation between the level of rate revenues and the**  
19 **percentage of bad debts. What is your response?**

20 **A:** First, let me be clear about what the Company is proposing and why, as Staff appears to  
21 either misunderstand or ignore the circumstances impacting bad debt in this proceeding.  
22 As discussed in the direct, rebuttal and surrebuttal testimonies of Company witness Nunn,  
23 the Company is proposing to reflect in rates established in this case a bad debt expense

1 based on a pre-Covid level of write offs by calculating the ratio of write offs in 2019 to the  
2 twelve months ended June 2021 revenues and applying that ratio to rate case revenues and  
3 to establish a bad debt tracking mechanism. As Ms. Nunn fully supports in her testimony,  
4 this treatment is necessary as applying a current ratio would severely under recover bad  
5 debt costs in rates moving forward from this case due to the impacts of Covid during the  
6 test year period and the disconnect moratoriums that were in effect.

7 While Staff witness Majors acknowledged Covid in his direct testimony, he  
8 completely ignores the impact of Covid on bad debt levels in his rebuttal testimony. As  
9 shown in Ms. Nunn's rebuttal testimony, write offs for EMM and EMW in 2021 were  
10 approximately 42% of their pre-Covid 2019 levels. This is not sustainable. The continuing  
11 impacts and extraordinary nature of Covid coupled with the impacts on our customers of  
12 inflation at a 40-year high, a cost-of-living crisis and the threat of a recession all strongly  
13 indicate that bad debt will return to pre-Covid levels and likely continue to increase. None  
14 of this is within the control of the Company. Bad debt expense must be adjusted, and a  
15 tracking mechanism must be implemented to allow the Company to adequately recover the  
16 cost of serving its customers.

17 **Q: Staff also opposes the Company's proposal to implement a bad debt tracker. What**  
18 **is your response?**

19 A: First, it bears noting that Staff witness Bolin testifies that the "use of trackers may be  
20 justified" including "when the applicable costs demonstrate significant fluctuations and up-  
21 and-down volatility over time" (page 2). An almost 60% reduction in bad debt expense is  
22 unarguably significant and volatile.

1           While Staff witness Majors testifies that “Staff is not opposed to tracking  
2 mechanisms considered on a case-by-case basis” he nonetheless takes issue with the  
3 Company’s proposed bad debt tracker asserting “[t]his selective use of trackers represents  
4 an unfair ratemaking approach to deal with those isolated increasing costs that could be  
5 offset by savings in other cost of service areas” (page 18). Staff witness Bolin makes a  
6 similar claim, asserting the utility will “pocket for itself” changes in factors which may  
7 reduce the cost of service (pages 6-7). Neither Mr. Majors nor Ms. Bolin offer any facts  
8 or analysis to support these assertions. On the other hand, Company witness Nunn has  
9 fully supported the adjustment required to the write-off ratio and has described in detail in  
10 her testimony in this case the impacts that have occurred to bad debt write-offs during the  
11 test year period that can be expected to result in future write-offs that will flip from lower  
12 than historical levels to being higher than historical levels. She has outlined the drivers for  
13 just the type of volatility in this cost category that is supportive of a tracker in this case.  
14 There is no reason to expect that these events will persist and that bad debt expense will  
15 warrant tracker treatment in the future, but the current events, which are clearly outside of  
16 the Company’s control, clearly warrant establishment of the bad debt expense tracker in  
17 this case for bad debt expense.

18           Further, I want to state clearly, the Company is not proposing to use trackers for a  
19 multitude of expenses which are likely to increase over time. Given the current rate of  
20 inflation, this would likely be many categories of expenses. The Company is proposing a  
21 bad debt tracker to address bad debt expenses that are very likely to exceed the level set in  
22 rates in this case. As I discussed in my direct and rebuttal testimonies, it is entirely



1 inappropriate for the likelihood of higher bad debt expenses to be borne by the Company  
2 and ultimately its shareholders.

3 **Q: OPC witness Kremer asserts “a bad debt tracker may serve as a disincentive to**  
4 **perform and effectively manage its collection activity” (pages 19-20). Do you agree?**

5 A: No. As I stated in my rebuttal testimony, the Company will continue its normal collections  
6 policies. Please see the surrebuttal testimony of Company witness Nunn. The potential  
7 for significantly higher bad debt expense is not attributable to insufficient incentive to  
8 appropriately pursue collections, it is a byproduct of national and world events outside of  
9 the control of the Company and its customers.

10 **Q: OPC witness Marke “adamantly” opposes the proposed bad debt tracker, arguing**  
11 **that no other utility in Missouri has sought a tracker and Covid is “no longer**  
12 **unpredictable or uncertain” (page 35). How do you respond?**

13 A: Dr. Marke’s testimony criticizing the Company, including the Covid AAO, is not only  
14 irrelevant, it is bordering on a vendetta. Covid clearly continues to impact our  
15 communities, the nation and the world.

16 “[P]roactive utility engagement, and managerial control of costs” cannot negate the  
17 continuing impacts and extraordinary nature of Covid coupled with the impacts on our  
18 customers of inflation at a 40-year high, a cost-of-living crisis and the threat of a recession.  
19 Dr. Marke’s insistence on exploring with the Company “aggressive arrearage matching  
20 programs” and that he “has been awaiting that discussion for several years now” is  
21 consistent with his continued efforts to erode Evergy’s investors’ opportunity to earn  
22 Commission authorized returns through his various schemes to deploy shareholder dollars.  
23 Dr. Marke’s recommendation should be rejected.

1 **IV. PROPERTY TAX TRACKER**

2 **Q: OPC witness Marke also opposes the Company’s proposed property tax tracker,**  
3 **arguing it erodes regulatory lag (pages 31-32). How do you respond?**

4 A: While Dr. Marke recognizes that a property tax tracker is permissible as a matter of current  
5 law, he nonetheless cannot help himself but continue to argue against it. Staff also  
6 recognizes this law and takes no issue with it in their rebuttal. Dr. Marke again resorts to  
7 tactics to erode Evergy investors’ opportunity to earn just and reasonable Commission  
8 authorized returns in his fallback recommendation - if the Company elects to use the  
9 property tax tracker allowed by statute, then Commission should “consider” this when  
10 approving rates and setting the Company’s ROE. There is no basis for Dr. Marke’s  
11 recommendation, and it should be rejected when the Commission sets a base level of  
12 property taxes in the case for the Company to measure the statutorily-provided property  
13 tax tracker against.

14 **V. REGULATORY LAG**

15 **Q: Staff witness Bolin asserts that trackers can eliminate or reduce incentives to be**  
16 **efficient and cost-effective, and opines that regulatory lag creates “beneficial**  
17 **incentives (pages 7-8). OPC witness Marke makes similar assertions (page 30-31). Do**  
18 **you agree?**

19 A: No, not as advanced by witnesses Bolin and Marke. I fully recognize that in Missouri we  
20 utilize historical test years and in part that is intended to recognize the benefits to all parties  
21 of efficient operations and that regulatory lag, when balanced can create appropriate  
22 incentives for efficiency. I take offense though at any implication advanced by these  
23 witnesses that the Company would do anything other than its best to safely, reliably,

1 adequately, sustainable and affordably serve its customers. In this proceeding, the  
2 Company has fully supported the unique circumstances surrounding its bad debt tracker to  
3 address the undue and unusual volatility in bad debt expense currently and prospectively  
4 expected to be incurred by the Company. As I have discussed, and Staff acknowledges, a  
5 property tax tracker is now statutorily provided for. Further, as discussed in my rebuttal  
6 testimony and in the direct testimony of Company witness Ann Bulkley, Moody's has  
7 taken note that the Missouri regulatory environment has been challenging due to regulatory  
8 lag and not allowing for mechanisms to address lag when clearly supported and warranted,  
9 such as in the case of the bad debt tracker in this case, will only serve to exacerbate this  
10 divide in the Missouri regulatory environment as compared to other jurisdictions across the  
11 country.

12 **Q: Staff witness Majors testifies that the Company has several mechanisms to reduce its**  
13 **regulatory lag (page 42). What is your response?**

14 A: The ratemaking mechanisms listed by Mr. Majors are adjustment mechanisms and  
15 ratemaking tools common in the industry. As I noted in my rebuttal testimony and is  
16 discussed by Company witness Ann Bulkley in her direct testimony, many of the  
17 companies she considered in her proxy group have cost recovery mechanisms that provide  
18 stronger financial support than those the Company is permitted to implement and Moody's  
19 recently noted that the Missouri regulatory environment has been challenging due to  
20 regulatory lag. To effectively assess the value of the Company's ratemaking mechanism,  
21 Mr. Major's would be required to assess the Missouri ratemaking mechanisms performance  
22 as compared to mechanisms provided in other regulatory jurisdictions to peer utilities of  
23 Evergy with which Evergy competes for investor capital. The specific assessment

1 discussed by me and provided and more fully addressed by Company witness Bulkley in  
2 this proceeding does just that. Mr. Major's does not do that work. Instead, in isolation Mr.  
3 Major's testimony suggests that because the Company has available to it some ratemaking  
4 practices that address some earnings erosion between rate cases there is no need to address  
5 additional earnings erosion from increasing levels of bad debt. This position is not  
6 informed by the work and analysis necessary to support it and is simply not reasonable.  
7 Further, there is no downside to approving the Company's symmetrical tracker proposal.  
8 In the unlikely event bad debt expense declines, the mechanism will return that "savings"  
9 to customers. In addition, at this time of the Company's next general rate case, if the bad  
10 debt tracker has not been demonstrated to be needed, has not performed as intended, or if  
11 the broader economic conditions that support the tracker in this case no longer exist, the  
12 Commission can order that the bad debt tracker not be utilized moving forward with rates  
13 effective from that next rate case.

14 **Q: Staff witness Majors testifies that the Company has presented a "one-sided" analysis**  
15 **of regulatory lag focused only on costs that have increased with no mention of any**  
16 **cost reductions since its 2018 rate cases or anticipate future cost reductions (page 43).**  
17 **What is your response?**

18 A: Mr. Majors must not have read my direct testimony where I discuss at length savings  
19 achieved by the Company in labor costs and non-fuel operating and maintenance  
20 ("NFOM") expenses, the material benefits the merger produced for customers, and the  
21 additional savings that Evergy expects will accrue to customers going forward. Mr.  
22 Majors also ignores the many categories of costs that are not addressed by trackers or other  
23 mechanisms and are fully subject to the regulatory lag inherent in the use of historical test

1 years for setting rates. I am sure Mr. Majors and the Commission are fully aware of the  
2 current market conditions regarding interest rates and inflation. Company witness Bulkley  
3 describes the current market conditions in detail in her testimony. Mr. Majors should be  
4 aware that the majority of the Company's cost categories are not addressed by trackers or  
5 other similar mechanisms and will be subject to the market conditions described by witness  
6 Bulkley.

7 **Q: Does the potential or anticipation of cost savings going forward eliminate the need for**  
8 **the Company's proposed trackers?**

9 A: No. The Company has proposed two new tracker mechanisms as part of this case to address  
10 cost of service components that are out of Company management's control to contain or  
11 manage and impact the Company's ability to earn returns reasonably close to those allowed  
12 by this Commission. The property tax tracker is permissible by law. The need for the bad  
13 debt tracker is driven by local, national and worldwide events clearly outside of the control  
14 of the Company. These are well outside of the normal ebb and flow of regulatory lag.  
15 Approving these tracking mechanisms and the proposed storm reserve will not  
16 disadvantage customers in any way, in fact they will benefit customers by supporting the  
17 financial health of the utility.

1           **VI. PISA DEFERRAL AND FUEL AND PURCHASED POWER COSTS**

2   **Q: OPC witness Mantle notes that in EMW’s July 1, 2022 FAC filing, Case No. ER-2023-**  
3           **0011, the company proposed to defer \$31 million in FAC-related costs to the Plant in**  
4           **Service Accounting (“PISA”) regulatory asset for recovery in a subsequent rate case**  
5           **(page 28). For context, please summarize EMW’s proposal in its FAC filing.**

6   **A:**     On July 1, 2022, EMW filed Case No. ER-2023-0011 proposing to adjust charges related  
7           to its FAC for the accumulation period covering December 2021 through May 2022. The  
8           full amount of EMW’s FAC-related costs during this accumulation period was  
9           approximately \$44.6 million. Including this amount in the FAC now would cause EMW  
10          to exceed the 3 percent Compound Annual Growth Rate (“CAGR”) cap under section  
11          393.1655.5 when considering the impacts from the most recent FAC accumulation period,  
12          the immediately preceding FAC accumulation period and the effects of the overall rate  
13          increase (driven primarily by the rebase of fuel and purchased power in base rates) resulting  
14          from this general rate proceeding.

15                 As I explained in my direct testimony in that case, fuel costs increased dramatically  
16                 in EMW’s last two FAC accumulation periods. These increases were driven by a variety  
17                 of factors, all of which were significantly impacted by external factors beyond the  
18                 Company’s control, including massive inflation due to the extraordinary events of the  
19                 pandemic and Russia’s war on Ukraine contributing to dramatic increases in the price of  
20                 natural gas, coal and other fuel commodities and the price of power. Allowing  
21                 extraordinary increases in fuel costs to limit the base rate change in this rate case is contrary  
22                 to the policy set out in both the PISA statute and the FAC rule. Importantly, the rate

1 increase that is likely to result from this rate case would be nowhere close to exceeding the  
2 3 percent CAGR cap *but for* the impact of FAC-related costs.

3 Because the rate increase expected from the Company's general rate proceeding  
4 would not exceed the 3 percent CAGR cap *but for* the impact of FAC-related costs and  
5 because the Company's FAC-related costs are significantly impacted by external factors  
6 outside of our control and have been subject to inflationary pressures not seen for more  
7 than forty years, EMW proposed to include \$13.6 million of FAC-related costs in the fuel  
8 adjustment rate effective September 1, 2022, and defer the balance of \$31 million for  
9 further treatment in a subsequent general rate proceeding. This treatment is explicitly  
10 provided for in the PISA statute and is also consistent with paragraph XI of the  
11 Commission's FAC rule given the extraordinary circumstances surrounding the  
12 Company's fuel cost increases. It does not penalize the Company for events outside of its  
13 control and it will enable resolution of this rate case without exceeding the 3 percent CAGR  
14 cap as a result of extraordinary fuel price increases.

15 **Q: Ms. Mantle argues that EMW's proposed deferral is not necessary and should be**  
16 **dealt with in this rate case (page 29). How do you respond?**

17 A: Ms. Mantle completely ignores the PISA statute and FAC rules. As I noted above and  
18 discussed in my direct testimony in Case No. ER-2023-0011, EMW's proposal to defer  
19 \$31 million in FAC-related costs to the PISA regulatory asset created under section  
20 393.1400 is explicitly provided for in section 393.1655.5 of the PISA statute which states:

21 If a change in any rates charged under a rate adjustment mechanism  
22 approved by the commission under sections 386.266 and 393.1030 would  
23 cause an electrical corporation's average overall rate to exceed the  
24 compound annual growth rate limitation set forth in subsection 3 or 4 of this  
25 section, the electrical corporation shall reduce the rates charged under that  
26 rate adjustment mechanism in an amount sufficient to ensure that the

1 compound annual growth rate limitation set forth in subsection 3 or 4 of this  
2 section is not exceeded due to the application of the rate charged under such  
3 mechanism and the performance penalties under such subsections are not  
4 triggered. Sums not recovered under any such mechanism because of any  
5 reduction in rates under such a mechanism pursuant to this subsection shall  
6 be deferred to and included in the regulatory asset arising under section  
7 393.1400 or, if applicable, under the regulatory and ratemaking treatment  
8 ordered by the commission under section 393.1400, and recovered through  
9 an amortization in base rates in the same manner as deferrals under that  
10 section or order are recovered in base rates.

11 Further, the proposed deferral is also consistent with paragraph XI of the  
12 Commission's FAC rule given the extraordinary circumstances surrounding the  
13 Company's fuel cost increases. Additionally, although not implicated here, the existence  
14 of a "force majeure" concept included in section 393.1655.7(7) further demonstrates the  
15 legislature's intent that the utility not be penalized for costs outside its control such as the  
16 extraordinary fuel cost increases experienced by EMW during this accumulation period.

17 EMW's proposal also avoids, for purposes of the fuel adjustment rate to be effective  
18 on September 1, 2022, exceeding the two percent CAGR cap applicable to large power  
19 customers under section 393.1655.6 which would be triggered if EMW includes the full  
20 \$44.6 million in FAC-related costs in the fuel adjustment rate now, requiring excess  
21 amounts to be re-allocated to other customer classes for recovery.

22 **Q: If the Commission does not address the deferral of fuel and purchased power costs**  
23 **driving an exceedance of the PISA caps consistent with the PISA legislation as**  
24 **requested by EMW in its July 1, 2022 FAC filing, Case No. ER-2023-0011, should the**  
25 **Commission deal with the deferral in this rate case as suggested by Ms. Mantle?**

26 **A:** Yes. While the Company believes the appropriate docket for the Commission to address  
27 this issue in Case No. ER-2023-0011, and is confident that the Commission will do so, if



1 the Commission defers the issue to this rate case proceeding it will have to be addressed in  
 2 this case.

3 As can be seen from the table below, FAC-related cost increases that EMW has  
 4 experienced in the two latest FAC accumulation periods as compared to the base  
 5 established at the time of EMW’s PISA election (rates effective from EMW’s last rate case,  
 6 ER-2018-0146 – which established rates effective December 6, 2018) as well as the impact  
 7 of re-basing of fuel costs in base rates in the current EMW general rate case (at the level  
 8 Staff has proposed in their direct case) would result in a rate increase of approximately  
 9 16.0% for EMW fuel costs. This 16.0% increase exceeds the aggregate 12.55% CAGR  
 10 cap applicable to EMW under section 393.1655.3 (i.e., 3 percent per annum) before  
 11 consideration of *any* non-FAC-related cost increases experienced by EMW since its last  
 12 general rate proceeding in 2018. As noted in the table, Staff will be updating their true-up  
 13 fuel costs through May 31, 2022, and I would expect based on Staff’s direct testimony in  
 14 this proceeding Staff’s base rate proposal for fuel will increase from their direct filed  
 15 position.

MO West Fuel Impact on Overall Rates				
	Rates Effective Dec 6, 2018	Proposed Effective Dec 6, 2022	Fuel Increase Before Adj./Deferral	Percentage Increase
Base Retail Rates - Fuel	\$ 189,453,834	\$ 237,099,513	A \$ 47,645,679	6.4%
FAC Accumulation - Part 1	8,315,398	47,488,718	39,173,320	5.2%
FAC Accumulation - Part 2	11,366,822	44,603,622	33,236,800	4.4%
Total			<u>\$ 120,055,800</u>	16.1%
			<b>December 6, 2022 Average Overall Rate Cap</b>	<b>12.55%</b>

A This is Staff's proposed fuel cost in their direct filing. The Company's true-up filed net fuel at May 31, 2022 was \$226,939,272 or a \$37,485,438 fuel increase. Staff will update their true-up fuel costs through May 31, 2022.

16

1 As I discussed earlier in my testimony, the exceedance of the aggregate 12.55% cap (based  
2 on a 3 percent CAGR) is due to the inflationary pressures on fuel and purchased power and  
3 the resultant impact on customers' prices. It is important to remember that, in Missouri  
4 and unlike any other state of which I am aware, FAC-related costs are recovered via both  
5 base rates (which are adjusted in general rate proceedings) and fuel adjustment rates (which  
6 are adjusted in fuel adjustment proceedings). Granting of the deferral in the FAC as sought  
7 by the Company will enable resolution of the ongoing general rate proceeding – whether  
8 by settlement agreement among the parties or Commission decision of contested issues or  
9 some combination thereof – without exceeding the 3 percent CAGR cap prescribed by  
10 section 393.1655.3 as a result of fuel and purchased power cost increases.

11 Importantly, as I noted earlier, the rate increase to result from the Company's  
12 general rate proceeding would be nowhere close to exceeding the PISA CAGR cap but for  
13 the impact of fuel and purchase power (FAC-related) costs. As I discussed above, the  
14 Company's FAC-related costs are significantly impacted by external factors outside of our  
15 control and have been subject to inflationary pressures not seen for many years due to the  
16 extraordinary events of the pandemic and Russia's war on Ukraine. As a result, consistent  
17 with 393.1655.5 of the PISA statute, the Company is seeking deferral of a portion of these  
18 costs.

19 **Q: Are there additional considerations if the Commission considers EMW's deferral**  
20 **request consistent with 393.1655.5 of the PISA statute in the rate case rather than in**  
21 **the FAC proceeding?**

22 **A:** Yes. A deferral in the general rate case would have the effect of lowering the revenue  
23 requirement resulting from the rate request. This effect would not only establish a deferral

1 consistent with 393.1655.5 of the PISA statute as required, but would provide for less  
2 annual revenues to the Company than should be provided were the deferral addressed in  
3 the FAC. Another alternative to address in the rate case would be to lower the fuel and  
4 purchased power costs reflected in base rates in the rate case as opposed to approving a  
5 deferral in the rate case. The practical effect of this would be setting an artificially low  
6 amount of fuel and purchased power costs in base rates. This would result in significant  
7 FAC adjustments in accumulation periods subsequent to the rate case creating undue  
8 impacts to customers and calling into question the appropriateness of applying the 95/5  
9 sharing mechanism on such adjustments. This approach would be much more impactful  
10 to customers after the rate case than the deferral process called for under 393.1655.5 of the  
11 PISA statute.

12 Finally, either of these approaches would be inconsistent with section 393.1655.5  
13 of the PISA statute as the table above clearly demonstrates that the cause of the exceedance  
14 of the PISA caps would be due to the higher fuel and purchased power costs experienced  
15 by EMW. Whether the increased costs are reflected in the FAC accumulation periods or  
16 are reflected as an incremental increase to base rates in the FAC-required general rate  
17 proceeding, there can be no dispute that they are the same fuel and power cost increases  
18 driven by a variety of factors, all of which were significantly impacted by external factors  
19 beyond the Company's control, including massive inflation due to the extraordinary events  
20 of the pandemic and Russia's war on Ukraine contributing to dramatic increases in the  
21 price of natural gas, coal and other fuel commodities and the price of power.

1 **Q: Please explain further why Commission consideration of the deferral of**  
2 **extraordinary fuel and purchased power cost increases in the general rate case**  
3 **is consistent with section 393.1655.5 of the PISA statute.**

4 A: The Commission’s FAC rule requires the re-base of fuel and purchased power costs (called  
5 “base energy costs” in the FAC rule) in base rates in any general rate case in which the  
6 FAC is continued or modified. (20 CSR 4240-20.090(1)(X)). Sheet No. 127.21 of Evergy  
7 Missouri West’s FAC tariff contains a provision recognizing that base energy costs used  
8 in the administration of the Company’s FAC are those ordered by the Commission in the  
9 last general rate case. The Commission’s FAC rule defines “base energy costs” as “fuel  
10 and purchased power costs net of fuel-related revenues determined by the commission to  
11 be included in a RAM [rate adjustment mechanism] that are also included in the revenue  
12 requirement used to set base rates in a general rate case.” It is clear, therefore, that when  
13 fuel and purchased power costs are re-based in a general rate case and the Company’s base  
14 retail rates change as a result, this is occurring, at least in part, because it is required under  
15 any rate adjustment mechanism that is adopted pursuant to the Commission’s FAC rule.  
16 Section 386.266 RSMo. is cited, among other statutory sections, as authority for the  
17 Commission’s FAC rule. Under section 393.1655.5,

18 [I]f a change in *any* rates charged under a rate adjustment  
19 mechanism approved by the commission under sections 386.266  
20 . . . would cause an electrical corporation’s average overall rate to  
21 exceed the compound annual growth rate limitations set forth in  
22 subsection 3 . . . of this section, the electrical corporation shall  
23 reduce the rates charged under that rate adjustment mechanism in  
24 an amount sufficient to ensure that the compound annual growth  
25 rate limitation set forth in subsection 3 . . . is not exceeded due to  
26 the application of the rate charged under such mechanism and the  
27 performance penalties under such subsections are not triggered.

1           Section 393.1655.5 goes on to prescribe for the deferral of sums, to the regulatory  
2           asset established under section 393.1400 RSMo., that exceed the CAGR limit. Because  
3           the FAC rule requires the re-basing of fuel and purchased power costs in any general rate  
4           case where an FAC is continued or modified, the resulting base rate impacts represent rates  
5           changed under a rate adjustment mechanism and amounts of such fuel and purchased power  
6           costs in excess of the CAGR cap are to be deferred under section 393.1655.5 RSMo.

7   **Q: Does Ms. Mantle acknowledge that EMW’s FAC-related costs were impacted by**  
8   **external factors beyond EMW’s control?**

9   A: Yes, albeit reluctantly, Ms. Mantle “does not disagree” with me on this point. However,  
10   she goes on assert that EMW’s resource plan is the “biggest reason” costs have increased  
11   (page 30) and recommends the Commission disallow fuel and purchase power costs (page  
12   2). As discussed by Company witness Reed in his surrebuttal testimony, Ms. Mantle’s  
13   testimony regarding EMW’s resource plan is nothing more than unsubstantiated  
14   allegations. EMW’s resource planning process is consistent with industry standards and its  
15   resource plan is prudent. Ms. Mantle’s proposed disallowance of fuel and purchase power  
16   costs included in the revenue requirement decided in this case and in a blanket disallowance  
17   in future FAC cases is unreasonable and inappropriate and should be rejected.

1 **VII. INCOME ELIGIBLE PROGRAMS**

2 **Q: Staff witness Boustead opposes the Company’s proposal to transfer approximately \$1**  
3 **million of unspent Income-Eligible Weatherization (“IEW”) Program funds to its**  
4 **Dollar-Aide Program and instead recommends reducing the level of funding for the**  
5 **IEW Program by 50% and “allow[ing] the Company to utilize the balance of unspent**  
6 **funds” (pages 2-4). How do you respond?**

7 A: While Ms. Boustead states that Staff is supportive of low-income programs, her  
8 recommendation suggests otherwise. Rather than use the funds unspent funds to benefit  
9 eligible low-income customers and continue funding these important programs at their  
10 current levels, Ms. Boustead would compartmentalize the programs, reduce funding, and  
11 reduce the total level of support available. The IEW Program and the Dollar-Aide Program  
12 provide important support to low-income customers to reduce energy usage through  
13 weatherization (IEW) and to assist with their utility bills to avoid loss of service (Dollar-  
14 Aide). As discussed in the rebuttal testimony of Company witness Nunn, the Company’s  
15 proposed rollover will accelerate and improve the disbursement of past unspent funds. This  
16 will deliver the benefits of the important Dollar-Aide Program to eligible low-income  
17 customers. Staff’s recommendation should be rejected.

18 **Q: Staff witness Boustead testifies in support of the proposal made by OPC witness**  
19 **Marke in his direct testimony that the Company be required to implement a Critical**  
20 **Needs Program and a Rehousing Pilot Program each funding 50% by shareholder**  
21 **and 50% by customers (pages 5-7). How do you respond?**

22 A: As I discussed in my rebuttal testimony responding to Dr. Marke, there is no basis for this  
23 proposal. Dr. Marke himself acknowledged that elements of the programs he proposes are

1 outside the scope of the Commission's jurisdiction, but Staff does not recognize this.  
2 Regardless, the position of Dr. Marke in his direct testimony and that Staff finds reasonable  
3 in their rebuttal that the Company should implement 50% shareholder funded Income  
4 Eligible Programs because other utilities have is simply a backdoor way to erode the  
5 opportunity for shareholders to earn an ROE reasonably close to the ROE allowed in this  
6 case. If new programs were developed to satisfy public policy needs, these programs  
7 should be funded by customers as programs like LIWAP are.

8 **Q: Mr. Boustead refers to recent rate cases for other Missouri utilities where shareholder**  
9 **subsidized Critical Needs Programs were adopted. How do you respond?**

10 A: Staff does not acknowledge that in each of these cases, the companies that filed the rate  
11 cases agreed in settlements to fund 50% of the programs level in Commission approved  
12 settlements. As Staff and Dr. Marke are fully aware, settlements are negotiated outcomes  
13 that require concessions from filed positions of all signatories. The results of a settlement  
14 are generally not precedential to any given issue and issue outcomes are often specifically  
15 undefined and are interdependent with the resolution of all issues in the settlement. Parties  
16 to settlements typically request that the settlement be considered in total due to these  
17 factors.

18 **Q: Did Mr. Boustead offer any rationale for why he believes Dr. Marke's proposed**  
19 **shareholder funding is reasonable?**

20 A: No.

21 **Q: What are your conclusions regarding this proposal?**

22 A: As I stated in my rebuttal testimony, it is not up to Staff, or Dr. Marke, where Company  
23 management chooses to invest shareholder resources. As discussed in the rebuttal

1 testimony of Company witness Caisley, Evergy has or participates in similar initiative  
2 across its income-eligible programs that represent components of these two proposed  
3 programs and similar outreach to accomplish similar results. That the Company is seeking  
4 a rate increase so it can continue to safely, reliably, sustainably and affordably serve its  
5 customers is not a justification for compelling shareholders to fund Dr. Marke's proposed  
6 programs. Doing so would have the Commission put itself in the role of Company  
7 management by abandoning cost-base regulation and deciding how to spend shareholder  
8 resources. This is neither appropriate nor reasonable. If the Commission determines that  
9 the programs proposed by Dr. Marke and considered reasonable by Staff are in the public  
10 interest, then it should also determine the just and reasonable level of costs that will be  
11 funded by customers.

## 12 VIII. CAPITAL STRUCTURE

13 **Q: OPC witness Murray continues to recommend a capital structure comprised of 48%**  
14 **equity and 52% (pages 1-4 and 30).<sup>1</sup> Is this appropriate?**

15 **A:** No. Mr. Murray ignores corporate financing principles to imply an interdependence  
16 between Evergy's capital structure and the Company's capital needs. As discussed in the  
17 direct, rebuttal and surrebuttal testimonies of Company witness Ann Bulkley, the  
18 companies meet the guidelines previously relied on by Staff to assess the appropriateness  
19 of applying the standalone capital structure of the operating utilities. Further, proposed  
20 actual capital structure of 51.19 percent common equity, 48.81 percent long-term debt for  
21 Evergy Missouri Metro, and 51.81 percent equity and 48.19 percent long-term debt for  
22 Evergy Missouri West are reasonable and appropriate. These capital structures represent

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<sup>1</sup> Murray Rebuttal in EMM, pages 1-4 and 30; Murray Rebuttal in EMW, pages 1-7.



1 the manner in which the Company is actually capitalized and as discussed by Ms. Bulkley  
2 are reasonable in comparison to the authorized equity ratios of the proxy group.

3 **Q: Mr. Murray also continues to assert that Evergy issues short-term debt to fund**  
4 **dividends and goes on to argue that this “distorts” the fair/reasonable rate of return,**  
5 **inflates EMM’s rate base and is contrary to the practice of using short-term capital**  
6 **as a bridge to fund construction” (page 4). Do you agree?**

7 A: No. As I discussed in my rebuttal testimony, while there are times when Evergy, the parent  
8 company, finds it necessary to issue short-term debt to fund corporate dividends, that  
9 interest expense is not billed to the operating companies and is not reflected in the operating  
10 costs of any jurisdictional utility including EMM and EMW. Each utility is responsible  
11 for balancing its own capital needs. As discussed in the surrebuttal testimony of Company  
12 witness Ron Klote, the Company follows the FERC guidelines for calculating its  
13 Allowance For Funds Used During Construction (“AFUDC”) and EMM’s rate base is not  
14 overstated. The Company’s financing practices are customary and reasonable.

15 **Q: What is your response to Mr. Murray’s testimony regarding the Kansas Corporation**  
16 **Commission (“KCC”) Earnings Review and Sharing Plan (“ERSP”) (page 2)?**

17 A: Mr. Murray attempts to make something out of nothing with this testimony. In the merger  
18 proceeding in both states, there were a number of corporate ring-fencing protections that  
19 were addressed in the commitments and Commission orders. These commitments were not  
20 identical in each state. The Kansas-specific commitment identified by Mr. Murray – that  
21 if during the term of the merger moratorium in Kansas and while the Company was  
22 submitting annual ERSP Evergy holding company level debt exceed 52.5% of the  
23 consolidated capital structure then the Company would adjust actual operating company

1 capital structure utilized in a filed ERSP - has not been triggered post-merger and no such  
2 adjustment has been made in any filed ERSP. Mr. Murray's discussion of this merger  
3 commitment has no relationship or bearing on any issue before the Commission in this  
4 proceeding and to reiterate has not been triggered in any ERSP filing with the KCC.

#### 5 IX. FAC

6 **Q: What is the Company's response to OPC witness Mantle's recommendation at page**  
7 **21 of her rebuttal testimony that expands Staff's recommendation that language be**  
8 **included in FAC tariff sheets that would hold shareholders responsible for net costs**  
9 **associated with existing wind purchased power agreements ("PPAs") once their**  
10 **cumulative net costs exceed 100,000 times its contracted capacity?**

11 A: The Company's main response to OPC is contained in Company witness Messamore's  
12 Surrebuttal testimony. In addition, the Company believes that OPC's proposed FAC PPA  
13 adjustments would constitute retroactive ratemaking. The Company will present its legal  
14 argument in its briefs to make the point that when calculating the amount of revenue to be  
15 collected under proposed rates, the Commission cannot adjust for past losses or gains to  
16 the utility or to ratepayers.

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

18 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Evergy Metro, Inc. d/b/a Evergy )  
Missouri Metro's Request for Authority to ) Case No. ER-2022-0129  
Implement A General Rate Increase for Electric )  
Service )


In the Matter of Evergy Missouri West, Inc. d/b/a )  
Evergy Missouri West's Request for Authority to ) Case No. ER-2022-0130  
Implement A General Rate Increase for Electric )  
Service )

**AFFIDAVIT OF DARRIN R. IVES**

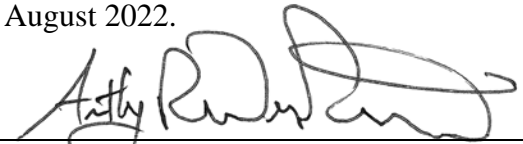
**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF JACKSON** )

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President – Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of thirty-one (31) 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.

  
\_\_\_\_\_  
Darrin R. Ives

Subscribed and sworn before me this 16<sup>th</sup> day of August 2022.

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

My commission expires: 4/26/2025

