

Exhibit No. 851

St. Joseph – Exhibit 851
Bryan E. Carter
Surrebuttal Testimony
File Nos. ER-2022-0129 & ER-2022-0130

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City of St. Joseph
ER-2022-0130

SURREBUTTAL TESTIMONY

OF

BRYAN E. CARTER

Submitted on Behalf of
the City of St. Joseph, Missouri

EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

Case No. ER-2022-0130

August 16, 2022

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BRYAN E. CARTER

EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

CASE NO. ER-2022-0130

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

2 A. I am Bryan E. Carter. I am the City Manager of the City of St. Joseph, Missouri. My
3 business address is City Hall, Room 305, 1100 Frederick Avenue, St. Joseph,
4 Missouri 64501.

5 **Q. Are you the same Bryan Carter who filed direct testimony in this case?**

6 A. Yes, I am.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. I will respond to pages 9-13 of the Rebuttal Testimony of Bradley D. Lutz of Evergy.
9 Although the title of that portion of his Rebuttal Testimony is “Developer Installed
10 Streetlighting,” the issue is both developer-installed streetlighting *and* streetlighting
11 installed by City contractors, that is, contractors chosen by the City for public works
12 projects, such as road expansion. My surrebuttal refers to the subject as
13 streetlighting installed by City-approved developers and City contractors.

14 **Q. Mr. Lutz states, on pages 10 and 11 of his Rebuttal, that the historic practice
15 of the Company accepting ownership of streetlights built by City contractors
16 or City-approved developers ended in 2016 in MoPSC Case No. ER-2016-0156,
17 and that the City of St. Joseph should have been aware of that change
18 because it was a party to the case. Do you agree?**

19 A. The City of St. Joseph was an intervenor in that case. However, City officials do not
20 recall receiving notice that streetlighting tariffs were being changed in that case.
21 The City does not dedicate the resources of some other parties, like the MoPSC
22 Staff or the Office of the Public Counsel, to review in detail the scores of pages
23 submitted by the Company in a general rate case. To the best of my knowledge,

1 streetlights were never mentioned by any party to ER-2016-0156 in testimony and
2 were not a contested issue in that case. The City did not expect any changes in
3 streetlighting tariffs in that case.

4 **Q. Mr. Lutz states, on pages 10 and 11, that the Company changed its historic**
5 **practice regarding streetlights as part of the Company consolidating the**
6 **tariffs of St. Joseph Light & Power Company and Missouri Public Service**
7 **Company (“MPS”), which were former companies of Aquila then operating as**
8 **KCP&L Greater Missouri Operations (“GMO”). What is your reaction to that**
9 **testimony?**

10 A. Mr. Lutz states that Evergy Missouri West “examined the SJLP and MPS versions
11 of the Municipal Streetlighting tariffs and brought them together under a unified
12 GMO tariff.” Which “allowed Evergy Missouri West to deploy common lighting
13 options and tariff terms but led Evergy Missouri West to end practices not in line
14 with current operations and standards of the consolidated Company.” He goes on
15 to say, “Further, Evergy Missouri West sought to end practices or lighting options
16 that were not suited for universal application across the GMO jurisdiction.
17 Provisions for a developer installed option were not included in the new,
18 consolidated GMO tariff.”

19 I can understand and appreciate the Company’s efforts to improve its efficiency.
20 However, the Company’s consolidation of its practices caused significant expense
21 to the City of St. Joseph. The change removed the ability to allocate capital expense
22 to developers and projects and, instead, burdened the City with significant
23 infrastructure cost. On public projects, the City lost the ability to competitively bid
24 the installation of streetlights through its well-established processes. It also lost the
25 ability to realize a possible savings by having on-site contractors add streetlight
26 installation to their scope of work in a way that, among other effects, avoided
27 mobilization costs by separate contractors.

1 The Company's consolidation of its practices fundamentally changed the City's
2 operation of its streetlighting program and affected the limited budget of a major
3 customer, the City of St. Joseph. Further, those changes were made without notice
4 to the City of St. Joseph nor presumably to any other municipality. Again, while the
5 Company seems to have gained simplicity in its practices, that simplicity had a
6 major effect that neither the City nor any other party would likely notice in the
7 proposed streetlighting tariff changes in ER-2016-0156.

8 **Q. Mr. Lutz says, on pages 12 and 13, that Evergy West believes providing a**
9 **“developer installed streetlighting option” to its tariff now would require the**
10 **Company to be prepared to support that approach for all Evergy Missouri**
11 **West customers, and possibly customers in Evergy Metro and in Kansas,**
12 **wanting to use that option. How do you respond?**

13 A. Mr. Lutz's testimony also stated that the City of St. Joseph was the only Evergy
14 West customer to be using that option at the time the Company closed that option
15 in 2016, indicating other customers are not likely to return to an approach they did
16 not utilize when it was previously available. Nonetheless, the ability to require
17 developers to install streetlighting at their cost is a policy decision that should be
18 left to local municipalities. It is a decision that is akin to the responsibility for
19 installation of other utilities, including sewer, gas, water and electricity. In addition,
20 there are already significant differences among the streetlighting tariffs of the
21 Company and its affiliates.¹

22 Having said that, if the Company wants to limit the number of cities allowed to utilize
23 the City's desired approach, we would be content to see our recommended tariff
24 language limited to charter cities, cities of a certain population, or some other
25 limiting characteristic that allows St. Joseph to utilize the method in the manner it

¹ See Evergy West responses to St. Joseph Data Requests 2.14 and 2.15.

1 was previously utilized in St. Joseph. The population of the City of St. Joseph was
2 72,473 in the 2020 United States Census.

3 **Q. Did Mr. Lutz address the City of St. Joseph's concern about shifting capital**
4 **costs to operating costs?**

5 A. No, although the cost-shifting issue is a key reason for the position of the City of St.
6 Joseph in this case. To be clear, I am speaking here of capital costs of the City
7 versus operating costs of the City, as recognized within the City's budget and paid
8 for with taxpayer funds. Every, of course, has capital costs and operating costs of
9 its own that are reflected in various ways on its books and in its rates.

10 When a streetlight is constructed by a City-contractor or a City-approved developer
11 and deemed to be Company property at the end of the construction project, the
12 capital costs of that construction have been absorbed by the contractor or
13 developer. Thereafter, the only operating cost the City should have in regards to
14 that streetlight would be the cost of the electricity required to operate that streetlight
15 and a reasonable allowance for maintenance costs.

16 Now, however, under Tariff Sheet 150, the City is paying both capital costs (the
17 construction cost of the streetlight) *and* operating costs (the electricity needed to
18 operate the streetlight) for that streetlight. This puts a substantial burden on the
19 City's operating budget, raising the electricity bill of the City because those electric
20 rates include both capital *and* operating costs. That substantial burden was a new
21 burden imposed by Tariff Sheet 150 and the Company's policy. If the Company is
22 the only entity that may build new streetlights and the costs of construction are
23 passed on through rates, this will exacerbate that problem.

24 Under Every's current application of its tariff (Revised Sheet Nos. 150 to 150.2),
25 capital costs of new streetlights, which used to be paid for by developers, or out of a
26 dedicated capital project public funding source for City projects, are now added to the

1 energy costs of the City in Evergy's monthly electric bills. This changes those costs
2 from capital costs of the City (or private developers) to operating costs of the City
3 which, ultimately, are paid by the City's taxpayers when the City pays its electric bill(s).
4 This places new and unacceptable strain on the City's budget and places a significant
5 burden on City resources that would otherwise be used for street maintenance, police
6 protection, fire protection, public health efforts, park maintenance, and other critical
7 operations the public relies on the City to perform. Essentially, while the change may
8 simplify the Company's practices and (theoretically) have a substantially revenue-
9 neutral effect on the Company, the effect is much more negatively-impactful to the
10 community because a private developer (or dedicated capital program) cost is now
11 paid out of funds that have historically been utilized on other critical services.

12 **Q. How many streetlights are affected by the tariff change the Company made in**
13 **ER-2016-0156?**

14 A. The Company has identified 61 streetlights constructed in 2017, built by City-
15 contractors or City-approved developers. Those streetlights are now in its rate base.
16 The City's records are inexact because, consistent with long-standing practice, the
17 City simply notified the Company that new lights have been added to the system
18 and the Company began billing the City for operation and maintenance. The City
19 has lacked a need to track the Company's asset and, therefore, has not tracked
20 those assets. That lack of tracking is consistent with the City's practice of *not*
21 inventorying power lines, water mains, or gas mains. The individual utilities maintain
22 records of those assets. This can be contrasted against the City's highly-accurate
23 records of the sewer lines that it owns and controls. But there are clearly many such
24 streetlights.

25 The City has searched its records and identified about 45 streetlights that have
26 been installed in developments in St. Joseph since 2017. That averages to about
27 8.2 a year. If 8.2 streetlights were turned over to the Company or its predecessors

1 from 1995 to 2018, then 188.6 streetlights are in that category. The program that
2 was changed by the Company in ER-2016-0156 began after the City of St. Joseph
3 sold all its streetlights to St. Joseph Light & Power in 1995.

4 **Q. How have those streetlights been treated by Evergy for ratemaking**
5 **purposes?**

6 A. During discovery in this case, we found that Evergy includes these streetlights in its
7 rate base for ratemaking purposes, although the streetlights were installed and paid
8 for by developers and accepted by the Company. In response to St. Joseph's Data
9 Request 2.2 and Data Request 3.1, Evergy states that those 61 streetlights are
10 included in Evergy's rate base. While my experience in utility ratemaking is limited,
11 it is my understanding that assets already paid for that become property of the utility
12 should be excluded from rate base and accounted for as something like "contributed
13 capital."

14 The Company seems never to have treated the numerous streetlights paid for by
15 City-contractors or City-approved developers over the years as contributed capital
16 so as to exclude them from the Company's rate base. Because of that, it is my
17 understanding that many streetlights paid for by City contractors and City-approved
18 developers, and not paid for by the Company and its investors, are currently in the
19 Company's rate base earning an undeserved return on equity and recovering
20 undeserved depreciation expense in its rates. In some cases, the City is paying for
21 numerous streetlights private developers have already paid for. Even worse, the
22 City is paying a second time (in its rates) for many streetlights which it already paid
23 to have built.

24 **Q. At page 12 of his Rebuttal, lines 3 through 7, Mr. Lutz talks about the extra**
25 **charges for undergrounding and breakaway bases in Section 4.0 of Tariff**
26 **Sheet 150.1. What are breakaway bases?**

27 A. I understand that breakaway bases are special bases for streetlight poles designed
28 to fragment if hit by a car or truck. They are designed to reduce the impact on a

1 vehicle which hits the pole (and anyone in it) by making the pole fragment upon
2 impact. Technically, a breakaway base is “frangible” – that is, upon impact it breaks
3 up into fragments. It is used as the base for a metal light pole. “Undergrounding”
4 refers to how the electricity is extended to the light pole, by installing the electric
5 distribution line underground rather than by overhead wire. Depending on soil
6 conditions around the new streetlight, rock may need to be removed or other
7 specialized trenching or boring be employed to extend electricity to the streetlight
8 pole underground.

9 **Q. Mr. Lutz states that the inclusion of charges for undergrounding and**
10 **breakaway bases in Section 4.0 of Tariff Sheet 150.1 is appropriate “to cover**
11 **the ongoing maintenance of the underground conductors and breakaway**
12 **bases.” Do you agree?**

13 A. Since breakaway bases are a one-time installation cost and cables only have to be
14 buried once, these would not seem to be an “ongoing maintenance” cost. It would
15 appear from the language of Tariff Sheet 150 that the purpose of those charges is
16 to recoup the additional construction costs of undergrounding and breakaway
17 bases in new streetlights, not to cover maintenance costs. Section 4.0 states:
18 “Optional Equipment: The following rates for Optional Equipment *may be added to*
19 *the rate for basic installation.*” (*Emphasis added.*) Each subpart of Section 4.0
20 mentions installation or extension, not maintenance. For example, Section 4.4
21 states: “Rock Removal or other specialized trenching/boring *for installation of*
22 *underground service.*” (*Emphasis added.*) Section 4.5 says breakaway bases are
23 “[a]vailable with underground service on metal poles only.” Section 4.1 says new
24 installation of metal poles is “available with underground service only,” and Section
25 5.0 refers to charges that “may be added to the rate for new, basic installations
26 listed in section 1.0 or 2.0.”

1 In addition to the “Optional charges” in Section 4.0 of the tariff, Section 5.0 on
2 Revised Sheet No. 150.2 (“Special Mounting Heights”) also adds costs to the City
3 for any streetlight taller than 31 feet. Unlike other installation costs, the “Special
4 Mounting Heights” cost is *de minimis* to the City; nonetheless, these costs have
5 already been paid for by the City’s contractor or by a City-approved developer.

6 It appears these monthly charges are designed to recover the installation of new
7 streetlights, not to cover “ongoing maintenance.” Which is why streetlights that were
8 installed by a City contractor or a City-approved developer should not be charged
9 these additional monthly charges on Tariff Sheets 150.1 and 150.2 (Sections 4.0
10 and 5.0). Those costs have already been borne by the City contractor or the City-
11 approved developer in installing those streetlights. It would appear that Evergy
12 West is recovering installation costs that it never incurred by including those items
13 in their monthly rates.

14 **Q. Is St. Joseph being charged Section 4.0 and Section 5.0 “Optional**
15 **Equipment” charges for streetlights constructed by City-approved**
16 **developers and City contractors?**

17 **A.** Yes. In response to the City’s Data Request 2.2,² Evergy responded that it only
18 has records of such streetlights for 2017. That DR response stated: “the Company
19 identified 61 streetlights that were installed by Developers and transferred through
20 the City to Evergy in exchange for a maintenance-only rate.” All 61 of them had
21 required undergrounding and 31 had breakaway bases. Even though all 61 had
22 been installed and paid for by City-approved developers, and not by Evergy’s

² St. Joseph Data Request 2.2 said: “Please identify all streetlights gifted by the City of St. Joseph to Evergy West (or its predecessor) since 2010, after having been constructed by a developer as part of a City-approved development, or by a contractor as part of a City-funded project.”

1 investors, the City of St. Joseph is being billed by Evergy for undergrounding and
2 breakaway bases.

3 **Q. Are those extra charges significant?**

4 A. Yes, and all the more over time. If a new streetlight on a metal pole was installed,
5 which requires undergrounding under sod, \$9.99 is added every month to the bill
6 for that streetlight. If the undergrounding was under concrete, that adds \$28.55
7 every month to the bill for that one streetlight. If rock removal or other specialized
8 trenching or boring was required to install that streetlight, that adds another \$19.36
9 every month to the cost of operating that streetlight. Breakaway bases add another
10 \$3.35 every month to the cost of every such streetlight. If just the undergrounding
11 charge and breakaway base charge are billed to the City for the 61 streetlights
12 identified by Evergy, those extra charges cost the City more than \$8,500 a year. If
13 the undergrounding was under concrete or required rock removal or specialized
14 trenching, the cost is even higher.

15 There are many such streetlights so constructed and for which the City of St.
16 Joseph is paying *again* for the metal pole, any necessary undergrounding and
17 breakaway bases. These charges will go on for the entire useful life of each
18 streetlight. A tariff modification that may have been intended to simplify the
19 Company's billing has clearly provided the Company with an opportunity to recover
20 costs paid by others. Furthermore, it has restricted the City's ability to allocate
21 development costs to developers.

22 **Q. Please summarize your testimony.**

23 A. The Company gained simplicity by its tariff consolidation in ER-2016-0156, but that
24 change cost the City of St. Joseph both financially and in terms of its operating
25 flexibility.

1 There is no historical basis for expecting the City's proposed tariff language to
2 increase the number of municipalities that would exercise that option.

3 The current and proposed tariffs shift capital costs to operating costs for the City,
4 putting undue strain on the City's operating budget.

5 The Company is including in its rate base streetlights that the Company and its
6 investors did not pay for. Numerous streetlights that were paid for by City contractors
7 and City-approved developers are apparently included today in Evergy's rate base,
8 earning an undeserved return on equity and recovering undeserved depreciation
9 expense in its rates. In addition, the City is being charged for the installation costs of
10 breakaway bases and undergrounding already paid for by contractors and
11 developers. This is costing the City thousands of dollars every year through Evergy's
12 electric bills to the City.

13 The language proposed by the City in my direct testimony should be added to the
14 Company's tariff. That language would be: "If new streetlights are built by a city as
15 part of a city-funded project, or by a contractor as part of a city-approved development
16 or project, those streetlights may be deemed to be owned by Company, after
17 inspection and approval by Company for compliance with applicable safety standards,
18 and shall not be subject to additional installation or structure charges."

19 The tariff should also state that, "No RATE (Optional Equipment) MOMLL charges in
20 Section 4.0 or 5.0 of this tariff will be charged to streetlight facilities which are deemed
21 to be owned by the Company and installed by a city or its contractor, or by a developer
22 of a city-approved development."

23 In addition, the Company should be ordered to remove from its rate base all
24 streetlights previously installed by City contractors and City-approved developers.

25 **Q. Does this conclude your testimony?**

26 A. Yes.

