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Evergy Missouri Metro – Exhibit 39
Darrin R. Ives
Direct Testimony
File Nos. ER-2022-0129 & ER-2022-0130

Exhibit No.:	
Issue:	Policy and Overview, Merger Commitments, Storm Reserve, Major Maintenance, Property Tax, Bad Debts, Rate Modernization and Clean Charge Network ("CCN")
Witness:	Darrin R. Ives
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2022-0129

DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
January 2022

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DIRECT TESTIMONY

OF

DARRIN R. IVES

Case No. ER-2022-0129

I. INTRODUCTION

Q. Please state your name and business address.

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

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

A: I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central") the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro. For the purpose of this testimony, I will refer to Evergy Missouri Metro as "Evergy Missouri Metro" or "Company".

Q: What are your responsibilities as the Vice President of Regulatory Affairs?

A: My responsibilities include oversight of the Company's Regulatory Affairs Department, as well as all aspects of regulatory activities including cost of service, rate design, revenue requirements, regulatory reporting and tariff administration.

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

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by Kansas City Power & Light in 1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

Q: Have you previously testified in a proceeding at the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

A: Yes, I have testified before the Commission and the Kansas Corporation Commission ("KCC"). I have also provided written testimony to the Federal Energy Regulatory Commission and testified before Missouri and Kansas legislative committees.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to introduce Evergy Missouri Metro's requests in this rate proceeding. I will describe how Evergy Missouri Metro operates, the drivers of our proposed rate increase namely investments to improve reliability, enhance customer service and enable the Company's transition to cleaner energy resources, and how we have achieved tens of millions of dollars of savings realized through the merger of Westar Energy, Inc. ("Westar") and Great Plains Energy ("GPE") and our disciplined cost management. I will also highlight other regulatory proposals we are making, including several mechanisms to align cost recovery with the investments we are making to operate our system, and identify the other witnesses providing testimony on behalf of Evergy Missouri Metro who address the Company's individual requests in more detail.

Q: Please introduce the Company's other witnesses who support Evergy Missouri Metro's rate request.

A: Table 1, below, introduces the Company's other witnesses and the topics they address.

Table 1: Evergy Missouri Metro Witnesses

Witness Name:	Topics:
Michael Adams	Property Tax Tracker, Lead/Lag Study
Bruce Akin	Reliability Report, Storm Reserve, Distribution System Investments
Kirkland Andrews	Capital Structure, Cost of Debt, Proposed Return on Equity ("ROE")
Albert Bass	COVID Demand Impact on Test-Year, Weather Normalization, Advanced Metering Infrastructure ("AMI")
Ann Bulkley	Cost of Capital, Capital Structure, ROE
Charles Caisley	Customer Service and Experience, Community and COVID-19 Response, Economic Relief Program, Dollar Aid, Time Of Use ("TOU")
Jim Fluke	Transmission ROE, Transource
Melissa Hardesty	Excess Deferred Income Taxes ("EDIT"), Current Tax and Accumulated Deferred Income Tax ("ADIT"), Potential Federal Tax Increase, Property Tax
Ryan Hledik	Subscription Pricing
Darrin Ives	Policy and Overview, Merger Commitments, Property Tax and Bad Debts Trackers
Ronald Klote	Plant In Service Accounting ("PISA"), Pay As You Save ("PAYS®") Program, COVID AAO, Pension Issues, Storm Reserve, MO/KS Allocators, Allocations, Oher Misc. Accounting Adjustments,
Jeffrey Kopp	Decommissioning Studies
Bradley Lutz	Community Solar, Green Power, Tariff Issues, Class Cost Of Service ("CCOS"), TOU, AMI

Marisol Miller	Annualized/Normalized Revenues, CCOS, Tariffs, Rate Design
Linda Nunn	Fuel Adjustment Clause (“FAC”), Line Loss Study, Other Misc. Accounting Adjustments
Eric Peterson	Fuel Expense, Purchased Power Expense, Wholesale Sales, FAC Support
John Spanos	Depreciation Studies
Jessica Tucker	Fuel and Emissions Prices, Fuel and Emissions Costs, Fuel Inventories FAC Support including Hedging
Kimberly Winslow	Rate Modernization Plan, Time of Use Rates, Business Transportation Electrification, Residential Battery Energy Storage Pilot, Low-Income Solar Subscription Pricing Pilot, Green Pricing RECs, Low-Income Weatherization, Market Based Demand Response (“MBDR”), Chapter 13 Variances
John Wolfram (Evergy Missouri Metro only)	MO/KS Allocations

Q: How is the remainder of your testimony organized?

A: The remainder of my testimony is organized in the following sections:

- Section I is an executive summary of my testimony which includes a description of Evergy’s operations and provides an overview of the Company’s proposed rate increase and the major drivers in this case.
- Section II describes Evergy Missouri Metro’s proposed tracking mechanisms to address regulatory lag associated with property taxes and bad debt expense. I also highlight other requests of the Commission by Evergy Missouri Metro.
- Section III discusses features of the corporation that have evolved as a result of the 2018 merger of Westar and GPE. This includes a discussion of the commitments Evergy made in the merger approval proceeding, how we have pursued and tracked our progress on those commitments, and the benefits the merger has created for our customers and throughout our service territory.

- Section IV highlights the importance of PISA and beneficial investments supported by PISA.
- Section V explains Evergy Missouri Metro's proposed rate structure plans and proposed Clean Charge Network ("CCN") rate design.
- Section VI summarizes the conclusions of my testimony.

II. EXECUTIVE SUMMARY: OVERVIEW OF EVERGY'S MISSOURI OPERATIONS AND PROPOSED RATE INCREASE

Q: Please describe Evergy Missouri Metro's and Evergy Missouri West's operations.

A: Evergy Missouri Metro and Evergy Missouri West are two affiliated, regulated utility subsidiaries of Evergy serving the western half of Missouri. Through all of its current regulated utility subsidiaries, Evergy serves approximately 1,640,400 customers in 91 counties in Missouri and Kansas including approximately 1,434,000 residences, 198,500 commercial firms, and 7,900 industrials, municipalities, and other electric utilities. Evergy Missouri Metro alone serves approximately 301,200 customers, including approximately 267,100 residences, 33,100 commercial firms, and 1,000 industrials, municipalities and other electric utilities. Evergy Missouri West serves 337,000 customers, made up of 296,800 residential customers, 40,400 commercial customers and 500 industrials, municipalities and other electric utilities. Evergy Missouri Metro's electric service territory includes the Kansas City metropolitan area and surrounding cities. Evergy Missouri West's electric service territory includes numerous counties in central, western and northwestern Missouri, including the cities of Lee's Summit, St. Joseph and Sedalia.

Evergy's retail revenues, reflecting service provided to residences and businesses, averaged approximately 90 percent of its total operating revenues over the last three years. Wholesale firm power, bulk power sales, and miscellaneous electric revenues accounted for the remainder of Evergy's revenues. Like most electric utilities, Evergy is significantly impacted by seasonality with approximately one-third of its retail revenues recorded in the third quarter.

To serve its customers, on a combined basis, Evergy Missouri Metro and Evergy Missouri West own approximately 2,700 mega-watts ("MW") of base load generating capacity and approximately 2,370 MW of peak load and wind generating capacity. This capacity is diversified with outright or joint ownership in four large coal-fired generating stations with a capacity share of almost 2,700 MW, the Wolf Creek nuclear power generating station with capacity of approximately 555 MW, approximately 2,220 MW of natural gas- and oil-fired capacity and approximately 150 MW of wind generating capacity located in Spearville, Kansas. Evergy Missouri Metro and Evergy Missouri West have approximately 1,960 MW of wind generating capacity under contract located in Missouri and Kansas. Evergy Missouri Metro and Evergy Missouri West own or have contracted for other renewable capacity including hydro, solar, and landfill gas totaling 65 MW.

On a combined basis, Evergy Missouri Metro and Evergy Missouri West operate and maintain approximately 16,300 circuit miles of distribution lines and approximately 2,800 circuit miles of transmission lines to serve customers across their service territory. Evergy Missouri Metro's share of lines is 5,500 miles of distribution lines (Evergy Missouri West's share is 10,800) and 944 miles of transmission lines (Evergy Missouri West's share is approximately 1,800).

Evergy is one of the largest companies in the region, with just under 5,000 employees, including more than 2,600 union employees. These employees are active in the communities we serve, fulfilling our guiding corporate principle of "Improving Life in the Communities We Serve."

Q: Please describe what Evergy Missouri Metro is requesting in this case.

A: The purpose of this case is to request authority from the Commission to implement a 5.2% increase, excluding fuel, in Evergy Missouri Metro's general rates for electric service. This requested increase is well below the rate of inflation since the Company's last rate increase. If approved by the Commission, this will be the first base rate increase for Evergy Missouri Metro's customers in over 5 years. This increase will support recovery of investments improving reliability and grid modernization and enhancing customer service and customer experience which I discuss in more detail in Section IV of my testimony. As I will discuss in Section III of my testimony, the rate request made in this case has been substantially offset through disciplined cost management and the realization of merger benefits as well as benefits from the cost savings from initial generation retirements leading our cleaner energy transition which are expected to grow over time.

Our work since the merger between Westar and GPE became effective has allowed us to create substantial savings for our customers which are reflected in this case. Evergy Missouri Metro is requesting an increase of $87.6 million for recovery of investments, but has offset that request with more than $55 million in customer savings and cost reductions. Without question, the proposed rate increase would have been significantly higher absent the merger which created significant opportunities to improve and streamline operations, reducing costs to customers.

Our commitment to provide customers with exceptional, safe, reliable and affordable utility service requires that we continue to invest in programs that maintain reliability, enhance our customer service and enable the Company's transition to cleaner energy resources. To do this, the Company and its shareholders must have a reasonable opportunity to earn the Commission-authorized return so we can attract the capital necessary to support our prudent investments. The plans described in the sections that follow and throughout this rate filing are designed to achieve these important objectives.

Q: Please provide an overview of Evergy Missouri Metro's request to increase its rates and the key drivers of that request.

A: The request, its major drivers and key attributes of the case are highlighted in Figure 1.

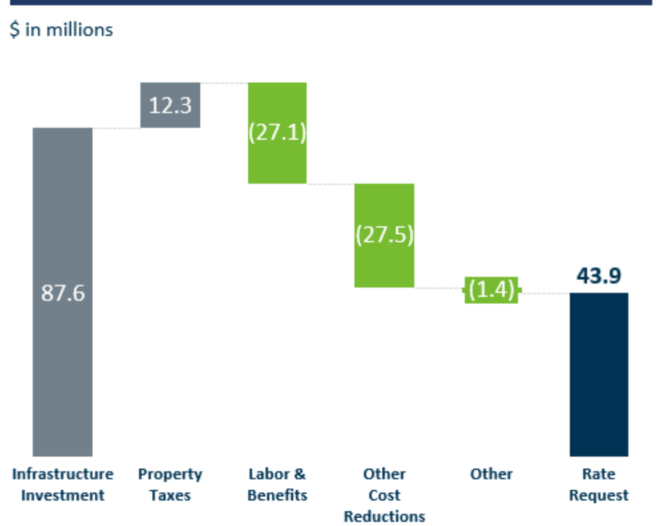
Figure 1: Rate Request Highlights

Evergy Missouri Metro Rate Request

- Revenue request includes infrastructure investment to improve reliability, enhance customer service and enable transition to cleaner resources
- Substantially offset by ~$55M of customer savings and cost reductions

Case Attributes	
Filed	1/7/2022
Revenue Increase since 2018[1]	$43.9
Percent Increase since 2018[1]	5.20%
Rate Base	$3,154
ROE	10.00%
Cost of Debt	3.92%
Common Equity Ratio	51.19%
Rate of Return	7.03%
Test Year	6/30/2021
Proposed True-Up Date	5/31/2022
Anticipated Effective Date of New Retail Rates	12/6/2022
Case Number	ER-2022-0129

$43.9 Million Revenue Increase Request



Ongoing savings exceed projections, reduce rate increase request by ~55%

1. Excludes 95% of net fuel costs, or $3.8 million; unlike other elements of base rates, fuel costs will be subject to adjustment (up or down) through a fuel recovery mechanism every six months based on incurred costs. Total requested increase including net fuel is $47.6 million or 5.65%.

Q: Please expand on how property taxes contribute to this rate request.

A: The investments we make on behalf of our customers lead to changes in our property tax liability. As a result, Evergy Missouri Metro's property tax expenses have been escalating over the past five years contributing to the increase request in this case. Evergy Missouri Metro is proposing a tracking mechanism to reduce the regulatory lag we experience as a result of investments in plant that enters service between rate proceedings. These investments are central to our plans to modernize our system and to operate a reliable electricity network for the benefit of our customers. I support this proposed property tax tracker in Section II of my testimony, and it is discussed in greater detail by Evergy Missouri Metro witnesses Melissa Hardesty and Michael Adams.

Q: Please expand on how net fuel costs contribute to this rate request.

A: As a result of higher natural gas prices and energy costs, Evergy Missouri Metro is asking for an additional 0.45% increase in this rate review. Evergy Missouri Metro witnesses Eric Peterson and Jessica Tucker discuss Evergy Missouri Metro's fuel costs.

Evergy Missouri Metro is also asking the Commission to continue to allow it to reflect fuel and purchased power cost increases and decreases in its Fuel Adjustment Clause ("FAC") on customer bills. Company witnesses Linda Nunn, Jessica Tucker and Eric Peterson address requirements for continuing our FAC pursuant to the Code of State Regulations.

Q: What ROE is Evergy Missouri Metro requesting in this case?

A: We are requesting an ROE of 10.00 percent. Evergy Missouri Metro witness Ann Bulkley presents in her Direct Testimony the results of her expert analysis of equity costs and recommendations in support of an ROE range of 9.90%-10.50% for Evergy Missouri

Metro. With the Company's proposed capital structure of 51.19% equity and 48.81% debt and actual cost of debt, this results in a requested rate of return of 7.03%. The requested ROE, capital structure and cost of debt are supported by the testimony of Evergy Missouri Metro witness Kirkland Andrews.

Q: Please expand on how savings achieved by Evergy offset this rate request.

A: As shown in Figure 1, increases in Evergy Missouri Metro's revenue requirement from infrastructure investments and other cost drivers are partially offset by savings we have achieved in labor costs and non-fuel operating and maintenance ("NFOM") expenses. Evergy has worked hard to capture these efficiencies and will continue to operate our business as efficiently and cost effectively as is practicable. Our future plans to build on the improvements that have been made since the merger are described later in my testimony and in the Evergy Sustainability Transformation Plan ("STP") previously filed with the Commission.[1]

Q: What is the magnitude of rate increase Evergy Missouri Metro is requesting?

A: As I discussed earlier, Evergy Missouri Metro is requesting an approximately 5.2% increase in base rates before the impact of the FAC rebase. As noted earlier, Evergy Missouri Metro is asking for an additional 0.45% increase associated with the rebasing of its FAC in this rate review. If the Commission grants Evergy Missouri Metro's request including the FAC rebase this equates to an increase of $8.46 per month for the typical residential customer, or a daily increase of $0.278. The remainder of my testimony demonstrates that the investments and strategic initiatives this increase will fund will create benefits for customers that justify the increase in electric charges.

[1] Case No. EO-2021-0032, *In the Matter of an Agreement Between Evergy, Inc., and Elliott Management, Inc.*, Evergy Notice of Filing Sustainability Transformation Plan, Exhibit A (August 13, 2020)("STP").

Q. What is the effective date of the Company's proposed tariffs filed in this case?

A: The revised tariffs we are filing in this case bear an effective date of February 6, 2022. The Commission may suspend this filing up to an additional ten months beyond this effective date. This would place the expected effective date of new rates on or about December 6, 2022.

III. PROPOSED TRACKER MECHANISMS AND OTHER REQUESTS OF THE COMMISSION

Q: Is the Company proposing tracker mechanisms as part of this case?

A: Yes. Evergy Missouri Metro is proposing tracker mechanisms to address changes in the revenue requirement over time that are required to cover (1) property taxes, and (2) Bad Debt Expense.

Q: Please describe the proposed Property Tax Tracking Mechanism.

A: The Company requests that a property tax tracking mechanism be authorized in this case to ensure the appropriate recovery of rising property tax expenses. Without such a mechanism, the Company expects to continue incurring significant regulatory lag due to increasing property taxes, which in turn impacts the Company's ability to earn returns reasonably close to returns authorized by this Commission.

Q: Why is a tracker appropriate for Evergy Missouri Metro's property tax expenses?

A: Property tax expenses have been escalating over the past five years as described more fully by Company witness Melissa Hardesty. Property taxes are determined by Missouri state assessors, are a significant component of the Company's cost of service, and amounts assessed are out of the control of the Company to manage. Cost of service components, such as property taxes, that are out of Company management's control to contain or manage, are significant contributors to regulatory lag, and impact the Company's ability to earn returns reasonably close to returns allowed by this Commission. As further explained in Evergy Missouri Metro witness Michael Adams' Direct testimony, property taxes are costs best addressed through regulatory mechanisms such as riders and trackers. Evergy Missouri Metro witness Hardesty describes the property tax tracker mechanism request in her Direct Testimony.

Q: Hasn't this Commission previously denied requests by Evergy for a mechanism to track variations in Property Taxes incurred from amounts included in base rates?

A: Yes. Evergy has requested of the Commission in multiple forums on multiple occasions since at least 2012 to provide an appropriate tracking mechanism to address changes in property taxes and the Commission has declined to do so each time.

Q: Why then, do you bring this request in front of the Commission again?

A: There are a few points I would like to make here. First, through my participation in prior cases and my review of the various orders, it is clear to me that the Commission has more strictly applied its consideration of USoA General Instruction No. 7 in evaluating Evergy's prior requests for a property tax tracker than is necessary or appropriate in consideration of granting a property tax tracker. As the Commission has noted correctly on occasion, the criteria for establishment of regulatory assets or liabilities (establishment of a deferral under a tracker) is appropriately addressed and considered in the USoA under Definition 31 – Regulatory Assets and Liabilities. The only criteria necessary to be met are that amounts deferred result from the rate actions of regulatory agencies – which would be a Commission order authorizing deferral of costs utilizing the tracker as proposed. The other criteria is that it is probable that the deferral would result in such items being included in a different period for the purpose of developing the rates a utility is authorized to charge (in the case of a regulatory asset) or that in the case of regulatory liabilities, that refunds to customers will be required. To be clear, these are the requirements for the establishment and recording of any regulatory asset or liability by a utility following the chart of accounts under the USoA.

While the Commission has frequently, but not always, considered the extraordinary criteria under General Instruction No. 7 in its assessment of appropriateness of regulatory asset and liability deferrals, the USoA is crystal clear that there is no linkage of General Instruction No. 7 to the establishment of regulatory assets and liabilities. This is consistent with the Commission's acknowledgement that it has broad discretion in authorizing deferrals for regulatory assets and liabilities. Therefore, it is clear to me that the Commission has the authority to consider the Company's request for a property tax tracker and is not constrained by prior decisions or by the extraordinary criteria outlined under General Instruction No. 7.

Second, as Evergy witness Hardesty describes in her direct testimony, there are several practical considerations that warrant Commission consideration of establishment of a property tax tracker. These considerations are more fully outlined in Ms. Hardesty's testimony but include the benefit to Missourians of property tax payments by Evergy should not be provided by Evergy shareholders. The process in determining assessments and mill levies is outside the control of Evergy, and by its design, occurs in such a way that rates set under the historical construct in Missouri will always result in negative regulatory lag in recovery of property taxes in an investment growth environment. Additionally, it is clearly the policy of Missouri to encourage utility investment in reliability and grid modernization and to invest in the transition to cleaner energy supply as evidenced by the recent passage of legislation including Senate Bill 564 which includes the authorization to adopt PISA and House Bill 734 which approved Securitization.

Third, as supported by the testimony of Company witnesses Adams and Bulkley, there continues to be adoption in jurisdictions across the country of alternative mechanisms, similar to or more supportive than the property tax tracker proposed by Evergy Missouri Metro in this rate case. Witness Adams describes the national landscape for such mechanisms and witness Bulkley testifies that in her assessment Missouri is at or below average in her assessment of regulatory mechanisms available to peer utilities.

As a result of all of these factors, Evergy Missouri Metro respectfully requests that the Commission reconsider the appropriateness of a tracker for property taxes and exercise its authority to approve Evergy Missouri Metro's requested property tax tracker in this case.

Q: Why is a tracker appropriate for Evergy Missouri Metro's bad debt expenses?

A: The reason behind Evergy's request is simple and straightforward. Evergy Missouri Metro's accounts receivable balances have grown significantly since the beginning of the COVID-19 pandemic. The pandemic has had significant consequences on our customers creating unprecedented hardships for many. Evergy Missouri Metro witness Charles Caisley describes many actions taken by Evergy in response to the pandemic and outlines some of the resulting impacts on accounts receivable balances and collections. In response to concerns regarding the impacts to Evergy Missouri Metro of COVID-19, Evergy Missouri Metro filed in May 6, 2020 a request for accounting authority order to provide for the deferral of impacts from the pandemic. The Commission issued an order in response to that filing acknowledging the extraordinary nature of the COVID-19 pandemic and authorizing deferral accounting for the impacts but the deferral was only authorized through March 31, 2021. Due to the ongoing impacts of COVID-19 and the continued prevalence of elongated payment plans for customers and delays in and modifications made to customer disconnections, the remaining most significant exposure to be addressed is the likelihood that the elevated accounts receivable balances remaining on Evergy Missouri Metro's books will result in significantly higher bad debt expense in future periods than will be established in rates in this rate case. Due to the extraordinary nature of the COVID-19 pandemic and quite simply the unknown factors on how the pandemic will be resolved, it would not be appropriate for that likelihood of higher bad debt expense to be borne by the Company and ultimately its shareholders. Therefore, Evergy Missouri Metro is requesting the Commission grant its request for a Bad Debt Tracking Mechanism.

Q: Please describe Evergy Missouri Metro's proposed Bad Debt Expense Tracking Mechanism.

A: The mechanism is described in more detail in direct testimony of Evergy Missouri Metro witness Ronald Klote. In general, there will be a level of Bad Debt expense established in base rates in this case. As a result of the extraordinary nature of the COVID-19 pandemic, Evergy Missouri Metro respectfully request the Commission approve a two-way tracker for bad debt expense allowing for the deferral of deviations in actual bad debt expense writeoffs from the amount set in base rates. Evergy Missouri Metro proposes to record the deferral to a regulatory asset if bad debt expense writeoffs incurred are greater than the amount built into rates or to a regulatory liability if bad debt expense writeoffs incurred are less than the amount built into rates. Evergy Missouri Metro would maintain this deferral until rates are effective in Evergy Missouri Metro's next general rate case with recovery of the deferral to be addressed in that next general rate case.

Q: Has the COVID-19 pandemic also had an impact on customer usage in the test year?

A: Yes. As discussed by Company witness Albert Bass, COVID-19 had a dramatic impact across our jurisdictions. Our customers' routines and daily lives were interrupted and changed causing an economic shift in customer usage that had simply not been seen historically. Specifically, due to work from home arrangements made by many companies the residential class of customers experienced a dramatic rise in electricity usage. In addition and even more dramatically due to business shutdowns there were significant decreases in the customer electricity usage in the commercial and industrial sectors. As such, the Company employed Google mobility data in order to analyze the test year impacts and make appropriate adjustments to customer usage.

Q: Is Evergy Missouri Metro requesting other cost recovery regulatory proposals or other Commission action you would like to highlight?

A: Yes. I will highlight a number of items but would also note that throughout the direct testimony of Company witnesses there are details supporting the totality of our requests of the Commission in this filing.

Evergy Missouri Metro seeks Commission approval associated with two regulatory accounting mechanisms. First, the Company is requesting a storm reserve to be used to mitigate the impact of sporadic storms that are likely to occur and have a significant financial impact on the Company. Secondly, the Company currently maintains multiple pension and Other Post Employment Benefit ("OPEB") calculations to account for the various reporting requirements that need to be maintained in this area. The Company is requesting that the regulatory calculations be transitioned to an Evergy consolidated calculation to remove the complexity in the calculations and create additional efficiencies in this area. For a more comprehensive discussion of the storm reserve, please see the testimony of Evergy Missouri Metro witnesses Bruce Akin and Ronald Klote. Evergy Missouri Metro witness Klote provides more detail on the pension and OPEB requests in his testimony.

The Company is requesting a change in the annual process to allow unspent Income Eligible Weatherization funds to be applied to the Company's Dollar-Aide program in order to avoid "roll-over budget" accumulations. For a discussion of the Income Eligible Weatherization change, please see the testimony of Evergy Missouri Metro witness Kimberly Winslow.

Evergy Missouri Metro is proposing a revised methodology for allocating costs between its Missouri and Kansas Evergy Metro jurisdictions. More, specifically the demand allocation methodology that allocates a portion of Metro's fixed costs between its Missouri and Kansas jurisdictions has been a challenge for the Company for a number of years associated with the different methodologies that are maintained in each state. As such, as the Company identified its Accounting Authority Order ("AAO") Application associated with the winter weather event, we are proposing a new methodology for the Demand allocator, which if adopted by the jurisdictions, will allow for a more appropriate allocation of 100% of the costs incurred by Metro to the jurisdictions. For a more comprehensive discussion of these programs, please see the testimony of Evergy Missouri Metro witnesses Ronald Klote and John Wolfram.

As discussed in the testimonies of Company witnesses Eric Peterson and Jessica Tucker, fuel prices have both increased dramatically and have been extremely volatile. In response, the Company proposes that the Commission approve Evergy Missouri Metro's use of physical gas, financial gas, physical power, financial power, and option products (including cross-hedging) as tools (on both the purchase and sale side) for fuel, purchased power, and off system sales hedging and for inclusion in the FAC. These tools will enable Evergy Missouri Metro to better protect to an expected price of fuel and/or remove a portion of the negative impact on the price of purchased power from significant increases in the cost of fuel. Finally, as discussed in the Direct Testimony of Evergy Missouri Metro witness Melissa Hardesty, it is possible that federal tax rates will change during the duration of this case. If Congress does enact new legislation that would increase or decrease the federal corporate tax rate before the true-up period in this case, the Company requests that any impact of the rate change when enacted and any amortization of any new deficient or excess deferred taxes generated be included as an adjustment in this case.

Q: Please highlight the customer program and rate design proposals Evergy Missouri Metro is making in this case.

A: The Company is proposing a number of programs and rate design changes. Most significantly the Company also proposing a Rate Modernization Plan. As discussed in more detail in the testimony of Evergy Missouri Metro witnesses Charles Caisley and Kimberly Winslow, the Rate Modernization Plan includes enhancing and expanding its TOU rates including TOU rates specifically for EV customers and offering programs for subscription pricing, a pre-payment pilot, and in support of distributed energy resources.

Evergy Missouri Metro is also proposing revised business transportation electrification pilot initiatives that include the Commercial Electric Vehicle ("EV") Charger Rebate Program, Business EV Charging Service Rate and Customer Education and Program Administration program to support the Commercial EV Charger Rebate Program and Business EV Charging Service Rate. As discussed in the testimony of Evergy Missouri Metro witness Charles Caisley, in the December 22, 2021, MPSC Agenda Meeting, the Commission indicated that it was not going to approve these programs previously filed in dockets ET-2021-0151 and -0269 and that Evergy revise and potentially readdress these three areas in this rate case. For a more comprehensive discussion of these revised programs and tariffs, please see the testimony of Evergy Missouri Metro witnesses Kimberly Winslow and Bradley Lutz.

Finally, as I discuss in more detail later in my testimony, the Company is also proposing a Clean Charge Network rate design.

IV. CORPORATE HISTORY, MERGER BENEFITS, MERGER COMMITMENTS

Q: What is the purpose of this section of your testimony?

A: In this Section III, I explain how Evergy was formed through the 2018 merger between Westar and GPE. I describe Evergy Missouri Metro's history, including name changes. In addition, I describe the commitments Evergy made in the merger approval proceeding, how we have pursued and tracked our progress on those commitments, and the benefits the merger has created for our customers and throughout our service territory.

a) Corporate History and Name Change

Q: Please describe the corporate history that resulted in the creation of Evergy Missouri Metro.

A: Prior to the merger with GPE, Evergy Missouri Metro was known as Kansas City Power & Light Company ("KCP&L"). What is now Evergy Missouri Metro has a corporate history that dates back to 1881.

1881: Joseph S. Chick, Lysander R. Moore and Judge William Holmes helped create what is now known as Evergy by buying an exclusive contract to provide power to the counties of Jackson, Missouri and Wyandotte, Kansas.

1882: The group incorporated as the Kawsmouth Electric Light Company, serving 13 commercial customers in downtown Kansas City. By end of year, 48 local businesses were customers.

1922: Following reincorporation and the acquisition of the Carroll County Electric Company, the company underwent its final name change to the Kansas City Power & Light Company (KCP&L).

1948: KCP&L had 199,603 customers.

1950: KCP&L became an independent company after its holding company dissolved.

1966: The KCP&L customer base had grown to over 280,000.

2008: KCP&L merged with Aquila, the company started by the Green family in 1902.

2018: KCP&L and Westar Energy merged to become Evergy, bringing more savings and sustainable energy along with solutions and choices to meet customers' needs.

2019: Evergy fully transitions to its new name, including Evergy Missouri Metro.

Q: Why was Evergy formed?

A: Evergy was formed in 2018 to create a stronger, more sustainable, more reliable, more cost-competitive locally headquartered electric utility. At the time of the merger, Evergy announced three key commitments:

- Make investments that would increase sustainability, improve the electrical grid and strengthen reliability.

- To significantly offset investments in sustainability and reliability through reducing operational costs and improving overall rate competitiveness.

- Modernize customer service and enhance customer experience.

b) Merger Commitments: Tracking

Q: Did Evergy make specific financial, regulatory, or other commitments in the proceeding in which the Missouri Commission considered the merger?

A: It did. Evergy made 48 commitments that apply to a variety of functional areas including Regulatory, Finance and Administration, Human Resources, Customer and Community Relations, Facilities, Operations, Legal, and Strategy/Merger Integration.

Q: What is the purpose of these merger commitments?

A: Evergy made these commitments to demonstrate its willingness to collaborate with stakeholders to produce a merger that would provide direct, tangible benefits to customers in the near-term and create long-term, sustainable value.

Q: How can stakeholders be assured that Evergy has honored the commitments it made in the merger proceeding?

A: Many of the merger commitments have strict reporting requirements. For example, Evergy committed to an independent third-party management audit report with specific emphasis on corporate cost allocations and affiliate transaction protocols. This report was produced in January 2020 and provided to MPSC Staff.[2]

[2] Schumaker and Associates, Management Audit of Affiliate Transactions and Corporate Cost Allocations Involving Evergy Companies, January 28, 2020.

Other commitments can be easily verified. For example, Evergy committed to maintain its corporate headquarters in Kansas City through the expiration of the then-current lease for the Company's headquarters office, which will happen in October 2032.

Some commitments would be triggered by events that have not occurred and are not expected to occur. For example, if Evergy Missouri Metro's credit rating were to be downgraded to below investment grade by either S&P or Moody's, the Company would be required to notify the Commission within five business days with an explanation of why the credit ratings had been downgraded.

Q: Does Evergy track its own performance with respect to its merger-related commitments?

A: Yes, it does. In fact, Evergy established a cross-functional internal team with the specific task of assessing merger impacts, evaluating benefits that flow from the merger, and ensuring adherence to regulatory requirements. Over time, the team coordinating the effort has turned more focus to Continuous Improvement, but it continues to monitor Evergy's adherence to each commitment made in the merger proceeding.

Q: Have external parties assessed Evergy's methods of tracking its merger commitment adherence?

A: Yes. In addition to the 2020 external audit I mentioned above, Evergy hired Concentric Energy Advisors, Inc. ("Concentric") in 2021 to conduct an external review of the Company's management and oversight of merger commitments.

Q: What was Concentric's conclusion?

A: Concentric concluded that Evergy's merger monitoring practices are consistent with industry best practices and are sufficient to ensure appropriate adherence to the commitments made as conditions of the approval of the merger. Concentric's report of its review can be found in **Schedule DRI-1**.

c) Merger Commitments: Specific to This Rate Filing

Q: Is this the first rate case for the Company since the merger of Westar and Great Plains Energy/Kansas City Power & Light (EM-2018-0012)?

A: Yes, it is.

Q: Are there merger conditions that the Company is required to meet from the Report and Order issued in EM-2018-0012?

A: Yes. I will address Condition 19- Transition Costs, Condition 22- Transaction Costs and Condition 45- Employment in the State of Missouri.

Q: What is Condition -19 Transition Costs?

A: The following is wording from the Report and Order:

> KCP&L and GMO shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized and corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be required until all transition costs are fully amortized.

Q: Do you attest that no transition costs in excess of their corresponding benefits are included in the Company's cost of service and rates?

A: Yes.

Q: Will you provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in the Company's cost of service and rates?

A: There was a thorough accounting of transition costs compared to benefits in EM-2018-0012. Specific account coding was established to track these costs. Total Evergy merger benefits through September 30, 2021 are approximately $646 million where Evergy Missouri Metro transition costs to be recovered in rates were limited to $9.7 million, to be amortized over ten years. Although merger savings have been tracked and presented at a total Evergy level, the magnitude of the savings achieved as supported by the expense savings reflected in the key drivers in Figure 1 above support our confidence that their contribution easily exceeds $9.7 Million Evergy Missouri Metro was authorized to amortize over ten years.

Q: Will you continue to address this condition in future rate case proceedings?

A: The Company respectfully requests Commission approval to discontinue addressing this commitment in future rate case proceedings as merger savings clearly exceed the authorized transition costs set forth in EM-2018-0012.

Q: What is Condition 22- Transaction Costs?

A: The following is wording from the Report and Order:

> GMO and KCP&L commit that they will not seek recovery through recognition in retail rates of transaction costs, that they shall have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. This commitment shall be required until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or

> Westar, as applicable Transaction costs shall be recorded on Holdco's books.

Q: Do you attest that no transaction costs related to this Merger are included in cost of service and rates?

A: Yes.

Q: Please provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates.

A: There was a thorough accounting of transaction costs to accounts that are recorded below the line. Specifically, these costs were recorded to account 426.5 in the FERC system of accounts.

Q: Will you continue to address this condition in future rate case proceeding?

A: We believe this condition has expired as no merger transaction costs are reflected on Evergy's books in the test year for this case. We attest that there will be no additional transaction costs recorded after the test year.

Q: What is Condition- 45 Employment in the State of Missouri?

A: The following is wording from the Report and Order:

> In their first general rate cases filed after the closing of the Merger, KCP&L and GMO (as applicable) shall provide direct testimony explaining the employment metrics related to the number of full time employees and the average turnover rate along with any material changes to those metrics since the closing of the Merger. This direct testimony shall include a complete description, supported by schedules or work papers as appropriate, of the Merger-related labor and all labor-related efficiency savings that KCP&L and GMO (as applicable) propose to flow through to the benefit of customers in the form of rates that are lower than they would be in the absence of the Merger.

Q: Please explain the employment metrics related to the number of full-time employees and the average turnover rate.

A: Table 2, below, details total headcount and the breakdown of Union versus Non-Union personnel at various dates. The turnover rate identifies the number of employees that used several Voluntary Exit Programs versus routine turnover. There were no in-voluntary lay-offs during the period specified in the merger agreement.

Table 2: Employment Metrics

Headcount

	Non-Union	Union	Total
6/5/2018	2,508	3,249	5,757
1/1/2020	2,394	2,990	5,384
1/1/2021	2,313	2,802	5,115
10/1/2021	2,255	2,650	4,905

Turnover

Voluntary Separation Plan

	Non-Union	Union	Total
2020	177	142	319
2021	67	29	96

Other

	Non-Union	Union	Total
2020	68	155	223
2021	96	186	282

Total

	Non-Union	Union	Total
2020	245	297	542
2021	163	215	378

Annualized Turnover percentage

	Non-Union	Union	Total
2020	10.2%	9.9%	10.1%
2021	9.4%	10.2%	9.9%

* *Note* : These data exclude temporary employees

Q: Please identify the Merger-related labor efficiency savings that are reflected in Evergy Missouri Metro's proposed rates.

A: Labor efficiency savings are highlighted in Table 3, below. These labor efficiency savings result in rates that are lower than they would have been but for the merger, a material benefit to customers.

Table 3: Merger-Related Labor Savings

Jun 5, 2018 - Dec 31, 2019	$112.5 M
Jan 1, 2020 - Dec 31, 2020	$111.1 M
Jan 1, 2021 - Sep 30, 2021	$107.9 M
	$331.5 M

c) *Merger Benefits*

Q: Has the merger produced material benefits for customers?

A: Yes, it has. As I noted earlier, savings resulting from the merger as of September 2021 totaled approximately $646.3 million, which is 58% above planned savings levels. In fact, the planned level of savings over five years following the merger (i.e., 2018-2023) was achieved in the third quarter of this year, approximately 18 months ahead of plan.

These savings result from the consolidation of procurement activities and other cost centers, and the implementation of process improvements. Together, these actions have allowed Evergy to achieve synergies and cost savings that Westar and GPE could not generate independent of one another. The merged company has also benefited from the application of best practices that existed independently in both organizations, which has led to additional savings. Finally, the consolidated company has benefited from improved financial management and scale.

Q: Does Evergy expect additional savings to accrue to customers going forward?

A: Yes, it does, provided that we are able to make the investments we have described in Evergy's STP.[3] These investments include those to support the continued transition to cleaner energy resources. By 2024, Evergy estimates that it will have in place an overall lower NFOM cost structure that will yield up to $330 million in annual, sustainable savings over 2018 expense levels.[4] Note that that updated projections through 2025 show $345 million in annual, sustainable savings.

V. HIGHLIGHTS OF STRATEGIC INVESTMENTS AND THE IMPORTANCE OF PISA

Q: What is PISA?

A: Section 393.1400 RSMo. allows Evergy Missouri Metro to use plant-in-service accounting, or PISA, to offset a portion of the negative lag associated with capital investments and also requires the Company to limit the growth of its rates to a compound annual growth rate of 3.0%. The negative lag inherent in capital investments made it difficult for Evergy, as well as other Missouri electric utilities, to invest at the level needed to accelerate modernization of the electric grid for the benefit of customers. Reducing the negative lag has allowed Evergy to increase investment in its distribution system and other plant with the goal of improving the reliability of the system. PISA enabled these investments which are part of the Company's capital plan which was last filed with the Commission in February 2021.

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3 Id. .

4 , Id., p. 6 of 88. Note that these projected savings are based on a 2018 baseline. Savings projections made in the merger proceeding were made on a 2016 baseline.

Q: Please highlight some of the distribution system investments that are part of the Company's capital plan and will be supported by PISA?

A: Evergy's distribution investments include:

- The Lateral Improvement Program
- Wood Pole Life Extension program
- The Proactive Cable Replacement/Rehabilitation Program
- Automation strategy-installation of Communicating Fault Current Indicators and Communicating Reclosers

For a comprehensive discussion of these distribution investments, please see the testimony of Evergy Missouri Metro witness Bruce Akin.

VI. RATE STRUCTURE PLANS AND PROPOSED CLEAN CHARGE NETWORK RATE DESIGN

Q: Why is rate structure important?

A: First, rate structure and design is important to ensure that Evergy Missouri Metro has a reasonable opportunity to recover its necessary cost of doing business. Second, rate design is necessary to ensure fairness among customers; that is, rates must reasonably apportion the Company's overall costs to the various customer categories driving those costs, thereby preventing subsidization between customers. Third, rate design can promote efficient use of resources by providing appropriate price signals to customers. Poorly designed rates may encourage inefficient use of resources. Finally, innovative rate designs can give customers more choice in the manner in which they purchase and use electricity; allowing them to better manage their bills. In addition to enhancing customer satisfaction, this will result in a more efficient and robust electric system.

Q: Does the Rate Modernization Plan being executed by the Company align with the discussion of important charactistics of rate structure?

A: Yes it does. Please see the comprehensive discussions of the Rate Modernization Plan in the testimonies of Evergy Missouri Metro witnesses Charles Caisley, Kimberly Winslow and Bradley Lutz. I won't repeat the objectives and the benefits of the Rate Plan that they articulate, but I do want to emphasize that the Rate Plan is a journey – not a destination. It is expected to flex over time based on Company objectives and needs, customer interest and technological changes. This rate case is Evergy Missouri Metro's first opportunity to file for additional rate tariffs and programs envisioned in its Rate Plan.

Q: What are the key considerations associated with the rate structure changes and/or new programs or rates that Evergy Missouri Metro proposes in this case?

A: The Company is proposing several changes to its residential and commercial rate structures as well as an expanded portfolio of residential rate and program options. Evergy Missouri Metro witnesses Kimberly Winslow, Ryan Hledik, Marisol Miller and Bradley Lutz provide more detail on these proposed changes and new program options.

I would emphasize that these revised and new rates and programs were developed with three main objectives, in my point of view:

1. **Enhance customer satisfaction** by giving customers more choices in how they purchase and use their electric service. Evergy Missouri Metro feels strongly that it be allowed to continue to deploy rate designs in a way that acknowledges the value of customer choice. We have and continue to work hard to understand our customers and provide services beneficial to them. The Rate Plan continues

that effort. The enhancement of customer choice is discussed in greater detail by Evergy Missouri Metro Witness Charles Caisley.

2. **Better align cost recovery** with Evergy Missouri Metro's cost structure such that rates reduce the risk of cross-subsidization between and among rate classes. It is important to all stakeholders that these principles stay at the forefront of rate design considerations.
3. **Encourage efficient use of the system while promoting beneficial electrification**. There is no question in my mind that beneficial electrification is an appropriate goal. The Company commitment to sustainable energy is clear and finding ways to leverage this renewable generation is to the benefit of customers and our region.

Q: You indicated that Evergy Missouri Metro is proposing to structure its residential rates in a way that better reflects aligns cost recovery with cost structure. What does that mean?

A: A fundamental principle of rate design is that it should produce rates that allocate costs to the customers that create those costs. Generally speaking, if a customer or a group of customers creates a need for system resources that are not applied to the benefit of other customers, those other customers should not share the burden of the costs of such resources.

Evergy Missouri Metro witnesses Brad Lutz and Kimberly Winslow discuss TOU rates in their testimonies concerning the Rate Plan. TOU rates are designed to incentivize energy consumption in low-cost, off-peak periods by sending price signals to change consumption behavior. This is done by aligning costs. Consumption during costly peak periods is made more expensive and the costs of consuming energy during less-expensive, off-peak periods is made less expensive. This type of rate design aligns the costs of consuming electricity with the usage that drives those costs.

Q: Are there situations in which it is appropriate to deviate from cost causation rate design principles?

A: There are situations in which it is appropriate to deviate from this general principle. For example, it may be appropriate to socialize the costs of some public benefit programs such as energy efficiency and low-income customer support mechanisms. In addition, rates that are designed to address public policy priorities may deviate from the general principle of assigning costs to customers based on cost causation. An example of a public policy that may merit deviation is a commitment to support the development of EV infrastructure. A state may determine that it is necessary to socialize some system costs on a limited basis to drive the market for EVs forward.

Q: Please describe your testimony concerning the CCN rate design?

A: In the September 19, 2018 Non-Unanimous Partial Stipulation and Agreement in Case No. ER-2018-0145/0146 the parties agreed to the following:

> 6. CLEAN CHARGE NETWORK ("CCN")
> The Signatories agree that those CCN assets not already in KCP&L's and GMO's rate bases will be included in their rate bases. KCP&L and GMO agree not to expand the CCN without Commission approval. The Signatories agree that a new customer class for electric vehicle charging stations shall be established. The Signatories agree that no other customer class shall bear any costs related to this service either through base rates or through any rate adjustment mechanism such as a FAC, DSIM or RESRAM. KCP&L and GMO agree that joint and common costs shall be allocated to the electric vehicle charging class consistent with how joint and common costs are allocated to other classes. The Signatories agree that the specimen CCN end user tariffs, attached as Exhibit B, should be approved by the Commission.

The portion relevant to my testimony is, "*The Signatories agree that no other customer class shall bear any costs related to this service either through base rates or through any rate adjustment mechanism such as a FAC, DSIM or RESRAM. KCP&L and GMO agree that joint and common costs shall be allocated to the electric vehicle charging class consistent with how joint and common costs are allocated to other classes.*" Through the process of preparing and litigating the Evergy Transportation Electrification Portfolio Filing, Case Nos. ET-2021-0151 and -0269, the perspective of the Company and we believe the perspective of the Commission has changed toward EV charging.

Q: What is your evidence of this change in perspective?

A: Transportation Electrification presents a wide range of benefits, including lower costs, greater grid flexibility, reduced emissions, and a variety of local economic benefits. The MPSC has previously acknowledged this and directly cited several of these key benefits in the February 2019 Order of Ameren Missouri's Charge Ahead filing, noting that:

> Financial benefits from an EV charging network accrue to both the utility and the ratepayers. Utilities and ratepayers benefit economically from the improved utilization of fixed assets when charging is done in off-peak times. EVs are considered to be a flexible load that can charge during periods when demand is low. The financial benefits to the utility and to the ratepayer from an EV charging network are not merely from the additional electricity sales at the charging stations, but are also obtained through additional electric sales from charging at home and creating more efficient utilization of the electric grid. All ratepayers ultimately will receive those benefits from the spreading of fixed costs over a greater amount of usage creating rates that are lower than if there was less usage.[5]

In presenting its case in the ET-2021-0151 and -0269 filing, Evergy demonstrated that Transportation Electrification has the potential to reduce long term costs for all customers by spreading the utility's fixed costs across a wider base of sales. Cost effectiveness

[5] No. ET-2018-0132, Report and Order," pp. 16-17 (February 6, 2019).

evaluations were presented in the Transportation Electrification filing estimating the net cost or benefit of passenger EV adoption from three perspectives: the Evergy customer, participant (i.e., EV driver), and societal. The results of these evaluations show net benefits from all perspectives including a customer benefit estimated at approximately $600 per EV in the Missouri Metro jurisdiction and $335 per EV in Missouri West.[6] The Transportation Electrification Portfolio Filing Report goes on to detail benefits related to increased grid flexibility, reduced emissions, and economic benefits. All benefits to be shared by EV drivers and non-EV drivers alike. For these reasons Evergy requests the concept of isolating EV costs to the EV class be reconsidered.

Q: Did the Company prepare its cost studies with a distinct CCN class?

A: Yes. The direct testimony of Company witness Marisol E. Miller details those efforts. The studies show that at the current time the CCN class is not covering its cost to serve.

Q: In proposing new rates for this case, was the cost recovery corrected?

A: No. The amount of increase required to cover all costs would be extreme, well above what would be considered a reasonable increase. It is likely the resulting price would render EV charging cost prohibitive. Instead Evergy Missouri Metro applied an increase of 7.53% (approximately 136% of the jurisdictional rate increase) to the CCN class.

Q: Is this an example of a situations in which it is appropriate to deviate from cost causation rate design principles mentioned earlier?

A: Yes. EV charging rates have the ability to support electrification efforts leveraging clean energy sources. I would contend EV rates are designed to address public policy priorities

[6] Evergy Transportation Electrification Portfolio Filing Report at 7, No. ET-2021-0151 (February 15, 2021)

and should deviate from the general principle of assigning costs to customers based on cost causation.

VII. CONCLUSION

Q: Please summarize the key elements of your testimony.

A: Evergy Missouri Metro remains committed to providing exceptional safe, reliable, and affordable utility service to our customers. We have worked hard to deliver value, and choices, to our customers. Since the merger of GPE and Westar, we have achieved for Evergy Missouri Metro customers more than $55 million in savings and cost reductions reflected in this case through disciplined cost management and the realization of merger benefits including realizing the cost savings from initial generation retirements leading our cleaner energy transition. This request is well below the rate of inflation since the Company's last rate case and without question, would have been significantly higher absent the merger. As I have described throughout my testimony, we continue to make investments in programs and initiatives that are intended to maintain and improve reliability, enhance customer service and give customers more choice in their electric rates, and continue to transition the Company's generation fleet to cleaner, more sustainable sources of energy at the appropriate pace to ensure affordability.

Making appropriate investments to achieve these goals requires that Evergy Missouri Metro has adequate access to capital. The regulatory mechanisms proposed in this case are specifically designed to provide such access. These mechanisms include a reasonable ROE and capital structure, but also tracker mechanisms that will reduce the regulatory lag between when Evergy Missouri Metro incurs certain costs and when those costs are recovered. These mechanisms will provide a foundation on which Evergy Missouri Metro will execute its strategic plans for the future.

Q: Does that conclude your testimony?

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 Implement A General Rate Increase for Electric Service	))))	Case No. ER-2022-0129

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 Direct Testimony on behalf of Evergy Missouri Metro consisting of thirty-six (36) 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 7th day of January 2022.

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952

Evergy's Adherence to Merger Commitments

CONCENTRIC REVIEW, PREPARED OCTOBER 2021

Contents

I. EXECUTIVE SUMMARY

This memorandum documents the results of Concentric's review of Evergy, Inc.'s management and oversight of the commitments made as conditions of the approval of the merger between Great Plains Energy and Westar Energy, Inc by Kansas and Missouri regulators.

Concentric conducted a review of each merger commitment, the tracking mechanisms used to monitor and report progress, and the executive review and oversight processes in place to ensure that Evergy, Inc. complies with all commitments and regulatory requirements pertaining to the merger. The commitments range in topic from human resources to finance to operational matters. Our conclusion is that Evergy's practical and methodical approach to tracking merger commitments have ensured that benefits have materialized for customers and other stakeholders throughout service territories in Kansas and Missouri.

Concentric's review indicates that Evergy's approach is appropriate to ensure full compliance and is consistent with industry best practices.

II. INTRODUCTION

On August 31, 2017, Great Plains Energy (GPE) Kansas City Power & Light Company ("KCPL"), KCP&L Greater Missouri Operations Company, and Westar Energy, Inc. filed a joint application seeking approval regulators in Missouri and Kansas for the merger between Westar and GPE. Evergy, Inc., the resulting holding company, continues to operate investor-owned utilities in Kansas and Missouri. The merger was approved by the Missouri Public Service Commission (MPSC) in May 2018[1] conditioned on 48 merger commitments and associated conditions. The Kansas Corporation Commission (KCC) approved the merger the same day,[2] contingent on 55 merger commitments and conditions.

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[1] Missouri Public Service Commission File No. EM-2018-0012, *In the Matter of the Application of Great Plains Energy Incorporated for Approval of its Merger with Westar Energy, Inc.* (MO Merger Proceeding), Report and Order (Issued May 24, 2018) (MPSC Merger Approval Order).

[2] Kansas Corporation Commission Docket No. 18-KCPE-095-MER, *In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Westar Energy, Inc. for Approval of the Merger of Westar Energy, Inc. and Great Plains Energy Incorporated*, Order Approving Merger (May 24, 2018).

This memo was prepared at the request of Evergy Missouri West, Inc. and Every Missouri Metro, Inc. (referred to collectively herein as Evergy or the Company).[3] Specifically, Evergy requested that Concentric document our assessment of Evergy's implementation and progress-tracking of merger commitments made in Missouri Docket No. EM-2018-0012.

Concentric's review and conclusions are described in the sections that follow. Section III describes the methodology Concentric applied in conducting our review, which included a review of documentation, interviews with select Evergy leaders responsible for ensuring compliance with regulatory mandates, and validation of the executive review and oversight that guide the Company's practices with respect to merger commitments.

III. CONCENTRIC'S REVIEW OF EVERGY'S MERGER COMMITMENT ADHERENCE

Concentric has deep expertise in utility mergers and acquisitions. We have provided regulatory advisory expertise and support on a variety of transactions in the regulated utility industry. Our expertise included the design of merger commitments that are crafted to ensure that a merger meets or exceeds established policy and/or statutory requirements that are intended to protect the public interest.

Concentric is familiar with the merger standards that have been established by the MPSC. From our work supporting utility sector consolidation in the State, we have a detailed understanding of the issues that have concerned the MPSC in its deliberation on merger provisions and overall structure. In that 2018 merger proceeding Concentric provided support in the development of the merger commitments. We have a comprehensive understanding of the interests of the parties and the form and structure of the resulting commitments.

This experience served as a foundation for Concentric's review of the mechanisms Evergy has created to monitor the commitments the Company made in the course of the merger proceeding. It allowed Concentric to accelerate the review and focus particular emphasis on aspects of the merger that are of significant interest to customers, MPSC Regulatory Staff (Staff), and other stakeholders.

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[3] Evergy Missouri West is an integrated, regulated utility that provides electricity to customers in Missouri. Evergy Metro, Inc. is an integrated, regulated electric utility that provides electricity to customers in the states of Missouri and Kansas.

Concentric's review encompassed an evaluation of the Company's merger commitment monitoring structures, including the work of Evergy's internal organization that was tasked with assessing merger impacts, evaluating benefits the merger has created, and ensuring adherence to regulatory requirements. Concentric reviewed these mechanisms critically to ensure that they are applied consistently to commitments that apply to all Evergy departments, all aspects of the firm's operations. In this review, we interviewed senior management and line personnel responsible for accounting, management, operations, Human Resources, and other key features of business operations. These discussions with Evergy personnel were supported by a review of extensive documentation (i.e., meeting agendas, minutes, Internal Audit reports on merger tracking mechanisms, periodic reports made to the MPSC, etc.) that describe and codify internal and external reporting related to the various commitments.

IV. EXECUTION AND TRACKING

Following the approval of the merger by regulators in Missouri and Kansas, Evergy established an internal organization that was initially called Integration Success. The team was tasked with several accountabilities, which included tracking merger benefits and monitoring progress toward the obligations established by regulatory orders and in formal merger commitments. The team that was focused on Integration Success, which is now officially called Continuous Improvement, had a core staff with support from a cross-functional team comprised of individuals from various corporate organizations. Each commitment was assigned to a specific corporate representative accountable for tracking adherence and reporting status on an ongoing basis to Evergy leaders.

The team focused on Integration Success met on a biweekly basis beginning in 2018 to review activities and resources and to plan and verify reporting on various merger commitments. After initial efforts focused on short-term obligations were complete, they shifted their meeting cadence to monthly meetings, which continue today among Regulatory personnel with updates to the Continuous Improvement team.

The team's activities and practices are consistent with industry standards for tracking progress and ensuring compliance with merger approval conditions.

Merger Commitments

Evergy has organized and tracked merger commitments by category, which generally align to specific Evergy business organizations. These categories are reviewed in the sections that follow, with specific descriptions of notable achievements and identification of activity and progress that continues to be made today.

Human Resources

Human Resources merger commitments apply to operational staffing requirements such as the tenure of corporate executive leadership, maintenance of compensation and benefits of utility employees for a minimum of two years following merger close, a prohibition on involuntary severance programs, and adherence to collective bargaining agreements.

Several Human Resources commitments have been completed or no longer apply.[4] Commitments that remain in effect are being tracked and monitored effectively to ensure compliance with regulatory requirements.

Customer & Community Relations

Customer and Community Relations merger commitments apply primarily to charitable giving and Corporate Social Responsibility, customer assistance program funding, and other customer programs. The Integration Success team has worked closely with subject matter experts from Evergy's Accounting and Finance departments to ensure timely payments are made to applicable charitable organizations and to fund customer programs specified by the MPSC.

Evergy reports made annually to the MPSC, MPSC Staff, and the Office of Public Counsel (OPC) provide appropriate description of the spending by programs that benefit customers through weatherization and energy efficiency programs. Concentric's review has concluded that Evergy's corporate giving commitments are being tracked and monitored effectively to ensure compliance with regulatory requirements.

Facilities

There are only two Facilities commitments: (1) Evergy's corporate headquarters is to remain in Kansas City, and the Company is to honor its existing lease for its current headquarters location, and (2) Evergy will maintain the current Westar Topeka downtown headquarters building at 800-818 South Kansas Avenue in Topeka, KS for its Kansas headquarters.

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[4] *E.g.*, Evergy committed to honor collective bargaining contracts that existed at the time of the merger close. Evergy is in the middle of negotiations on a new agreement, with the hope of executing in 2021. A new agreement will effectively retire the applicable commitment.

Evergy remains in compliance with both commitments. In fact, the Company has reached an agreement to purchase the Topeka, KS headquarters location as of the expiration of the current lease in 2023.

Operations

The MPSC approved seven Operations commitments focused on service quality levels (including customer service quality indices), reliability, and assurances that power costs would not rise as a result of the merger.

Evergy provides monthly reports to MPSC Staff to this day to document the status of performance on most Operations merger commitments that remain in effect today.[5] The exception is the requirement that Evergy demonstrate that fuel and purchased power costs not rise as a consequence of the Merger. MPSC Staff and other stakeholders are able to explore the Company's performance on fuel and purchased power costs in the context of periodic Fuel Adjustment Clause calibration proceedings.

The monthly reports Evergy provides to MPSC Staff appropriately capture the Company's Operations performance and provide confidence that the GPE-Westar merger has not led to a deterioration in service quality, reliability, or associated metrics.

Evergy's adherence to the merger commitments meets or exceeds the industry standard for keeping regulators and other stakeholders informed of Operational performance. In fact, some of the reporting takes place so frequently that it creates an administrative burden on the Company, and thus creates avoidable costs to customers. In particular, the last Operations merger commitment states that Evergy "shall provide to Staff a current organizational chart, illustrating the positions and names of management employees that have customer service responsibilities, and this information shall be provided on a monthly basis thereafter."[6] This requirement entails considerable effort for Evergy to produce and may provide de minimis value to MPSC Staff. This requirement exceeds industry norms for ensuring that regulatory Staff are kept apprised of staffing changes in customer service organizations. Nevertheless, Evergy has met maintained adherence to this requirement since the merger was approved.

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[5] One Operations commitment established a reporting requirement concerning customer satisfaction with front-line customer service personnel and utility interactions. This requirement applied for two years following the close of the merger. The final report under this commitment was made in the form of a report on survey results and was provided to regulators on August 18, 2020.

[6] MO Merger Proceeding, Exhibit A to the Stipulation and Agreement (January 12, 2018), p. 14, Commitment 36.

Finance & Administration

Evergy agreed to 39 Finance and Administration merger commitments. Six of these commitments require specific responses in the case that the rating on Evergy's senior secured debt is downgraded to below investment grade. This situation has not occurred, and there is no indication or expectation that this condition could materialize in the near future given current business and market conditions.

Ten additional commitments pertain to business relationships and transactions among corporate affiliates within the Evergy, Inc. holding company. The requirements in these commitments stipulate that accounting practices will be maintained and auditable. Evergy has conducted assessments and prepared annual filings to the Commission on its performance in terms of affiliate transaction-oriented merger commitments. [7] In addition, Evergy, in partnership with stakeholders, procured an "independent 3rd-party management audit report of the Company's corporate cost allocations and affiliate transaction protocols."[8] This assessment evaluated Evergy's performance in light of industry best practices concerning affiliate transactions and corporate cost allocation. In fulfillment with the merger commitments, the audit was designed to assess the appropriateness of cost allocation practices among affiliates within Evergy's holding company and to measure compliance with the Commission's Affiliate Transactions Rule.[9] The report, prepared by Schumaker and Associates, made four recommendations to Evergy and indicated that the Company's practices align with industry norms. [10]

Other Finance and Administration merger commitments require assurances about transition and transaction costs and the availability of accounting books to MPSC Staff. In Evergy's 2018 rate case MPSC Staff evaluated transaction and transition costs, verifying the Company's compliance (via a series of information requests, etc.). Yet other commitments require affirmative proof that customers are not harmed as a result of financial or rate impacts that derive from the merger. Evergy witness Darrin Ives provided testimony in support of the Company's strong performance in producing material net benefits from the merger in Evergy's 2018 rate case.[11] The Company will most likely file testimony addressing the same concepts in its next rate case as well.

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7 *See, e.g.*, Evergy Missouri Affiliate Transaction Report, March 15, 2021.

8 MO Merger Proceeding, Exhibit A to the Stipulation and Agreement (January 12, 2018), p. 11, Commitment 31.

9 4 CSR 240-20.015

10 Schumaker and Associates, Management Audit of Affiliate Transactions and Corporate Cost Allocations Involving Evergy Companies, January 28, 2020.

11 Missouri Public Service Commission, Case No.: ER-2018-0145, Direct Testimony of Darrin R. Ives, pp. 6-7.

The benefits that have flowed from the GPE-Westar merger have rendered many of the Finance and Administration merger commitments irrelevant since the merger was completed (e.g., the commitments that would apply in the case of a credit rating downgrade). Concentric's review has indicated that the Company's performance on all of the Finance and Administration commitments meets the industry's standard for management and reporting vigilance and compliance.

Legal

Legal merger commitments apply to the initial composition of the Evergy Board of Directors and to ensuring MPSC Staff can access Board of Directors meeting agendas and minutes.

The initial Board of Directors composition merger commitment applied for a period of three years and was honored throughout that period. Evergy continues to provide MPSC Staff with access to Board of Directors' meeting minutes, agendas, presentations and handouts, and related information distributed in advance of Board of Directors meetings.

Regulatory

Regulatory merger commitments apply to (1) rate increases, (2) affiliate transactions, (3) customer information privacy protections, (4) adherence to approved cost allocation methodologies and manuals, (5) employment levels, and (6) legacy commitments made in prior regulatory proceedings.

Customer benefits from the merger (*i.e.*, including protection from rate increases) have exceeded expectations. Evergy leaders indicated to Concentric that testimony to this effect will be provided in Evergy's next rate case (expected to be filed in 2022) by witness Darrin Ives. Evergy assesses and reports on its adherence to established rules and industry best practices concerning affiliate transactions and corporate cost allocation each year.[12] Findings from management audits that Concentric has reviewed indicate no substantive deficiencies in Evergy's practices. Our review indicates that Evergy's tracking and monitoring of Regulatory merger commitments, and in particular those that address affiliate transactions and corporate cost allocations, meet or exceed industry standards.

Strategy/Integration

Evergy's Strategy and Integration merger commitments include (1) the obligation to meet with MPSC Staff on a quarterly basis for one year to discuss integration progress, (2) a requirement to

[12] *See supra*, note 7.

provide quarterly employee headcount date for a period of two years, and (3) a requirement that for a period of two years any reports made to the Evergy Board of Directors concerning merger efficiencies be provided to MPSC Staff within 30 days of such reports being provided to the Board of Directors.

All merger commitments related to Strategy and Integration have been completed and no longer apply.

Miscellaneous Commitments

Two miscellaneous merger commitments merit discussion in this report:

1. The requirement that Evergy establish and maintain a dialogue with industrial customers (i.e., meeting with senior management, outside of regulatory / governmental affairs) through 2023; and
2. The commitment to maintain or improve current load sampling and research practices of KCP&L and GMO after the Merger, and that Evergy's Missouri affiliates will discuss with Staff any modifications planned to integrate Westar and KCP&L and GMO load sampling and research practices.

Concentric verified that Evergy has held periodic and constructive discussions with industrial customers since the merger closed. Challenges with keeping scheduled meetings materialized in 2020 as a result of the COVID-19 pandemic. All involved parties agreed to reschedule a meeting that was planned for November 2020 to 2021. Meetings between Evergy and industrial customers resumed in May of 2021.

Evergy has taken steps to modernize its load analysis processes by replacing its load sampling and research practices with direct analysis of customer load data obtained from its Advanced Metering Infrastructure (AMI) and Meter Data Management (MDM) systems. Using state of the art methodologies and new systems and software tools, Evergy has completed the transformation to its new approach and is supporting the current rate case development efforts. Formalized plans and processes have been communicated to MPSC Staff.

V. CONCLUSIONS

Concentric's evaluation of Evergy's approach to monitoring adherence to commitments made to the MPSC, its Staff, and other stakeholders in the course of the GPE-Westar merger proceeding indicates that Evergy's practices are consistent with industry best practices.

APPENDIX 1: RESOURCES USED IN SUPPORT OF CONCENTRIC'S ASSESSMENT

- Evergy Internal Audit assessment of merger conditions, processes, adherence
- Annual Reports to the Commission on Affiliate Transactions (2018-current)
- External audit on Affiliate Transactions
- Meeting agendas/minutes for quarterly discussions w/regulatory Staff on the EVRG Customer Service organization
- The Evergy Cost Allocation Manual (CAM)
- Reference to discussion in 2018 case testimony concerning assessment of merger benefits
- Goodwill Impairment Report
- Integration Success reports that have been provided to MPSC Staff, the Commission
- Records of formal meetings with industrial customers that have taken place since 2018