

Exhibit No. 239

MoPSC Staff – Exhibit 239
Jared Giacone
Rebuttal Testimony
File Nos. ER-2022-0129 & ER-2022-0130

Exhibit No.:
Issue(s): *Incentive*
 Compensation
Witness: *Jared Giacone*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case Nos.: *ER-2022-0129 and*
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

JARED GIACONE

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2022-0129

Evergy Missouri West, Inc. d/b/a Evergy Missouri West
Case No. ER-2022-0130

Jefferson City, Missouri
July 2022

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REBUTTAL TESTIMONY**

OF

JARED GIACONE

**Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2022-0129**

**Evergy Missouri West, Inc. d/b/a Evergy Missouri West
Case No. ER-2022-0130**

EXECUTIVE SUMMARY1
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1 **INCENTIVE COMPENSATION**

2 Q. How did Staff calculate the amount of incentive compensation to include in
3 rates?

4 A. Staff used a four-year average for each of the four incentive compensation plan
5 amounts paid in March 2019, 2020, 2021, and 2022, which was exclusive of Earnings Per Share
6 (“EPS”) components.

7 Q. How did the Company calculate the amount of incentive compensation to
8 include in rates?

9 A. The Company used a three-year average of incentive compensation plan
10 amounts paid in March 2019, 2020, and 2021, exclusive of EPS components. The Company
11 did not have the March 2022 payout data available at the time of their direct filing.

12 Q. Is Staff and the Company’s recommended amount of incentive compensation to
13 include in rates similar even though Staff used a four-year average and the Company used a
14 three-year average of incentive compensation payouts?

15 A. Yes, the recommended dollar amount of incentive compensation amounts to
16 include in rates by Staff and the Company are similar. There is not significant difference
17 between the four-year average of payouts that Staff used and the three-year average of payouts
18 that the Company used. Staff’s four-year average incorporates the most recent known and
19 measurable data in the average.

20 Q. What is OPC’s position on the amount of incentive compensation to include in
21 rates?

22 A. The OPC recommends removing the Company’s proposed amount of incentive
23 compensation. According to the Direct Testimony of Angela Schaben, page 16, lines 4-5,

1 “The Commission should remove the \$10,008,354 of incentive compensation for Missouri
2 Metro and remove the \$3,552,782 of incentive compensation for Missouri West.”

3 Q. Do the dollar amounts referenced in OPC’s testimony reflect the three-year
4 average of incentive compensation payouts recommended by the Company?

5 A. Yes.

6 Q. What is the test year ending June 30, 2021 account balance for incentive
7 compensation for Evergy Metro and Evergy West?

8 A. The test year account balance at June 30, 2021 for Evergy Metro is \$14,092,776.
9 The test year account balance at June 30, 2021 for Evergy West is 3,789,218.

10 Q. What is OPC’s argument for removing the Company’s recommended amount of
11 incentive compensation?

12 A. According to the Direct Testimony of Angela Schaben, page 12, lines 8-10,
13 “Moreover, because the net O&M savings are larger than the amount being paid out in incentive
14 compensation, the plan is more than paying for itself.”

15 Q. Would removing the Company’s recommended amount of incentive
16 compensation proposed by OPC still leave an amount in rates for incentive compensation?

17 A. It would because the amount proposed by the Company is less than the test year
18 amount. The OPC in essence would be recommending the difference between the test year
19 amount and the amount they recommend to be removed. The OPC would be proposing
20 \$4,084,422 for Evergy Metro and \$236,436 for Evergy West.

21 Q. Is it Staff’s understanding that OPC’s position is to not include any amount of
22 incentive compensation in rates?

1 A. Yes. The OPC has taken the position of not recommending any amount of
2 incentive compensation in rates in prior cases for other utilities. In addition, by only
3 recommending removal of the Company's proposed amount of incentive compensation, there
4 is no foundation or support for the remaining amount of incentive compensation left in the test
5 year. OPC Witness Schaben does not provide any calculations in testimony to support the
6 amount that will remain in the test year if only the Company's proposed amount of incentive
7 compensation is removed.

8 Q. Are you aware of any recent Commission Orders on incentive compensation
9 where the OPC recommended no inclusion of incentive compensation in rates?

10 A. I am. The Commission addressed incentive compensation in its *Amended*
11 *Report and Order* from Spire's general rate case GR-2021-0108. The Commission states,

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

20
21 Q. Is OPC's argument of double recovery from that Spire case the same argument
22 they present in this case?

23
24 A. In my opinion, yes. The quote I included above from the direct testimony of
25 OPC witness Angela Schaben in this case argues that the incentive compensation plan
26 pays for itself. In other words, OPC's argument in this case is the same as it was in the
27 Spire case by saying that including any amount of incentive compensation in the revenue
28 requirement would be double recovery.

1
2 Q. Is it Staff's position that the test year used in this Evergy rate case reflects
3 operational savings and/or increased revenues that result from the 4-year average of incentive
4 compensation payouts that Staff recommends including?

5 A. Yes. Incentive compensation is an annual program that Staff reviewed four
6 years of historical plan data. The test year of July 1, 2020 through June 30, 2021 would reflect
7 reduced expenses or increased revenues generated since Staff used the resulting average of
8 incentive compensation plan payouts made in the two years prior to the test year beginning and
9 during the test year.

10 Q. Are the incentive compensation program goals only to reduce expenses or
11 increases revenues?

12 A. No, there are safety and reliability factors that are included in the incentive
13 compensation program goals. Safety and reliability do not have a direct known and measurable
14 correlation to reducing expenses or increasing revenues. That means, on their own they would
15 not produce known and measurable savings or known and measurable revenue that would offset
16 or pay for the related incentive compensation payouts on those metrics. That is why it is
17 appropriate to include a normalized level of incentive compensation expense in cost of service.

18 Q. Does this conclude your rebuttal testimony?

19 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

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

AFFIDAVIT OF JARED GIACONE

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW JARED GIACONE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Jared Giacone*; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



JARED GIACONE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of JACKSON, State of Missouri, at my office in Kansas City, on this 12th day of July 2022.



Notary Public



EBONEY JACKSON-SPOTWOOD
My Commission Expires
April 8, 2023
Clay County
Commission #190665798