

Exhibit No.: _____
Issue(s): Storm Reserve/Rate Case Expense
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Sponsoring Party: Public Counsel
Case No.: ER-2026-0143

DIRECT TESTIMONY

OF

MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

**EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO**

CASE NO. ER-2026-0143

June 30, 2026

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DIRECT TESTIMONY
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EVERGY MISSOURI METRO, INC., D/B/A EVERGY MISSOURI METRO
CASE NO. ER-2026-0143

1 **Q. Please state your name, title, and business address.**

2 A. Manzell Payne, Senior Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or
3 “Public Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q. What are your qualifications and experience?**

5 A. My educational background includes a Bachelor of Arts degree in Accounting from
6 Westminster College in Fulton, Missouri, which I received in 2020. I am currently
7 obtaining my MBA with an emphasis in Accounting.

8 Prior to joining the Office of Public Counsel in July 2023, I worked as an analyst and
9 auditor in the banking industry for four and half years. The responsibilities during my time
10 as an analyst included risk analysis, tracking/monitoring expenditures, auditing of business
11 financial statements and business plans. Through my various analysis and auditing work in
12 the banking industry, I had the opportunity to review an individual or company’s credit
13 worthiness.

14 Since joining the OPC, I have attended the National Association of Regulatory Utility
15 Commissioners (“NARUC”) Rate School, and I have attended other seminars and trainings
16 relating to utility regulation.

17 **Q. Have you testified previously before the Missouri Public Service Commission?**

18 A. Yes, I have previously testified before the Missouri Public Service Commission
19 (“Commission”). Please refer to schedule MMP-D-1 attached hereto for a list of cases in
20 which I have testified.

21 **Q. What is the purpose of your direct testimony?**

22 A. The purpose of my direct testimony is to address storm reserves and rate case expense as those
23 issues relate to Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy Missouri
24 Metro”).

1 **STORM RESERVE**

2 **Q. What is a storm reserve?**

3 A. A storm reserve is an account that has funds collected through rates that are used to cover
4 future costs associated with storm-related expenses affecting company operations. The
5 account is for future storm-related damages that may occur.

6 **Q. Has Evergy Missouri Metro (“EMM” or “Company”) or one of its affiliates proposed
7 including a storm reserve in past cases?**

8 A. Yes. In Case No. ER-2022-0129 the Company proposed establishing a storm reserve for non-
9 labor costs related to storms greater than \$200,000. As Company witness, Ronald Klote
10 stated:

11 The company is proposing to set a reserve level based upon a three year
12 average of storms costs (2018, 2019, and 2020) where the non-labor costs
13 related to individual storms were greater than \$200,000. This average was then
14 multiplied times three to establish the base reserve amount. An annual amount
15 equal to the three year average has been included in the revenue requirement
16 on an on-going basis. This is needed to continue to cover expenses paid out of
17 the reserve over time due to the unpredictable and sporadic nature of storm
18 events. The implementation of this reserve will be used to cover intermediate
19 to large storms by using a \$200,000 minimum storm level, but in the event a
20 storm is very significant and impactful to Company operations this request
21 does not preclude the Company from requesting an Accounting Authority
22 Order if the magnitude of the storm warrants the request as has been done
23 historically.¹

24 More recently, in case No. ER-2024-0189 Evergy Missouri West (“EMW”) proposed
25 establishing a storm reserve of non-labor costs related to storms greater than \$200,000. As
26 Company witness, Ronald Klote stated:

¹ *Exhibit No. 115 Direct Testimony of Ronald A. Klote*, p. 39 lines 7-19, 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.

1 The Company is proposing to set a reserve level and annualized level based
2 upon a three-year average of storms costs (12-months ending September 2021,
3 September 2022, and September 2023), where the costs related to individual
4 storms were greater than \$200,000. An annual amount equal to the three-year
5 average has been included in the revenue requirement on an on-going basis.
6 This is needed to continue to cover expenses paid out of the reserve over time
7 due to the unpredictable and sporadic nature of storm events. The
8 implementation of this reserve will be used to cover intermediate to large
9 storms by using a \$200,000 minimum storm level, but in the event a storm is
10 very significant and impactful to Company operations, this request does not
11 preclude the Company from requesting an Accounting Authority Order if the
12 magnitude of the storm warrants the request, as has been done historically. In
13 addition, please see the testimony of Company Witness Ryan Mulvany for
14 additional discussion on why the Company has requested a Storm Reserve in
15 this rate case.²

16 **Q. Has the Commission previously authorized EMM or EMW to have a storm reserve?**

17 A. No. EMM did request a storm reserve in its most recent rate case, Case No. ER-2022-0129,
18 but did not receive one. Instead, the parties entered into a stipulation and agreement where the
19 Company agreed that they would not establish a storm reserve in that general rate case. In
20 EMW's most recent rate case, Case No. ER-2024-0189, the parties again entered into a
21 stipulation and agreement where the Company agreed that they would not establish a storm
22 reserve in that general rate case.

23 **Q. Should the Commission authorize EMM to have a storm reserve?**

24 A. No. Storms are a reoccurring cost of doing business for a utility. Therefore these costs are
25 accounted for in the course of the Company's rate case and included in their rates at a
26 normalized level. By operating in this manner, the Commission is able to ensure it is
27 considering "all relevant factors" when setting rates because measuring all elements of the
28 test year are being considered at the same time. Any attempt to track storm costs

² Id. at pp. 28-29, lines 14-23 & 1-3, respectfully.

1 independently would lead to a disjointed form of ratemaking; one that violates the matching
2 principle.³ In addition, the use of a tracker unfairly shifts risk from shareholders to customers
3 without a corresponding benefit to compensate ratepayers for this increased risk. If the
4 Commission were to order such a tracker, it would only be reasonable to do so if the
5 Commission reflected the reduced risk borne by the Company in some manner.

6 **Q. Who benefits from the Company having a storm reserve?**

7 A. In this situation, EMM and their shareholders are the ones who benefit from there being less
8 risk to the Company and by getting money upfront. Ratepayers, on the other hand, do not
9 receive a corresponding benefit. Instead, they would be funding a storm reserve that allows
10 the Company to recover storm costs through a prefunded mechanism, reducing the utility's
11 financial risk and earnings volatility while increasing the revenue requirement included in
12 rates. The storm reserve is ultimately a convenience to the Company, not a necessity. The
13 Company has operated for years without the storm reserve and continues to have an
14 opportunity to file for an Accounting Authority Order ("AAO") or securitization of its storm
15 costs if an extraordinary storm event were to occur.⁴

16 **Q. Can you provide an analogy that illustrates the effect of a storm reserve?**

17 A. Yes. A storm reserve is similar to requiring customers to purchase an insurance policy for the
18 Company. Customers would pay money, up front, into a reserve before storm costs are
19 incurred. Whenever storm damage occurs, the Company recovers those costs from the reserve
20 rather than absorbing the financial impact until its next rate case. In effect, customers would
21 be funding protection for the Company and its shareholders from future storm expenses.
22 Similarly, when you pay for insurance for a car or home, you pay an ongoing amount, fee, or
23 premium, usually monthly, quarterly, or yearly, to keep your policy active. This money that
24 is paid to the insurance company is pooled together with payments from other policy holders
25 to fund future claims.

³ The matching principle requires that revenues and any related expenses be recognized together in the same reporting period. - <https://www.accountingtools.com/articles/the-matching-principle>

⁴ EMW sequentially sought both first an accounting authority order then securitization for the extraordinary costs it incurred due to February 2021 Storm Uri.

1 **Q. Does your analogy perfectly describe the Company’s storm reserve proposals?**

2 A. Not exactly. However, it demonstrates the central issue with the storm reserve. EMM is
3 seeking advance recovery of potential future storm costs while retaining its authorized
4 opportunity to earn a return on equity (“ROE”), which is intended to compensate investors for
5 business risk, such as storm costs. The storm reserve reduces the Company’s exposure to
6 storm-related financial risk but does not provide customers with a corresponding reduction in
7 rates or authorized return.

8 **Q. You mentioned the Company’s authorized return. Does having a storm reserve affect a**
9 **utility’s risk?**

10 A. Yes. As I stated above, the establishment of the storm reserve would reduce the financial risk
11 associated with storm-related expenses by allowing the Company to collect from customers
12 in advance of future storm events. Under traditional ratemaking, the company and its
13 shareholders bear the risk of actual storm expenses between rate cases that differ from
14 amounts already authorized in rates. A storm reserve reduces that risk by transferring a portion
15 of that damage amount to customers.

16 **Q. If the Commission authorized Evergy Missouri Metro to have a storm reserve, should**
17 **that affect the return the Commission authorizes?**

18 A. Yes. One of the fundamental principles of utility regulation is that there is a link between risk
19 and return. If the Commission allows the Company to have a storm reserve, which reduces
20 the Company’s business risk, it would be reasonable and appropriate to have a corresponding
21 reduction in the Company’s authorized ROE. EMM did not propose any such adjustment in
22 its last general rate case, Case No. ER-2022-0129. Evergy Missouri West did not propose any
23 such adjustment in its last two general rate cases, Case Nos. ER-2022-0130 and ER-2024-
24 0189. Instead, the Evergy companies have sought to reduce their risk while seeking an
25 authorized return which does not reflect that reduction in risk.

26 **Q. What do you recommend with regard to any potential storm reserve requested by**
27 **Evergy Missouri Metro?**

28 A. The Company does not need a storm reserve. Therefore, I recommend that the Commission
29 disallow any funds associated with a requested storm reserve.

1 **RATE CASE EXPENSE**

2 **Q. What is rate case expense?**

3 A. Rate case expense can be defined as the total cost that a utility will incur to prepare, present
4 and conclude a general rate case. Examples of rate case expenses are: outside legal counsel
5 fees, consultant fees, customer notice fees, and depreciation study fees.

6 **Q. How has the Commission been treating rate case expense?**

7 A. For many years the Commission has employed a 50/50 sharing mechanism for those rate case
8 expenses that are not mandatory to initiate a rate case. Expenses such as customer notice
9 costs, depreciation studies, and filing costs are necessary to introduce a case. The
10 Commission's most recent relevant decision on rate case expenses was in the Spire Missouri
11 Rate Case Nos. GR-2017-0215 and GR-2017-0216, where the Commission held Spire
12 Missouri to a 50/50 sharing mechanism with customers. In its *Amended Report and Order*,
13 the Commission found:

14 Therefore, it is just and reasonable that the shareholders and the ratepayers
15 who both benefited from the rate case, share in the rate case expense. The
16 Commission finds that in order to set just and reasonable rates under the
17 specific facts in this case, the Commission will require Spire Missouri
18 shareholders to cover half of the rate case expense and the ratepayers to
19 cover half with the exception of the cost of customer notices and the
20 depreciation study⁵.

21
22 On February 9, 2021, the Missouri Supreme Court affirmed the Commission's decision.⁶

23 **Q. What amount of rate case expense should be included for calculating EMM's revenue
24 requirement?**

25 A. First, the Commission should use a three-rate case expense average of costs incurred by EMM
26 in Case Nos. ER-2018-0145⁷, ER-2022-0129, and this case. Then divide that sum by the
27 number of years over which the Company expects to recover the amount. The Company's

⁵ *Amended Report and Order*, p. 54, In the Matter of Laclede Gas Company's Request to Increase its Revenues for Gas Service & In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase its Revenues for Gas Service, Case Nos. GR-2017-0215 & GR-2017-0216, EFIS Item No. 590 (Mar. 7, 2018).

⁶ *Spire Missouri, Inc. v. Pub. Serv. Comm'n*, 618 S.W.3d 225, 233 (Mo. banc 2021).

⁷ When Evergy Missouri Metro was still under the name of Kansas City Power and Light Company.

1 estimated rate case expense for this case is \$2,070,043⁸. 38.6% of this number (\$800,000) is
2 for outside attorney fees, an amount that should be scrutinized by the Commission as it
3 appears to be excessive. Finally, the Commission should employ the same 50/50 sharing
4 mechanism it has in the past to arrive at the amount of rate case expense to include in Evergy
5 Missouri Metro's revenue requirement.

6 **Q. What should the Commission use as an appropriate period of time when calculating the**
7 **amount of rate case expense it includes in EMM's revenue requirement?**

8 A. Four years is the appropriate period for the Company to recover rate case expense for this
9 case. This is consistent with the Company, Staff, and OPC positions in EMM's most recent
10 rate case, ER-2022-0129. To comply with state statute, the Company must come in for a rate
11 case every four years.⁹ Additionally, EMM has not been in for a general rate case since 2022,
12 about four years ago, further justifying why the Commission should use four years for this
13 calculation.

14 **Q. Do you have any additional concerns regarding Evergy Missouri Metro's rate case**
15 **expense?**

16 A. Yes. I am currently reviewing the Company's outside attorney and consultant expenses to
17 determine whether those costs are prudently incurred or reasonable to be recovered from
18 customers. While it is reasonable for a utility to retain outside professionals when appropriate,
19 Evergy Missouri Metro bears the burden of demonstrating that such expenses are indeed
20 necessary, reasonable, and non-duplicative. To the extent that I find that there are excessive,
21 duplicative or otherwise imprudent outside attorney and consultant fees, I recommend that the
22 Commission disallow those costs from the Company's rate case expense.

23 **Q. Can you summarize your recommendation for rate case expense in this case?**

24 A. Yes. First, I recommend that EMM's rate case expense follow Commission precedent, and
25 the Company follow the 50/50 rate case sharing. Second, I recommend that the Company
26 should normalize rate case expense by averaging three rate cases, using the rate case expenses
27 from Case Nos. ER-2018-0145, ER-2022-0129 and this case, and dividing that sum by 4

⁸ Company response to Staff Data Request No. 374. Attached as MMP-D-2.

⁹ Section 386.266.5(3), RSMo.

1 years, the length of time required for EMM to recover that amount, in this case 4 years.
2 Finally, following additional review, I may recommend adjustments to remove excessive or
3 imprudent outside attorney and consultant expenses from the rate case expense calculation.

4 **Q. Does this conclude your direct testimony?**

5 A. Yes it does.

