

# Exhibit No. 321P

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Storm Reserves/The OPC's  
Request for Simulated Customer Account Access/  
MEEIA Uplight/Incentive Compensation/  
Property Tax Tracker  
**Witness/Type of Exhibit:** Schaben/Surrebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** ER-2022-0129 and ER-2022-0130

**SURREBUTTAL TESTIMONY**

**OF**

**ANGELA SCHABEN**

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. ER-2022-0129 AND ER-2022-0130

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Denotes Confidential Information that has been redacted

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

**CASE NOS. ER-2022-0129 AND ER-2022-0130**

1 **INTRODUCTION**

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

3 A. Angela Schaben, Utility Regulatory Auditor, Office of the Public Counsel (“OPC” or “Public  
4 Counsel”), P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Angela Schaben who filed direct and rebuttal testimony for the OPC  
6 in this case?**

7 A. Yes.

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

9 A. The purpose of my testimony is to respond to Company witnesses Kelly Murphy, Bruce  
10 Akin, Ron Klote, Darrin Ives, Chuck Caisley, and Staff witness Jared Giacone on the  
11 subjects of proposed storm reserves, the OPC’s request for simulated customer account  
12 access, the MEEIA Uplight project, and Incentive Compensation, and the Property Tax  
13 Tracker.

14 **Q. Would you explain which company or companies you are referring to when you  
15 address Evergy in this testimony?**

16 A. In this testimony, my use of the name Evergy refers to both Evergy Metro (the utility  
17 previously known as Kansas City Power & Light Company) and Evergy West (the utility  
18 previously known as KCP&L – Greater Missouri Operations Company). All references  
19 made to “the Company or Companies” is intended for both Evergy Metro and Evergy West  
20 together.

1 **STORM RESERVES**

2 **Q. What is Company witness Bruce Akin’s provided rationale for the storm reserves**  
3 **requested in these cases?**

4 A. Mr. Akin states, “The establishment of an operating storm reserve for storm costs would  
5 provide funds to be used specifically for unpredictable yet expected events in the service  
6 territories of Evergy Missouri Metro and Evergy Missouri West.”<sup>1</sup>

7 **Q. What types of events can be unpredictable, yet expected?**

8 A. I don’t necessarily know the range or specific types of events Mr. Akin would include in his  
9 definition of “unpredictable yet expected events[.]” However, my definition of  
10 “unpredictable yet expected events[.]” would include all events of nature resulting from the  
11 unpredictability of nature in general.

12 **Q. What is Mr. Akin’s response to your direct testimony that there is no customer benefit**  
13 **in establishing storm reserves?**

14 A. He disagrees for a variety of reasons.<sup>2</sup>

15 **Q. What reasons does Mr. Akin provide for this disagreement?**

16 A. According to Mr, Akin:

17 The storm reserve benefits customers by smoothing out major storm expenses year  
18 over year to be recovered in rates over time. This equalizing of storm expenses will  
19 create less rate volatility from rate case to rate case. The unpredictable nature of  
20 storms and the amount of destruction they cause create volatility in expenses, and a  
21 storm reserve will help flatten the effect of these events in customer rates. The storm  
22 reserve also eliminates the possibility of the Company over-collecting for storm  
23 costs if the actual costs of storm damage are lower than what has been established  
24 in rates.<sup>3</sup>

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<sup>1</sup> Rebuttal testimony of Mr. Bruce Akin, File Nos. ER-2022-0129 and ER-2022-0130, page 2, lines 8-10.

<sup>2</sup> Rebuttal testimony of Mr. Bruce Akin, File Nos. ER-2022-0129 and ER-2022-0130, page 2, lines 13-16.

<sup>3</sup> Rebuttal testimony of Mr. Bruce Akin, File Nos. ER-2022-0129 and ER-2022-0130, page 2, lines 16-23.

1 **Q. Do you agree with these points that Mr. Akin has raised?**

2 A. While I can agree that nature in general can be unpredictable, I do not agree that storm  
3 reserves are the answer to combating the unpredictability of nature, after the fact.

4 **Q. What is your response to Mr. Akin’s claim that “the storm reserve benefits customers  
5 by smoothing out major storm expenses year over year to be recovered in rates over  
6 time[?]”**

7 A. I believe this statement is misleading and unrealistic. Repairing damages caused by  
8 environmental factors, including storms, is an operations and maintenance (“O&M”)  
9 function. While O&M costs related to environmental factors are incurred year after year,  
10 only test year storm expenses, or in some cases an average of the past few years, are  
11 evaluated for inclusion in customer rates. The exception to this rule is when storm damages  
12 are deemed extraordinary, *i.e.* Winter Storm Uri, and the Company has the option to request  
13 an Accounting Authority Order (AAO) to account for such events. Therefore, claiming that  
14 a storm reserve would equalize storm expenses and smooth volatility from rate case to rate  
15 case is impractical.

16 **Q. What is your response to Mr. Akin’s claim that “the unpredictable nature of storms  
17 and the amount of destruction they cause create volatility in expenses, and a storm  
18 reserve will help flatten the effect of these events in customer rates[?]”**

19 A. While it’s true that varying levels of storm volatility exist, a storm reserve would not  
20 necessarily flatten the effects of severely destructive events in customer rates. A storm  
21 reserve is just a Band-Aid paying for the consequences of larger issues, such as the effect  
22 of storms on aging infrastructure. Rather than throw money at the alleged consequences of  
23 increasingly volatile storms damaging current infrastructure, upgrading existing  
24 infrastructure, as Evergy is purporting to be doing, to meet storm resiliency requirements  
25 seems more practical.

1 **Q. Has Mr. Akin provided data to support his opinions?**

2 A. Yes, Mr. Akin supplied a chart showing Missouri weather over the past 40 years in order to  
3 show a trend that weather in Missouri is growing more severe.<sup>4</sup>

4 **Q. Does this data support his claims regarding the necessity of a storm reserve?**

5 A. Mr. Akin's data shows Missouri weather patterns over 40 years. However, fluctuations in  
6 weather patterns do not justify storm reserves.

7 **Q. Do utility companies in states other than Missouri face unpredictable and unexpected  
8 weather and/or nature events?**

9 A. Yes. Depending on geographic location, utilities from all over the country and the world  
10 are faced with "unpredictable, yet expected" natural events ranging from severe storms,  
11 tornados, hurricanes, and animal incidents. Not surprising given the general  
12 unpredictability of nature.

13 **Q. What are some steps other utilities are taking to mitigate potentially severe storm  
14 damage?**

15 A. In an effort to prevent excessive damage from extreme weather events, utilities can take  
16 steps to "harden" the grid that include:

- 17 • Elevating or relocating important electrical equipment to protect them from  
18 flooding,
- 19 • Installing smart grid technologies and switches that can redirect power to  
20 undamaged sections of line and isolate problem areas,
- 21 • Undergrounding transmission and distribution lines where feasible,
- 22 • Reinforcing or replacing above ground poles with more robust alternatives to reduce  
23 storm and fire damage, and
- 24 • Improving vegetation management efforts.<sup>5</sup>

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<sup>4</sup> Rebuttal testimony of Mr. Bruce Akin, File Nos. ER-2022-0129 and ER-2022-0130, page 7.

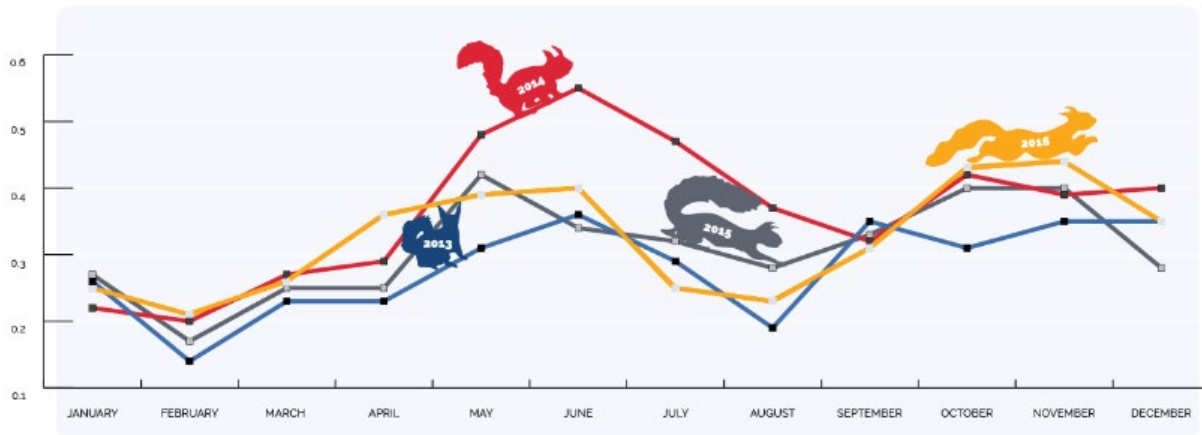
<sup>5</sup> <https://electricenergyonline.com/energy/magazine/804/article/How-Utilities-Can-Protect-the-Grid-against-Potential-Outages-Due-to-Extreme-Weather-Events.htm>

1 **Q. Are storms the only natural events resulting in unexpected costs?**

2 A. No. As mentioned above, nature in general is unpredictable. In fact, according to John C.  
3 Inglis, Former Deputy Director, National Security Agency is quoted as saying, “I don't think  
4 paralysis [of the electrical grid] is more likely by cyberattack than by natural disaster. And  
5 frankly the number-one threat experienced to date by the US electrical grid is squirrels.”<sup>6</sup>

6 **Q. Is there data to support this?**

7 A. Yes. The chart below shows the fluctuating nature of squirrel-related outages between the  
8 years of 2013 through 2016. “In 2016 alone, utilities reported 3,456 outages caused by the  
9 ubiquitous rodents that cut off power to more than 193,873 customers.”<sup>7</sup>



10  
11 **Q. What similarities do storms and squirrels share?**

12 A. They are both unpredictable forces of nature whose movements could result in significant  
13 utility grid damage if precautionary mitigation practices are not utilized in anticipation of  
14 their unpredictable, yet expected arrival.

15 **Q. Have squirrels been causing destruction for at least as long as severe weather?**

16 A. Reports of massive squirrel migrations and the resulting property damage have been  
17 recorded at least since the early 1800s.<sup>8</sup>

<sup>6</sup> <https://earthsciences.uconn.edu/2021/07/19/the-power-grids-achilles-squirrels/>; <https://cybersquirrel1.com/>

<sup>7</sup> <https://www.publicpower.org/blog/defending-against-outages-squirrel-tracker>

<sup>8</sup> <https://www.heraldguide.com/columns/remembering-the-squirrel-stampede/>



1 **Q. Do improvements exist to mitigate and possibly prevent potential squirrel damage?**

2 A. Yes. In fact, acknowledging the fact that wildlife is a major cause of grid damage, Entergy  
3 has employed a variety of methods for deterring wildlife to include, but is not limited to:  
4 fencing around substations, use of insulated tape, special plastic covers and guards, etc.<sup>9</sup>

5 **Q. If structural improvements exist to mitigate potential squirrel damage, could  
6 structural advancements also exist to mitigate potential storm damage?**

7 A. Yes. As I mentioned above, various utilities have taken steps to “harden” the grid in  
8 preparation of anticipated severe weather.

9 **Q. It sounds like squirrels, and wildlife in general, wreak considerable havoc to the  
10 electrical grid. In your research, have you encountered a utility company requesting  
11 a squirrel reserve?**

12 A. Not that I have found. If there are options available to “harden” the grid in preparation of  
13 unexpected, yet anticipated squirrel behaviors, then there should be methods available to  
14 “harden” the grid in anticipation of severe weather. Especially with all the research on  
15 climate change.

16 **Q. What is your recommendation regarding the proposed storm reserves?**

17 A. I recommend the Commission not include the Company’s proposed storm reserves in its  
18 revenue requirement. Storm expenses are already mitigated through normalization.  
19 Therefore, a storm reserves would not add additional layers of “smoothness” to rates.

20 **ANONYMOUS OR SIMULATED CUSTOMER ACCOUNT ACCESS**

21 **Q. Did OPC request to have access to a sample of anonymous existing or simulated  
22 customer accounts?**

23 A. Yes, OPC witness Lisa Kremer requested the ability to “observe, understand and  
24 experience” what Evergy customers experience by the utility that serves them including

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<sup>9</sup> <https://www.entergynewsroom.com/article/2020-s-power-outages-have-been-dominated-by-storms-but-other-acts-nature-cause-disruptions-too/>

1 changes to the portal.<sup>10</sup> In order to simulate a realistic customer experience, she requested  
2 access to specific customer-facing web-portal screens and specific content.<sup>11</sup>

3 **Q. How did the Company respond?**

4 A. On page 3, lines 2 through 7 of his rebuttal testimony, Mr. Caisley indicated:

5 First, it is not practical, cost-effective or acceptable from a business risk and  
6 financial reporting perspective to create a simulated account with manufactured  
7 customers and customer data including meters, usage, payments, etc. within our  
8 production billing system. It is not a proper business practice to create a simulated  
9 account within a platform actively used by the business for customer interactions,  
10 billing and financial reporting purposes. It could easily create havoc with our  
11 reporting and accounting processes.

12 **Q. Did OPC request access to the Company's production billing system?**

13 A. No. I did not see where Ms. Kremer requested access to the Company's production billing  
14 system in her testimony. Specifically, Ms. Kremer recommends "the Companies evaluate  
15 the creation of simulated customer portal logins for OPC or permit OPC to utilize some  
16 existing customer portals to provide it the ability to observe and experience what Evergy  
17 customers experience as they are served by their utility."<sup>12</sup>

18 **Q. Should the simulated customer portal logins to which OPC is requesting already exist  
19 in at least one environment separate from production?**

20 A. Yes. Ideally, separate application environments should exist for the testing, development  
21 and production stages in the release management process. As stated within a Microsoft  
22 technical guide:

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<sup>10</sup> Lisa Kremer Direct Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 4, lines 4 through 6.

<sup>11</sup> Lisa Kremer Direct Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 4 lines 6 through 16.

<sup>12</sup> Lisa Kremer Direct Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 5 lines 13 through 16.

1 As with any enterprise software solution, you should follow established software  
2 release management guidelines when you develop and release a BizTalk<sup>13</sup> solution.

3 This process should include the following distinct stages:

- 4 • Development
- 5 • Testing
- 6 • Staging
- 7 • Production

8 Ideally, you should complete each stage in the release management process in a  
9 discrete environment, separate from the other environments. Realistically, you may  
10 have to combine one or more of the environments due to hardware, time, or other  
11 resource constraints. At a bare minimum you should separate the production  
12 environment from the other environments.<sup>14</sup>

13 **Q. What is Release Management?**

14 A. Release Management is the process responsible for planning, scheduling, and controlling  
15 the build, in addition to testing and deploying releases. Release Management ensures that  
16 IS&T (Information Services & Technology) delivers new and enhanced IT services required  
17 by the business, while protecting the integrity of existing services.<sup>15</sup>

18 **Q. Clearly, testing application changes should occur in environments other than  
19 production. Therefore, should the simulated customer portal logins exist in such an  
20 environment?**

21 A. Yes. Simulated customer portal logins should also exist in an environment outside the  
22 production environment, where application updates are generally tested before deploying to  
23 production.

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<sup>13</sup> This specific guidance is from a BizTalk technical guide, though these are generally applicable release management guidelines.

<sup>14</sup> <https://docs.microsoft.com/en-us/biztalk/technical-guides/planning-the-development-testing-staging-and-production-environments>

<sup>15</sup> <https://www.bu.edu/tech/files/2012/06/RM-Quick-Refv3.pdf>

1 **Q. Did Mr. Caisley share additional viewpoints regarding OPC’s request?**

2 A. Yes. Mr. Caisley states that even if such access could be done, it would “pose significant  
3 cost to create and become a manual burden to the Company.”<sup>16</sup>

4 **Q. Did the Company provide any details supporting the claim that OPC’s request would  
5 “pose significant cost to create and become a manual burden to the Company”?**

6 A. The Company’s response to OPC DR 5068 states, “To actually design, create, integrate, test  
7 and secure simulated customer accounts would easily exceed \$100,000 in internal and  
8 external labor, programming and other costs.” The Company also indicates that one of the  
9 requirements for meeting the OPC’s access request would require the “development of test  
10 cases, with full SIT and UAT testing.”

11 **Q. What is your response?**

12 A. One CIS is a relatively new system and should already have full SIT and UAT environments  
13 available for development and testing. Additionally, these environments should also  
14 include the data from test cases devised for initial and current systems testing. If this is not  
15 the case, that’s alarming. Creating additional SIT and UAT environments as a result of this  
16 request is completely unnecessary.

17 **Q. What are SIT and UAT?**

18 A. SIT stands for System Integration Test and UAT stands for User Acceptance Testing.

19 **Q. Do you have direct experience working within the various environments related to  
20 application development and maintenance?**

21 A. Yes. I’ve been employed in both application development and server administration roles.  
22 In these roles, I worked in environments designated for testing and development that existed  
23 separately from production. From a business user point of view, I also have experience  
24 testing application changes in designated test/dev environments to test functionality before  
25 deployment to production.

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<sup>16</sup> Mr. Caisley Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 3 lines 10 through 12.

- 1 **Q. Based on the information you provided, is Ms. Kremer’s request for access to specific**  
2 **customer-facing web-portal screens and other specific content<sup>17</sup> feasible?**
- 3 A. Yes, Ms. Kremer’s access request should be feasible within a non-production environment.  
4 Ideally, a pre-production environment mirroring the actual production environment is  
5 preferable.
- 6 **Q. If a pre-production environment mirrors the actual production environment, would**  
7 **access to the pre-production environment compromise customer data?**
- 8 A. No. Each environment should utilize separate databases in order to preserve data integrity.
- 9 **Q. Should granting OPC access to the requested information “pose significant cost to**  
10 **create and become a manual burden to the Company”<sup>18</sup>?**
- 11 A. No, I don’t believe so. As I stated above, since at least one non-production environment  
12 should already exist separately from production, OPC’s request should not “easily exceed  
13 \$100,000 in internal and external labor, programming and other costs.”
- 14 **Q. Would it be burdensome for the Company to grant OPC read-only permissions to an**  
15 **already existing non-production environment in order to “observe, understand and**  
16 **experience” what Evergy customers experience by the utility that serves them?**
- 17 A. It shouldn’t be.
- 18 **Q. Do you have experience creating user groups and granting application permissions**  
19 **based on user roles and job functions?**
- 20 A. Yes. While working in server administration, I managed and created the user groups utilized  
21 in granting permissions based on specific roles. Granting permissions via user groups rather  
22 than individual user accounts is more secure, efficient and easier to manage. Creating  
23 strategically designed user groups assists in quickly and efficiently assigning specific user  
24 permissions across varying levels.

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<sup>17</sup> Lisa Kremer Direct Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 4 lines 6 through 16.

<sup>18</sup> Mr. Caisley Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 3 lines 10 through 12.

1 **MEEIA UPLIGHT PROJECT**

2 **Q. Company Witness Charles Caisley’s rebuttal testimony states that the Uplight**  
3 **software should not be characterized as “MEEIA software”<sup>19</sup>. Do you agree?**

4 A. I do not.

5 **Q. What factors presented in this case initially led you to believe the Uplight software is**  
6 **MEEIA related?**

7 A. Direct testimony submitted by Company witness Ron A. Klote states that “the common  
8 plant addition for the MEEIA Uplight software which will be billed based on the number of  
9 customers allocator is allocated to Missouri jurisdictions only[.]”<sup>20</sup> Furthermore, additional  
10 work papers submitted by the Company supporting adjustments CS-117 and RB-20 further  
11 labels the Uplight software as “MEEIA Uplight[.]”

12 **Q. Did Mr. Ron Klote seek to correct his direct testimony or workpapers referring to the**  
13 **MEEIA Uplight contract?**

14 A. No. Mr. Klote refers to the allocation method of the contract in rebuttal, which I will address  
15 later in this testimony. Mr. Klote also offers limited functional details about the software  
16 and refers to Mr. Caisley’s testimony. However, he does not correct his initial depiction of  
17 the software as “MEEIA Uplight”.

18 **Q. What additional factors indicate the Uplight software is MEEIA related?**

19 A. The Uplight SOW includes an application price list showing the pricing of MEEIA  
20 Marketplace products related to this contract. This exhibit is attached to my testimony as  
21 confidential Schedule ADS-S-1.

22 **Q. Did the Company provide additional information regarding contracted deliverables**  
23 **expected from Uplight?**

24 A. The Company’s response to OPC DR 1133 indicates that this project is a \*\*\_\_\_\_\_

25 \_\_\_\_\_ \*\* to be allocated across Missouri and Kansas. “In the first two years, the

26 Uplight project will create a more robust online presence through implementation of an

<sup>19</sup> Mr. Caisley Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 53 lines 5 through 10.

<sup>20</sup> Mr. Ron Klote Direct Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 41 lines 15 through 17.

1 online marketplace, customer portal widgets and other customer-facing applications from  
2 the Uplight suite of products.” Also within the first two years of agreement, Evergy will  
3 add Uplight Connect, which essentially sounds like an expensive scalable interface which  
4 could eventually be utilized for integrating third-party applications.

5 **Q. What is scalability?**

6 A. Scalability is defined as the ability of a computing process to be used or produced in a range  
7 of capabilities.<sup>21</sup>

8 **Q. When contemplating new software implementation, is considering scalability a  
9 common practice?**

10 A. Scalability should always be considered in software development and when procuring new  
11 software packages. Scalable software is more versatile, stable, and adaptable in upgrades  
12 or changes.<sup>22</sup>

13 **Q. That sounds great. What’s your issue here?**

14 A. The real issue at hand is very simple. Based on the contract language and exhibits, Uplight  
15 Connect was rolled out in conjunction with the MEEIA related Marketplace energy  
16 efficiency applications, suggesting a certain degree of codependency. For example, the  
17 contract implies MEEIA Marketplace products rely on the support included with Connect.  
18 If contracted separately, MEEIA Marketplace products would not be supported without the  
19 hosting, enterprise, and developer support features associated with the Connect Platform (as  
20 shown in Schedule ADS-S-1). While Uplight Connect may **potentially** unlock additional  
21 interface abilities in the future due to scalability features new software should possess by  
22 default, the contract shows Connect was contracted concurrently with, and is necessary to  
23 support, the current MEEIA Marketplace. In summary, the MEEIA Uplight contract  
24 includes (1) the Marketplace providing energy efficiency products, and (2) the Connect  
25 Platform supporting the Marketplace providing energy efficiency products. Therefore, the  
26 Connect Platform’s current “used and useful” purpose is essential in providing MEEIA

<sup>21</sup> <https://languages.oup.com/google-dictionary-en/>

<sup>22</sup> <https://www.forbes.com/sites/adrianbridgewater/2022/07/04/what-does-it-scalability-actually-mean/>

1 related energy efficiency products and should therefore be considered MEEIA related, as  
2 was the original intent in Mr. Klote’s direct testimony and workpapers.

3 **Q. The Company indicates the Uplight project is a \*\*\_\_\_\_\_\*\* investment allocated**  
4 **to Missouri and Kansas. What amount has been allocated to Missouri in this rate**  
5 **case?**

6 A. The Company is requesting that \$19,417,656 be included in Plant in Service with 100% of  
7 this amount allocated to Missouri. This \$19,417,656 is part of the Uplight contract, which  
8 is not to exceed \$20,990,247.22, leaving \$1,572,591.22 in monthly O&M.

9 **Q. You have accounted for \$20,990,247.22 of the \*\*\_\_\_\_\_\*\* Uplight investment**  
10 **allocated to Missouri and Kansas. Does this mean that the remaining**  
11 **\*\*\_\_\_\_\_\*\* is allocated to Kansas?**

12 A. I cannot say for sure. It would be interesting to know if any of the remaining  
13 **\*\*\_\_\_\_\_\*\* Uplight investment was included in Evergy’s Kansas Energy**  
14 **Efficiency and Investment Act (“KEEIA”) proposal presented to the Kansas Corporation**  
15 **Commission (KCC).**

16 **Q. Why would it be relevant if Evergy included any part of the Uplight investment in its**  
17 **KEEIA proposal presented recently to the Kansas Commission?**

18 A. KEEIA is the Kansas equivalent to MEEIA. If any part of the Uplight project’s Kansas  
19 allocation falls under KEEIA, then Evergy should explain why Missouri’s share should not  
20 also be considered MEEIA related.

21 **Q. How is the MEEIA Uplight software allocated?**

22 A. The Company has included this software in common used billings to be 100%  
23 jurisdictionally allocated to Missouri due to features only available to Missouri customers.  
24 Per Mr. Klote’s testimony “only the EMM and EMW jurisdictions customers participate in  
25 the platforms and the costs are appropriately allocated to those jurisdictions.”<sup>23</sup>

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<sup>23</sup> Mr. Klote Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 26 lines 11 through 13



1 **Q. Why do you question the method by which the MEEIA Uplight contract is allocated?**

2 A. Even though the company claims that 100% of the software is jurisdictionally allocated to  
3 Missouri based on eligible customer participation, there appear to be inconsistencies  
4 between capital allocations and how the software O&M is being charged. According to  
5 Company data supplied in response to Staff DR 0181, between July 2021 and December  
6 2021, a total of **\*\*\_\_\_\_\_\*\*** in Uplight O&M expenses were allocated to Kansas  
7 Utilities, as shown in the table below:\*\*

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8 **\*\***  
9 The Uplight software was included in common use billings for Evergy as a whole, and  
10 should allegedly be 100% jurisdictionally allocated to Missouri, yet the provided O&M data  
11 shows Uplight costs allocated between both Missouri and Kansas. The Uplight software is  
12 an example of a jurisdictional allocation issue that may be present with other common use  
13 billings.

14 **Q. Did you suggest that the Uplight contract is single-source in your Direct testimony?<sup>24</sup>**

15 A. No, I did not. Whether the Uplight contract is considered single source, sole source, or any  
16 other type of contract is not the issue. My Direct testimony, in relation to Uplight,  
17 specifically addresses the lack of an RFP process and the ownership of Uplight equity by  
18 Evergy Ventures, Inc. I also referenced an exhibit from the Uplight contract as an incentive  
19 compensation example. I will address incentive compensation aspect later on in this

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<sup>24</sup> Mr. Caisley Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 47 lines 10 through 12

1 testimony. Since there was no RFP process to establish market price, or even a cost-benefit  
2 analysis, the customers do not benefit from the best available price established from a  
3 transparent and open bid process.

4 **Q. What was your issue relating to the partial ownership of Uplight, Inc. by Evergy**  
5 **Ventures when the Uplight contract went into effect?**

6 A. I raised this issue as a potential affiliate transaction.

7 **Q. Would Uplight have been considered an affiliate under the Missouri affiliate**  
8 **transaction rule?**

9 A. No. Evergy Ventures' ownership at the time of the contract was less than 10%.

10 **Q. If that's the case, where is the potential affiliate transaction?**

11 A. The potential affiliate transaction occurred between Evergy Inc., Evergy Services, Inc. and  
12 Evergy Ventures.

13 **Q. Why could the affiliate transaction have occurred between these entities?**

14 A. Evergy Services, Inc. and Evergy Ventures, Inc. are affiliates of which Evergy, Inc. retains  
15 control. Evergy, Inc. had a long standing alleged "more than twelve-year relationship"<sup>25</sup>  
16 with a contracted vendor of which its affiliate retained partial ownership at the time of a  
17 single-source contract. Additionally, according to Company responses to OPC data  
18 requests, the Uplight project will cost at least \*\* \_\_\_\_\_ \*\* with the potential of added  
19 costs in the future.

20 **Q. What is a single-source contract?**

21 A. A single-source contract is "one in which two or more vendors can supply the commodity,  
22 technology and/or perform the services required by an agency."<sup>26</sup>

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<sup>25</sup> Mr. Caisley Rebuttal

<sup>26</sup> <https://www.oswego.edu/purchasing/single-and-sole-source-procurements>

1 **Q. Mr. Caisley emphasizes a “more than twelve-year relationship” with Uplight and the**  
2 **multiple contracts entered into with Uplight prior to the current contract. What is**  
3 **your response?**

4 A. Uplight in its present state has not existed for “more than” twelve years. The company itself  
5 is a relatively new entity formed from the merger of several companies. Perhaps Mr. Caisley  
6 was referencing Evergy’s prior relationship with Tendril. Regardless of the Company’s  
7 prior relationship with Tendril, Uplight is a wholly different entity and should be treated as  
8 such.

9 **Q. Does the Company’s alleged prior relationship with Uplight justify the lack of an RFP**  
10 **process or any sort of study to determine market price in order to provide the best**  
11 **value for customers?**

12 A. In my opinion, no. And according to the Audit Management report required by the  
13 Commission as a result of the merger, “All vendors will have a master service agreement  
14 (MSA), usually good for a five-year or 10-year period. Purchases under \$100k can be sole  
15 source, which have reviews of purchases to look for anomalies. Purchases for \$100k or  
16 greater must be bid with external vendors. ... Evergy would like to get at least three bidders  
17 for each purchase. The Supply Chain Department will try to send out RFPs to five or six  
18 potential vendors.”<sup>27</sup>

19 **Q. Why is the RFP process, or a study to determine market price, ideal for procuring**  
20 **goods and services?**

21 A. Going through the process by which a market price is established shows transparency in  
22 procurement and eliminates questions of supposed favoritism. Research shows that  
23 increased awareness of transparency in the procurement process is necessary to reduce fraud  
24 and corruption related to favoritism.<sup>28</sup>

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<sup>27</sup> See File No. EM-2018-0012, Exhibit A, page 74 of 108, excerpts from paragraphs 3 and 4.

<sup>28</sup> Oyegoke, Adekunle. (2012). Transparency in public procurement: A study of the European Union directive for public works, supply and services contracts. Int. J. of Business Excellence. 5. 195 - 219. 10.1504/IJBEX.2012.046639.

1 **Q. Would you consider the process by which the MEEIA Uplight contract was procured**  
2 **transparent?**

3 A. Not that I can tell.

4 **Q. Mr. Caisley suggests that “Evergy rigorously reviewed all of the solutions that will be**  
5 **provided by Uplight holistically relative to other providers[.]” Does this statement**  
6 **satisfy elements required for transparency?**

7 A. No. Mr. Caisley goes on to say that “the only other software provider competing in this  
8 ecosystem is Oracle OPower”, which suggests only the solutions of two providers were  
9 “rigorously reviewed[.]” Yet the Company did not provide details on the rigorous review  
10 process undertaken to determine the best provider, the project requirements, or proposed  
11 deliverables.

12 **Q. What is your response to Mr. Caisley’s statement “the way that the Evergy’s contract**  
13 **is constructed with Uplight, customers receive the benefit of an industry-leading set of**  
14 **solutions up front as well as access to everything Uplight develops over the term of the**  
15 **contract[.]”<sup>29</sup>**

16 A. I have reviewed the referenced document (also Schedule ADS-S-1) several times and have  
17 not seen how the contract construction quantifies Mr. Caisley’s statement that customers  
18 will benefit from industry-leading solutions. The Company has not provided evidence  
19 validating claims that Uplight provides said industry-leading solutions in response to OPC  
20 data requests. Furthermore, not all customers would actually receive said benefits even if  
21 they would be paying for them. Despite the availability of technological advancements,  
22 segments of the population remain technologically adverse and would not choose to utilize  
23 so called “industry-leading solutions” even if they are subjected to paying for these solutions  
24 in their bills. Additionally, research conducted on digital inequality suggests that certain  
25 segments of lower income households with limited internet connectivity options would be

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<sup>29</sup> Mr. Caisley Rebuttal Testimonies Case Nos. ER-2022-0129 and ER-2022-0130, page 50 lines 2 through 9.

1 the ones subsidizing innovative “industry-leading” solutions utilized by higher income  
2 households with a variety of internet connectivity options.<sup>30</sup>

3 **Q. Why would the Company want to label the Uplight SaaS as unaffiliated with MEEIA**  
4 **even though the Uplight Marketplace sells MEEIA related energy efficiency products?**

5 A. The Company would earn a rate of return for a Marketplace website that offers energy  
6 efficiency products if the Uplight contract was included in rate base.

7 **Q. Why would the Company seek to include the MEEIA Uplight contract in rate base**  
8 **rather than the MEEIA program?**

9 A. If the Company is allowed to include the MEEIA Uplight contract in rate base, it will earn  
10 a rate of return on products and services that support MEEIA energy efficiency goals.  
11 Angling for rate of return on MEEIA Uplight is a more achievable objective than counting  
12 on incentives received by meeting MEEIA targets.

13 **Q. Why could receiving a rate of return in rate base for the MEEIA Uplight contract be**  
14 **more probable than receiving MEEIA incentives for achieving MEEIA objectives?**

15 A. Evergy has a history of incurring a high percentage of non-incentive MEEIA administration  
16 costs in relation to the percentage of energy efficiency incentives delivered. Evergy’s  
17 percentage of non-incentive administrative costs notably exceeded those of competitors. As  
18 a result of Evergy’s most recent MEEIA 3 prudent review, the Company agreed to cap the  
19 amount of non-incentive administration costs at 45%.<sup>31</sup> Unless the “industry leading set of  
20 solutions” also provides an industry leading method of data evaluation methods generating  
21 detailed reports on MEEIA energy efficiency savings resulting from the MEEIA Uplight  
22 software solutions, shareholders would probably rather see the MEEIA Uplight contract  
23 included in rate base, earning a rate of return.

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<sup>30</sup> <https://www.huduser.gov/portal/periodicals/em/fall16/highlight2.html>

<sup>31</sup> Order Approving Unanimous Stipulation and Agreement, File Nos. EO-2021-0416 and EO-2021-4017, page 3.

1 **Q. If the Company were allowed to include the MEEIA Uplight contract in rate base due**  
2 **to the alleged scalability features of Uplight Connect, could it reap the benefits multiple**  
3 **ways at the expense of ratepayers?**

4 A. Yes. If the MEEIA Uplight software is indeed such a cutting edge technological solution  
5 to the point where the software influences customer energy efficiency behavior and  
6 subsequently the earnings opportunity in the Company's favor, a return could be earned  
7 both in rate base and through MEEIA.

8 Considering the expense of Uplight's software, it should at least provide analytics detailing  
9 measurable energy and demand savings generated by its energy efficiency products. In this  
10 scenario, Evergy's resulting percentage of administrative vs non-administrative costs would  
11 be inaccurate since the actual software generating the analytics and providing the energy  
12 efficient solutions was included in rate base rather than MEEIA. This could work to the  
13 Company's advantage if the non-incentive administrative piece of the MEEIA Uplight  
14 energy efficiency software is booked in plant rather than MEEIA, resulting in the artificial  
15 inflation of incentive costs relative to artificial deflation of non-incentive administrative  
16 costs. In this scenario, ratepayers are the only ones bearing the burden through their rates,  
17 while the Company benefits by earning a rate of return on products generating MEEIA  
18 earnings opportunity.

19 **Q. Do you have further thoughts on the Company's decision to pursue the Uplight project**  
20 **at an estimated cost of \*\*\_\_\_\_\_\*\* in addition to the hundreds of millions of**  
21 **dollars it spent on CFP and One CIS projects?**

22 A. Yes. Evergy is currently booking nearly \$300 million in intangible plant for the Customer  
23 Information System (One CIS) to be amortized over 15 years. A running total of 5 year, 10  
24 year, and 15 year amortized software amounts to over \$800 million, nearly \$1 billion.  
25 Between implementation and upgrades, hundreds of millions of dollars have been spent on  
26 Customer Forward and One CIS customer service platforms. This is some high dollar  
27 spending on systems that shouldn't even be considered critical infrastructure. Since the  
28 Company has already spent hundreds of millions of dollars on updating "necessary"

1 software and systems, the question remains whether all the newly implemented software  
2 features would, or should possess, the “industry-leading solutions” that will allegedly be  
3 provided as a result of the Uplight software.

4 **Q. What is your recommendation on the MEEIA Uplight project?**

5 A. I still recommend a disallowance. My disallowance is the contract amount of  
6 \$20,990,247.22. The MEEIA Uplight contract may include Uplight Connect, a potentially  
7 scalable product with a myriad of functionality, as is the case with most present day  
8 software. However, the fact remains that Connect was implemented in conjunction with  
9 MEEIA related software products promoting energy efficiency. These costs should not be  
10 included in general rates.

11 **INCENTIVE COMPENSATION**

12 **Q. Going back to your direct testimony, what was your incentive compensation**  
13 **recommendation?**

14 A. In my direct testimony, I recommended the Commission remove \$10,008,354 of incentive  
15 compensation for Missouri Metro and \$3,552,782 of incentive compensation for Missouri  
16 West.

17 **Q. How did you arrive at this recommendation?**

18 A. I based my recommendation on information presented in Mr. Klote’s direct testimony and  
19 company work papers.

20 **Q. Please explain your process.**

21 A. For Missouri Metro, Schedule RAK-4, page 2, submitted with Mr. Klote’s ER-2022-0129  
22 direct testimony includes an incentive compensation adjustment of \$(4,084,422). The  
23 Company’s corresponding work papers supporting the CS-51 incentive compensation  
24 adjustment shows a test year total of \$14,092,776. The Company also calculated the three  
25 year incentive compensation average to equal \$10,008,354.

26 For Missouri West, Schedule RAK-4 page 2, submitted with Mr. Klote’s ER-2022-0130  
27 direct testimony includes an incentive compensation adjustment of \$(236,436).

1 Company's corresponding work papers supporting the CS-51 incentive compensation  
2 adjustment shows a test year total of \$3,789,218. The Company also calculated the three  
3 year incentive compensation average to equal \$3,552,782.

4 My interpretation of the information found in both Mr. Klote's Schedules RAK-4 and the  
5 corresponding CS-51 adjustment work papers, was that the Company had recommended  
6 including the three year incentive compensation average to include in rates even though the  
7 test year incentive compensation amounts were higher. Factoring in the Missouri Metro  
8 adjustment of \$(4,084,422) and Missouri West adjustment of \$(236,436) led to my  
9 recommendation to remove the remaining \$10,008,354 of incentive compensation from  
10 Missouri Metro test year and the remaining \$3,552,782 from Missouri West's test year.

11 **Q. At the filing of your Direct testimony was it your intention to not include any amount**  
12 **of incentive compensation in rates?**

13 A. Yes.

14 **Q. Did Staff witness Jared Giacone include an excerpt from the Commission's *Amended***  
15 ***Report and Order* from Spire's general rate case GR-2021-0108?**

16 A. Yes. Mr. Giacone included the following excerpt from the Amended Report and Order  
17 issued by the Commission in GR-2021-0108:

18 OPC's position is that no amount of AIP bonus expense should be approved, because  
19 including it in rates leads to double recovery. On the question of double recovery,  
20 the Commission finds the testimony of Staff to be more credible than that of OPC.  
21 The test year includes all the monetary benefits of employees attaining their AIP  
22 goals through reduced expenses and/or increased revenues. To not include the bonus  
23 expense paid out to employees during the true-up period that led to the benefits  
24 would be contrary to the matching principle.

25 **Q. Do you agree with the Commission's decision?**

26 A. I respectfully disagree. In the non-regulated corporate environment of public companies,  
27 the incentive compensation bonus expense is paid out to employees based on metrics  
28 factoring in the difference between Original O&M, cost savings generated from improving



1 efficiencies, and a weighted percentages to determine the incentive payout amount. Using  
2 a very basic example, let's say that one year, company employees reduced O&M expenses  
3 from \$15,000,000 to \$12,000,000. Of the \$3,000,000 in savings 30% was paid out as  
4 incentive compensation for a total of \$900,000 in payouts. This a simplistic example  
5 showing how incentive compensation plans should pay for themselves.

$$\begin{aligned} & \text{(Original O\&M Expenses - Reduced O\&M Expenses resulting from Efficiencies) *} \\ & 30\% = \text{Incentive Compensation Payout} \end{aligned}$$

8 New initiatives and rapid improvements in technology lead to new O&M efficiency goals,  
9 which lead to new incentive compensation metrics on a regular basis. This is evident based  
10 on the incentive compensation scorecards I included as exhibits in my direct testimony and  
11 the fact that Staff chose to calculate a 4 year incentive compensation average to include in  
12 rates.

13 **Q. Is your rebuttal testimony position the same as your direct testimony position?**

14 A. No. I still maintain the position that incentive compensation plans more than pay for  
15 themselves; however, my rebuttal testimony did recommend including Staff's 4 year  
16 average calculation of incentive compensation distributed over the four years between FAC  
17 required rate cases. This recommendation still meets the matching principle as incentive  
18 compensation is still included in rates and recalculated at every rate case.

19 **Q. Staff states "there are safety and reliability factors that are included in the incentive  
20 compensation program goals. Safety and reliability do not have a direct known and  
21 measurable correlation to reducing expenses or increasing revenues."<sup>32</sup> What is your  
22 response?**

23 A. I believe that safety and reliability goals do correlate to expense reduction, as studies have  
24 shown. If safety and reliability rules and goals did not exist, the Company could see more  
25 lawsuits and fines related to employee or consumer injuries. Including safety and reliability

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<sup>32</sup> Jared Giaccone Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 5, lines 12 through 14.

1 in incentive compensation goals could be a motivating factor for many employees to more  
2 diligently follow safety practices, thereby reducing expensive litigation from accidents.

3 **Q. How can investing in workplace safety and health, to include incentive compensation**  
4 **payouts for achieving safety and reliability goals, improve an organization’s financial**  
5 **position?**

6 A. Many studies have indeed determined how investing in workplace safety can thereby reduce  
7 expenses and improve an organization’s financial position. Some examples of these studies  
8 and their sources listed below are found on the Occupational Safety and Health  
9 Administration (OSHA) website under “Business Case for Safety and Health”<sup>33</sup>:

- 10       ▪ Companies that did not adequately manage workplace safety and health  
11 performed worse financially than those who did from November 2004 to  
12 October 2007. Investors could have increased their returns during this period  
13 had they accounted for workplace safety and health performance in their  
14 investment strategy.

15       **Source:** Goldman Sachs JBWere Finds Valuation Links in Workplace Safety  
16 and Health Data. Goldman Sachs JBWere Group, (October 2007).

- 17       ▪ There is a direct positive correlation between investment in safety, health, and  
18 environmental performance and its subsequent return on investment.

19       **Source:** White Paper on Return on Safety Investment. American Society of  
20 Safety Engineers (ASSE), (June 2002).

- 21       ▪ Over 60 percent of chief financial officers in one survey reported that each \$1  
22 invested in injury prevention returns \$2 or more. Over 40 percent of chief  
23 financial officers cited productivity as the top benefit of an effective workplace  
24 safety program.

25       **Source:** Chief Financial Officer Survey. Liberty Mutual Insurance Company,  
26 (2005).

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<sup>33</sup> <https://www.osha.gov/businesscase>

- 1                   ▪ A forest products company saved over \$1 million in workers' compensation  
2                   and other costs from 2001 to 2006 by investing approximately \$50,000 in  
3                   safety improvements and employee training costs. The company has  
4                   participated in OSHA's Safety and Health Achievement Recognition Program  
5                   (SHARP) since 1998.

6                   **Source:** Anthony Forest Products. OSHA Small Business Success Stories,  
7                   (February 2007).

8 **Q. Was it your intention to criticize the Company's incentive compensation plans as**  
9 **stated in Company witness Darrin Ives rebuttal testimony?**<sup>34</sup>

10 A. No. As I stated in my direct testimony, incentive compensation is a standard practice in  
11 corporate environments. My main issue here is how the ratepayers are paying for incentive  
12 compensation because incentive compensation plans pay for themselves.

13 **Q. Would the incentive compensation recommendations you made in both your direct**  
14 **and rebuttal testimonies violate the terms of the Westar and Great Plains merger as**  
15 **Mr. Ives alleged?**

16 A. No. My recommendations focus on efficiencies yet to be achieved in future years between  
17 the current rate cases and the next rate case. What happened in the past is not the focus  
18 here.

19 **Q. Again, how do competently designed incentive compensation plans more than pay for**  
20 **themselves?**

21 A. As I explained in my direct testimony, companies will not continue disbursing incentive  
22 compensation rewards without first receiving a financial benefit. Incentive compensation  
23 programs reward employees for achieving new efficiencies in a prior period. In order to  
24 remain profitable, efficiency goals tied to incentive compensation program payouts must  
25 evolve regularly but should always result in cost savings greater than the cost of the

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<sup>34</sup> Darrin Ives Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 17, lines 18 through 23.

1 programs themselves. Stated differently, cost-effective incentive compensation programs  
2 should self-finance through an improved financial position.

3 **Q. Does the Company offer support verifying that incentive compensation rewards are**  
4 **not disbursed without first receiving a financial benefit?**

5 A. Yes. Rebuttal testimony submitted by Company witness Ms. Kelly Murphy supports this  
6 concept by verifying “incentive compensation is considered pay-at-risk which means that it  
7 is only paid if the key measures are achieved.”<sup>35</sup>

8 **Q. Please define pay-at-risk incentive compensation.**

9 A. According to a definition provided by the Economic Research Institute, pay-at-risk  
10 incentive compensation is “performance-based pay that is the portion of an employee’s  
11 compensation that is ‘at risk’ of not being paid out if objectives and goals are not reached”<sup>36</sup>.

12 **Q. Based on the definition of pay-at-risk incentive compensation and the fact that Ms.**  
13 **Murphy confirmed the Company’s incentive compensation plans are pay-at-risk**  
14 **based, should Mr. Ives be concerned that your incentive compensation**  
15 **recommendation could result in the loss of “more than \$30 million of market-driven**  
16 **compensation necessary to serve Missouri customers[?]”<sup>37</sup>**

17 A. No. Since the nature of Evergy’s incentive compensation is pay-at-risk based, if objectives  
18 and goals presented in the Company’s incentive compensation scorecard are not reached,  
19 then incentive compensation will not be paid out. If incentive compensation is not paid out  
20 then there is no need for concern about underfunding the revenue requirement. On the other  
21 hand, if the “more than \$30 million of market-driven compensation” was included in the  
22 revenue requirement and the pay-at-risk incentive compensation was not paid out because  
23 objectives and goals were not met, then the fully funded amount just pads the Company’s  
24 bottom line.

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<sup>35</sup> Kelly Murphy Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 2 line 20 through Page 3 line 6

<sup>36</sup> <https://www.eries.com/glossary/term/pay-at-risk>

<sup>37</sup> Darrin Ives Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 17, lines 21 through 23

1 **Q. Ms. Murphy also provides reasons for why incentive pay is important. What are these**  
2 **reasons?**

3 A. Ms. Murphy’s reasons supporting incentive compensation also align with reasons presented  
4 in my direct testimony. Also, according to Ms. Murphy, the Company offers a competitive  
5 pay package providing “opportunities to earn higher and lower levels of total compensation  
6 through performance-based incentives[.]”<sup>38</sup>

7 **Q. Can you provide a specific example where performance-based incentives from future**  
8 **O&M efficiencies are expected?**

9 A. Yes. In my direct testimony I referenced the “Enterprise Level Outcomes” included as  
10 Exhibit E in the MEEIA Uplight contract. These enterprise level outcomes include  
11 expectations surrounding: \*\*

12 \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_ \*\*

16 **Q. How do the expected efficiencies above relate to incentive compensation?**

17 A. The achievement of these efficiencies are expected by Q1 2024, which is a future year  
18 between FAC required rate cases. Therefore, whatever financial benefit achieved by these  
19 efficiencies would not be captured in rates until a future test year. The company would  
20 pocket the financial benefits in years between rate cases.

21 **Q. Should these O&M efficiencies be achieved by the projected Q1 2024 timeline, from**  
22 **where should the corresponding incentive compensation payouts be distributed?**

23 A. The incentive compensation payouts resulting from the implementation of these new O&M  
24 efficiencies should be paid from the correlating savings realized as a result of these  
25 efficiencies. However, the metrics-based payouts would still only represent a fraction of  
26 the savings achieved from these efficiencies. The key here is remembering that, in the years

<sup>38</sup> Kelly Murphy Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 3 lines 12-13

1 between rate cases before rates are reset, the Company would get to keep the difference  
2 between incentive compensation funded in the revenue requirement above the actual  
3 incentive compensation payouts, which may only be a fraction of the O&M efficiency  
4 savings achieved.

5 **Q. Was it your intention to imply “nefarious” Company practices by pointing out**  
6 **similarities between the MEEIA Uplight contract Enterprise Level Outcomes and the**  
7 **Company’s incentive compensation scorecards?**

8 A. No. Some form of these enterprise level outcomes have been present on the incentive  
9 compensation scorecards for years. To imply nefariousness is rather extreme. However,  
10 including these performance based enterprise level outcomes in a binding contractual  
11 agreement is a clever approach to ensure O&M efficiencies that will eventually be rewarded  
12 in more ways than one.

13 **Q. Did you review any additional Company contracts with similar Enterprise Level**  
14 **Outcomes included in the language?**

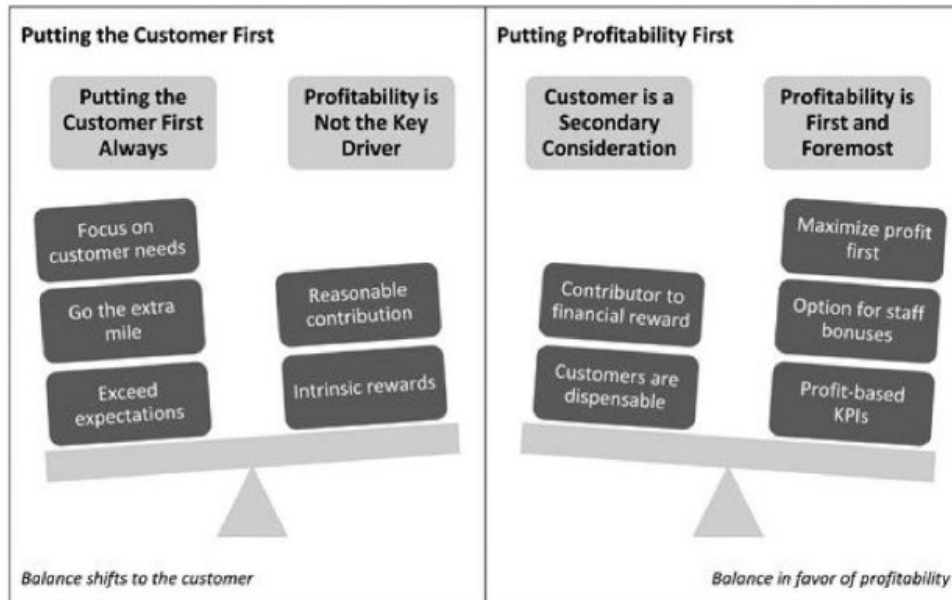
15 A. The Company provided cloud contracts in response to Staff’s DR 0181. Of the contracts I  
16 reviewed from those provided, I did not find any that included enterprise level outcomes  
17 similar to the ones found in Exhibit E of Schedule ADS-S-1.

18 **Q. What other thoughts do you have regarding the Company’s incentive compensation**  
19 **approach?**

20 A. The Officer Incentive Plan scorecards from 2019 through 2021 show increased financial  
21 performance KPI payouts from 25% to 32.5% in the adjusted earnings per share category.  
22 EPS increased. During the same time period, reports show Evergy’s 2019 adjusted EPS at  
23 \$2.89. By 2021 adjusted EPS rose by \$0.65 to \$3.54.

Year	2019	2020	2021
Adjusted EPS	\$ 2.89	\$ 3.10	\$ 3.54

1 **Q. Evergy’s earnings per share increased between 2019 and 2021 and are anticipated to**  
2 **remain in the range of \$3.43 to \$3.63 through 2022.<sup>39</sup> Incentive compensation resulting**  
3 **from earnings per share has also increased. What does this tell you?**



**EXHIBIT 2.5** Balancing the scales between profitability and putting the customer first.

4 **A.** The increased incentive compensation bonus related to the increased level of earnings per  
5 share demonstrates an emphasis on profit-based KPIs. Below is an image showing where  
6 profit-based KPIs fall relative to prioritizing profitability over putting the customer first.<sup>40</sup>

<sup>39</sup> [Evergy Second Quarter 2022 Results released August 4, 2022](#)  
<sup>40</sup>

Turner, B. R. (2021). *Rising From the Mailroom to the Boardroom: Unique Insights for Governance, Risk, Compliance and Audit Leaders*. Boca Raton, FL: CRC Press. Page 39

1 **Q. You recently read Evergy’s second quarter 2022 results released August 4, 2022,**  
2 **providing information that earnings were partially offset by higher operations and**  
3 **maintenance expense. How does this information relate to potential future incentive**  
4 **compensation payouts?**

5 A. Given Evergy’s “pay-at-risk” incentive compensation plans, if the higher operations and  
6 maintenance expenses result from targeted objectives and goals not reached, then  
7 corresponding incentive compensation payments would be reduced.

8 **Q. What is your recommendation on incentive compensation?**

9 A. I stand by the proposal made in my rebuttal recommendation. The Company’s “incentive  
10 compensation is considered pay-at-risk which means that it is only paid if the key measures  
11 are achieved.”<sup>41</sup> Therefore, dividing Staff’s incentive compensation calculation for  
12 inclusion in the revenue requirement over the four year period between rate cases, is more  
13 than adequate to fund the incentive compensation programs.

14 **PROPERTY TAX TRACKER**

15 **Q. Did you submit direct testimony on the property tax tracker?**

16 A. Yes.

17 **Q. What was your recommendation relating to the property tax tracker?**

18 A. I recommended not approving the property tax tracker because cost trackers reduce utility  
19 risk and could place more burden on ratepayers by interfering with regulatory lag.

20 **Q. How could the property tax tracker interfere with regulatory lag?**

21 A. A paper published by NRRI entitled “How Should Regulators View Cost Trackers?” points  
22 out that cost trackers potentially diminish efficient management of regulatory activities:

23 Cost trackers can reduce utility efficiency. “Just and reasonable” rates require that  
24 customers do not pay for costs the utility could have avoided with efficient or  
25 prudent management. Regulation attempts to protect customer from excessive

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<sup>41</sup> Kelly Murphy Rebuttal Testimonies, Case Nos. ER-2022-0129 and ER-2022-0130, Page 2 line 20 through Page 3 line 6



1 utility costs by scrutinizing a utility's costs in a rate case, conducting a retrospective  
2 review of costs, applying performance based incentives, and instituting regulatory  
3 lag. Cost trackers diminish one or more of these regulatory activities. In some cases,  
4 they diminish all of them. The consequence is the increased likelihood that  
5 customers will pay for excessive utility costs.<sup>42</sup>

6 **Q. Did the statute allowing property tax trackers pass?**

7 A. Yes. Senate Bill 745 was signed by Governor Parsons on June 29, 2022. The statute will  
8 go into effect on August 28, 2022.

9 **Q. In light of the fact that utility companies can now utilize a property tax tracker as a  
10 result of state legislation, what do you recommend?**

11 A. Since utilization of a property tax tracker could reduce Company risk relating to prudent or  
12 efficient property management, I recommend this be considered in the Company's approved  
13 ROE.

14 **Q. Does this conclude your surrebuttal testimony?**

15 A. Yes it does.

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<sup>42</sup> NRRI How Should Regulators View Cost Trackers, page 16

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

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


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

**AFFIDAVIT OF ANGELA SCHABEN**

STATE OF MISSOURI )  
) ss  
COUNTY OF COLE )

Angela Schaben, of lawful age and being first duly sworn, deposes and states:


1. My name is Angela Schaben. I am a Utility Regulatory Auditor for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Angela Schaben  
Utility Regulatory Auditor

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



TIFFANY HILDEBRAND  
My Commission Expires  
August 8, 2023  
Coke County  
Commission #15637121

  
\_\_\_\_\_  
Tiffany Hildebrand  
Notary Public

My Commission expires August 8, 2023.