

# Exhibit No. 41

Exhibit No.:

Issue: Policy and Overview, Management  
Actions, Sibley Generating Station,  
Greenwood Solar Allocation,  
Incentive Compensation, Bad Debt  
and Property Tax Trackers, Income  
Eligible Programs, Level of Rates,  
Earned Returns, Capital Structure,

Witness: Darrin R. Ives

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Evergy Missouri Metro and Evergy  
Missouri West

Case No.: ER-2022-0129 / 0130

Date Testimony Prepared: July 13, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2022-0129 / 0130**

**REBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**EVERGY MISSOURI METRO and EVERGY MISSOURI WEST**

**Kansas City, Missouri**

**July 2022**

## **Table of Contents**

I. INTRODUCTION.....	1
II. MANAGEMENT ACTIONS .....	3
III. SIBLEY GENERATING STATION .....	10
IV. GREENWOOD SOLAR.....	15
V. INCENTIVE COMPENSATION.....	17
VI. BAD DEBT AND PROPERTY TAX TRACKERS.....	19
VII. INCOME ELIGIBLE PROGRAMS.....	22
VIII. LEVEL OF RATES.....	24
IX. EARNED RETURNS .....	27
X. CAPITAL STRUCTURE .....	30

**REBUTTAL TESTIMONY**

**OF**

**DARRIN R. IVES**

**Case No. ER-2022-0129 / 0130**

1

**I. INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri  
4 64105.

5 **Q: Are you the same Darrin R. Ives who submitted direct testimony in these dockets on**  
6 **January 7, 2022?**

7 A: Yes.

8 **Q: On whose behalf are you testifying?**

9 A: I am testifying on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro (“Evergy  
10 Missouri Metro” or “EMM”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West  
11 (“Evergy Missouri West” or “EMW”) (collectively, the “Company”).

12 **Q: What is the purpose of your rebuttal testimony?**

13 A: The purpose of my rebuttal testimony is to respond issues raised in the direct testimony of  
14 Missouri Public Service Commission (“Commission”) Staff, Office of the Public Counsel  
15 (“OPC”), and Midwest Energy Consumers Group (“MECG”) pertaining to: (1) Evergy  
16 management actions since the last rate case; (2) Sibley Generating Station retirement; (3)  
17 Greenwood solar station; (4) incentive compensation; (5) bad debt and property tax

trackers; (6) income eligible programs; (7) data availability; (8) level of EMM and EMW rates; (9) earned returns in Evergy’s Missouri operations; and (10) capital structure

**Q: Please introduce the Company’s other witnesses who respond to Staff and other interveners’ direct testimony.**

**A:** Table 1, below, introduces the Company’s other witnesses and the other interveners responded to and topics addressed.

*Table 1: Company Witnesses*

<b>Company Witness</b>	<b>Intervener(s) Responded To</b>	<b>Topics</b>
Bruce Akin	OPC, MECG	Storm Reserve
Larry Kennedy	Staff, OPC, MECG	Sibley Retirement
Albert Bass, Jr.	Staff	Revenue Normalization
Craig Brown	Staff, MECG	CCOS
Ann Bulkley	Staff, OPC, MECG	Cost of Capital, Capital Structure, ROE
Steven P. Busser	OPC	Management Expense
Charles A. Caisley	Staff, OPC	Policy and Overview
John Carlson	Staff	SIL tariff
Jason Klindt	Staff	EI dues
Melissa Hardesty	Staff, OPC, MECG	Taxes
Jim Flucke	Staff	Transmission ROE, Transource
Ronald Klote	Staff, OPC, MECG	Accounting Issues
Bradley Lutz	Staff, St. Joseph	Rate Design, Streetlights, SIL tariff, rate modernization
James Meitner	OPC	Hedging
Kayla Messamore	Staff, OPC, Sierra Club	Sibley Retirement, PPAs, Voltage Optimization
Marisol E. Miller	Staff, OPC, MECG, MIEC	CCOS, tariffs, rate design, revenues
Kelly Murphy	OPC	Incentive Compensation
Linda J. Nunn	Staff, OPC	FAC, Accounting Issues
Eric Peterson	Staff	Fuel issues
John Spanos	Staff, OPC, MECG	Depreciation studies
Jessica Tucker	Staff	Fuel issues
Kimberly Winslow	Staff, OPC, ChargePoint	TOU, Electrification, pilot programs
John Wolfram	MECG	Allocations

1 I note that the Company has attempted to address all substantive issues raised by Staff,  
2 OPC, MECG and other parties which the Company contests. Certain parties, however,  
3 submitted testimony that is inaccurate, not supported, and/or simply sensational  
4 accusations or hyperbole with no factual or analytical basis. Such testimony is not  
5 addressed at all or not fully addressed by the Company because in such instances the issues  
6 are not yet ripe for rebuttal. The Company will be prepared to respond further in the  
7 proceeding should the parties further develop the issues. Further, if the Company did not,  
8 or inadvertently failed to, address an issue raised by any party, the absence of a response  
9 does not constitute agreement by the Company with that party.

## 10 II. MANAGEMENT ACTIONS

11 **Q: Please briefly summarize OPC witness Geoff Marke's testimony regarding**  
12 **management's actions.**

13 A: OPC argues that Elliott Management had a "profound" impact on Evergy's capital  
14 spending. OPC goes on to assert that since the Company's last rate case Evergy's market  
15 valuation has increased substantially while its residential customer satisfaction as measured  
16 by J.D. Power has declined. Dr. Marke lists various factors, generally without adequate  
17 support or analysis, which he asserts contribute to this "downward trend".

18 **Q: Do you agree with OPC's assessment?**

19 A: No. Evergy witness Charles Caisley addresses OPC's testimony regarding customer  
20 satisfaction. As discussed by Mr. Caisley, Evergy's J.D. Power customer satisfaction  
21 scores have steadily increased since the merger closed in 2018. Evergy's J.D. Power  
22 ranking in its peer group has also improved. Dr. Marke's list of factors contributing to this

1 non-existent “downward trend” in customer satisfaction is nothing more than rhetoric. He  
2 simply provides no facts or fact-based analysis to support his position.

3 **Q: What is your response to OPC’s testimony regarding Evergy’s capital investment**  
4 **plan?**

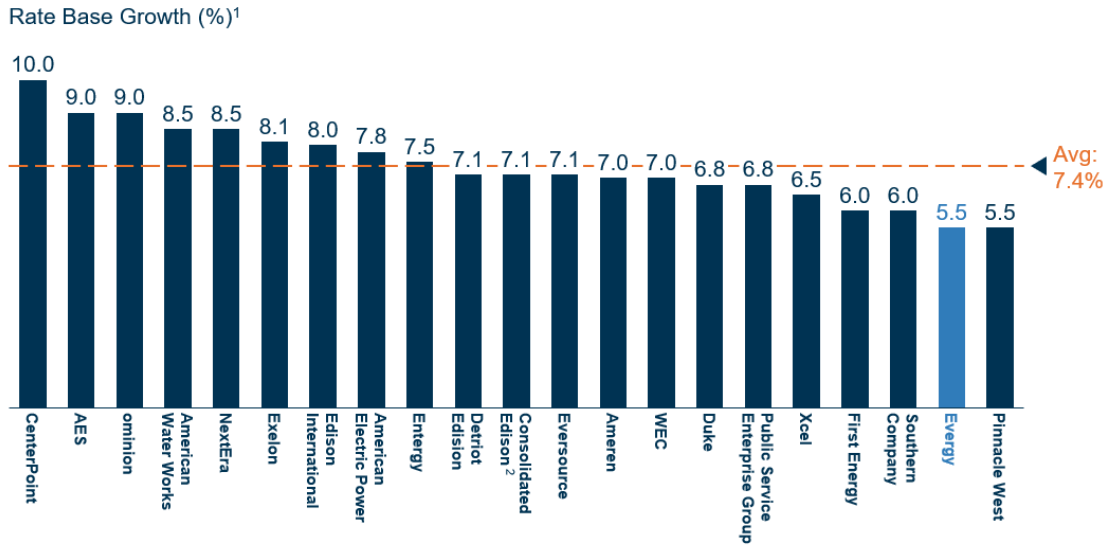
5 A: While Dr. Marke seems to imply that the growth in Evergy’s capital investment plan is  
6 nefarious, he again provides no facts or fact-based analysis to support his position and the  
7 comparison of plans that is the basis of his criticisms is fundamentally flawed. Following  
8 the intervention by Elliott Management, Evergy performed a comprehensive strategic  
9 assessment and developed its Sustainability Transition Plan (“STP”) which focused on  
10 opportunities to deliver cost savings and reliability benefits to customers and to accelerate  
11 the transition to cleaner energy and a more modern electrical grid.<sup>1</sup> Evergy has deliberately  
12 executed this plan with rate base growth that has been paced and continues to benchmark  
13 well below the median rate base growth of its peers, as it seeks to balance reliability,  
14 sustainability and affordability.

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<sup>1</sup> See Evergy STP File No. EO-2021-0032

Figure 1: Rate Base Growth

## Relative Rate Base Trajectory | UTY Index



(1) Reflects midpoint of company disclosure. (2) Equity research estimate.

2

3 While Dr. Marke refers to the plant-in-service accounting (“PISA”) rules, he  
 4 ignores their import. PISA, as enacted in SB 564 in 2018, demonstrates the State  
 5 Legislature’s clear objectives and support for utility investment to accelerate the  
 6 modernization of the electric grid and clean energy transition. Further, SB 745 which was  
 7 signed into law by the Governor in late June 2022 continues and reinforces this support.  
 8 As I discussed in my Direct Testimony, by utilizing PISA, the Company can mitigate a  
 9 portion of the negative regulatory lag of capital investments which has made it difficult to  
 10 invest at the level necessary to pursue these important policy objectives.

11 We are now nearly two years into the execution of the STP and four years following  
 12 the GPE/Westar merger. The Company has and continues to deliver on its commitments



1 which have created substantial savings and other benefits for customers, facts Dr. Marke  
2 conveniently ignores.

3 Evergy's pace of investment to effectuate grid modernization and the transition to  
4 cleaner energy while maintaining a balanced focus on affordability, reliability and  
5 sustainability is certainly not out of line with what is occurring across the electric utility  
6 industry currently, and is fully supported by the Company's analysis of its system needs  
7 and requirements. OPC's criticism of the Company's capital spending is unfounded.

8 **Q: How is Dr. Marke's comparison of the Company's annual capital spending plans**  
9 **fundamentally flawed?**

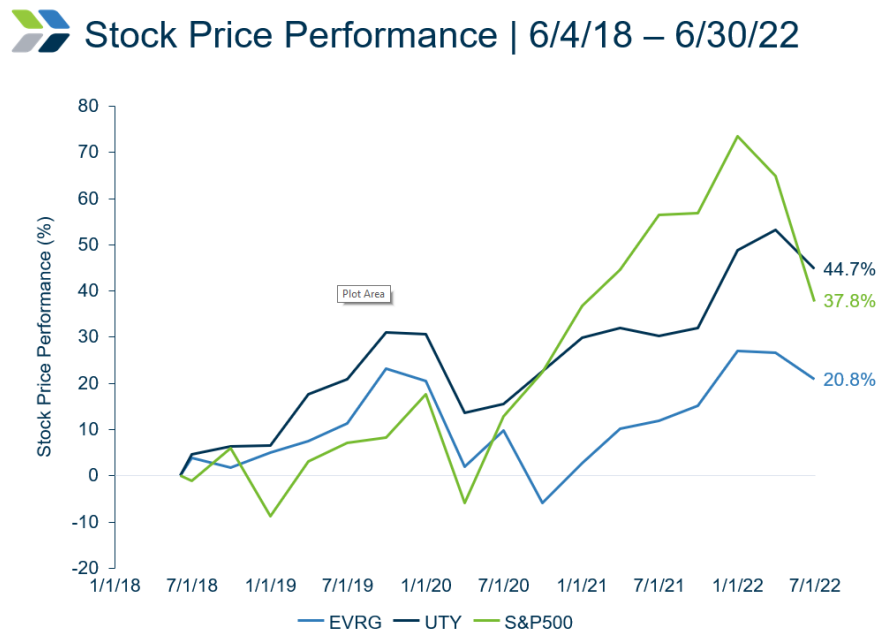
10 A: Dr. Marke directly compares five-year plans that cover different years. This type of  
11 comparison is not informative and certainly does not support Dr. Marke's "story" that  
12 management actions have changed and shareholders are benefiting at the expense of  
13 customers. Simply comparing the aggregate 2019-2023 capital plan to the aggregate 2022-  
14 2026 capital plan does not consider the important context for and drivers of each plan  
15 including inflation, supply chain issues, specific capital priorities and identified necessary  
16 projects. Company witness Bruce Akin discussed Evergy's planning process in his Direct  
17 testimony in this case.

18 **Q: What is your response to Dr. Marke's testimony regarding Evergy's market**  
19 **valuation?**

20 A: Once again Dr. Marke fails to consider all the facts. While Evergy's stock performance  
21 has been on an upward trajectory since close of the merger in mid-2018, it has lagged  
22 behind that of its peers, the Utility Sector Index and the market overall. Please see Figure  
23 2, below, below.

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Figure 2: Stock Price



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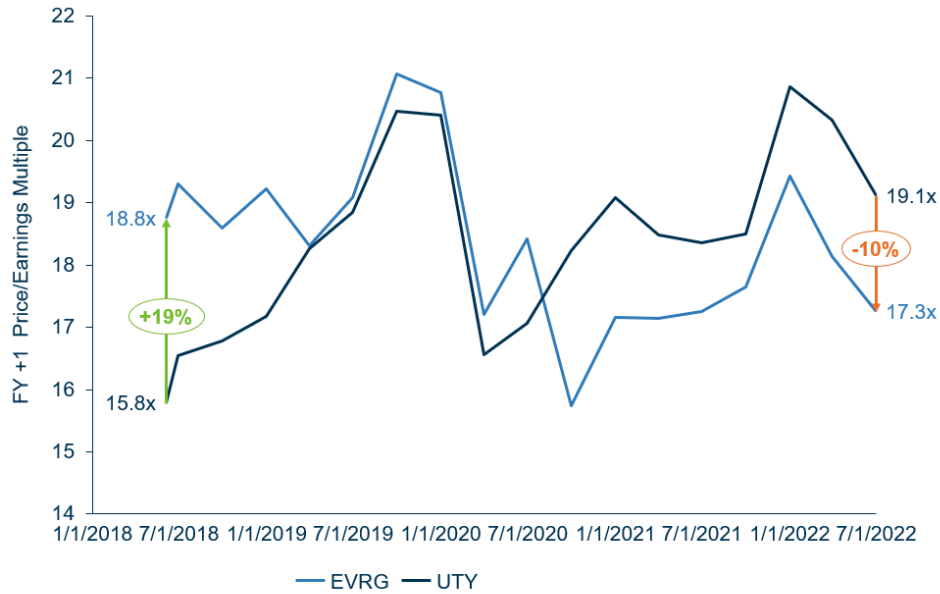
14

Further, it is important to recognize that at the same time Evergy’s stock price/earnings (“P/E”) multiple (a key indicator of utility stock value utilized by investors) is substantially below that of both its peers and the Utility Sector Index. Please see Figure 3 below. This is primarily due to the Company’s relatively modest capital spending and rate base growth in comparison to its peers and that it operates in a more restrictive regulatory environment as indicated by the Commission’s RRA ranking of Average/3, the weakest average rating, and the Kansas Corporation Commission’s RRA rating of Below Average/1, the strongest below average rating. This ranking for the Commission is consistent with Company witness Ann Bulkley’s discussion in her direct testimony of the risk of the regulatory framework in Missouri relative to other jurisdictions. Ms. Bulkley concludes that the Company is subject to higher regulatory risk than the other companies she considered.

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Figure 3: P/E Multiples

 Forward Year +1 P/E Multiples | 6/4/18 – 6/30/22



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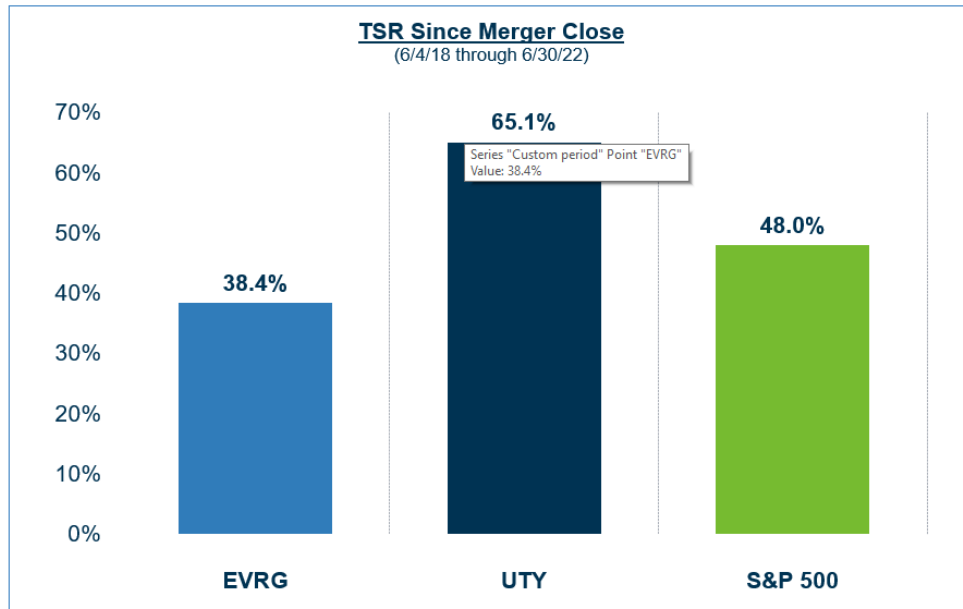
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Finally, Dr. Marke's lack of analysis of the market facts and drivers leads to his testimony regarding shareholder returns also being incomplete and misleading. As seen in Figure 4, Evergy's total shareholder returns have also lagged the Utility Sector Index and the S&P 500. Evergy's total shareholder returns are also below the median of the EEI member companies since the effective date of the merger.

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Figure 4: Total Shareholder Return

## Total Shareholder Return



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3 Dr. Marke’s conclusion that “these are great outcomes for shareholders” is misleading at  
4 best and like much of Dr. Marke’s testimony is crafted to be sensational without the  
5 analysis and support provided to meet OPC’s burden to the Commission. Yes, Evergy’s  
6 stock price has increased since 2018, but not at the pace of its peers and the market overall.  
7 I Its lagging P/E metric shows that relatively lower rate base growth and higher regulatory  
8 risk have a negative impact on market valuation.

9 **Q: Have Evergy’s shareholders benefitted at the expense of its customers as OPC**  
10 **suggests?**

11 **A:** No. Customers have enjoyed and at the conclusion of this proceeding will certainly  
12 continue to enjoy substantial benefits since the merger in 2018. As I discussed in my

1 Direct Testimony, savings resulting from the merger as of September 2021 totaled  
2 approximately \$646.3 million, which is 58% above planned savings levels. In fact, the  
3 planned level of savings over five years following the merger (i.e., 2018-2023) was  
4 achieved in the third quarter of this year, approximately 18 months ahead of plan. These  
5 savings have tempered the Company's rate request here which is significantly driven by  
6 the increased fuel and purchased power prices in the current market, rather than higher  
7 investments and operating costs.

### 8 III. SIBLEY GENERATING STATION

9 **Q: What has Staff recommended regarding resolution of the Sibley Generating Station**  
10 **retirement?**

11 A: Staff witness Keith Majors recommends the net book value of Sibley be offset by both the  
12 deferred depreciation expense and the regulatory liabilities recorded for non-fuel O&M  
13 and Sibley rate base returns recovered in rates from the 2018 general rate case until rates  
14 effective in this case, as a result of the Commission ordered AAO in 2019. Staff  
15 recommends that the residual unrecovered Sibley rate base investment of \$12.4 million,  
16 after adjustment for his recommendations, be amortized over five years with no return.  
17 Staff argues that it is appropriate for EMW to share in the economic impact of the Sibley  
18 Generating Station retirement and that providing a return on the net unrecovered rate base  
19 investment balance would make EMW completely whole with no impact of the risk of  
20 early retirements. Staff concludes that the five-year amortization is relatively quick and  
21 mitigates the need for a "return on."

1 **Q: Do you agree with Mr. Major's recommendation?**

2 A: No. Please see the rebuttal testimony of Company witness Larry Kennedy for a detailed  
3 response to Staff. There is no basis for Mr. Major's recommendation to offset the net book  
4 value of Sibley. The plant's undepreciated book balances were prudently incurred. The  
5 Company's decision to retire Sibley was prudent, given that it was no longer economic  
6 and the entire electric industry was at the time and continues to move away from coal-  
7 fired generation. The Company should not be penalized for, or "share" in the impact of,  
8 such a national industry development. The investments in Sibley were made on behalf of  
9 customers and shareholders are entitled to a compensatory return on those prudently  
10 incurred investments.

11 **Q: What has OPC recommended regarding the retirement of Sibley Generating**  
12 **Station?**

13 A: OPC witness Marke recommends complete disallowance of the remaining Sibley  
14 unrecovered investment balances and argues that the Company not receive a "return on"  
15 any remaining Sibley plant balance based on his blanket assertion that shutting Sibley down  
16 in 2017 and 2018 was imprudent.

17 **Q: What is your response to Dr. Marke's recommendation?**

18 A: There is no basis for Dr. Marke's recommendation. As discussed by Mr. Kennedy, Dr.  
19 Marke does not even mention the standard for assessing prudence and instead simply tells  
20 the Commission that the Company was imprudent because he says so. His position that a  
21 utility should never retire a plant before the end of its depreciable life unless the  
22 government intervenes and tells them to, or there is categorical loss of load is a ludicrous  
23 proposition. Dr. Marke would have a company continue to run a plant that is no longer

1 economic, as was Sibley, for years. This is not in the interest of customers and is not  
2 prudent. Please see the rebuttal testimony of Company witnesses Larry Kennedy and  
3 Kayla Messamore for a detailed response to OPC.

4 **Q: Dr. Marke alleges that EMW “attempted to game the regulatory process” and the**  
5 **retirement of Sibley Generating Station. Do you agree?**

6 A: No. That is a continuation of a ridiculous accusation and just another example of Dr.  
7 Marke’s propensity for making inflammatory and unsupported allegations. The events  
8 leading up to EMW’s decision to retire the plant are clear, well-documented, and well-  
9 communicated with the Commission and interested parties. The following is a brief  
10 summary.

- 11 ▪ Sibley station was constructed by Missouri Public Service Company (“MoPub”),  
12 the predecessor of KCP&L Greater Missouri Operation Company (“GMO”) which  
13 is EMW’s predecessor, with in-service dates of 1960 for Unit 1, 1962 for Unit 2,  
14 and 1969 for Unit 3. MoPub had expected to retire Sibley Unit 1 and Unit 2 in  
15 1990, but instead initiated a life extension project to extend the life of all three units  
16 for about 20 years.<sup>2</sup>
- 17 ▪ In GMO’s Integrated Resource Plan (“IRP”) filed in April 2012, GMO identified  
18 Sibley Units 1 and 2 for retirement in 2017 driven by anticipated environmental  
19 rules which GMO would continue to monitor. Every IRP updated that was filed  
20 between April 2012 and June 2017 had Sibley Unit 1 and 2 retiring.
- 21 ▪ On January 15, 2015, GMO announced that Sibley Unit 1 and Unit 2 would stop  
22 burning coal by the end of 2019. The Company stated that during the coming years  
23 it would make the final decision whether to retire the units or convert them to an  
24 alternative fuel source.
- 25 ▪ On June 1, 2017 the Company filed its IRP 2017 Annual Update, as required by  
26 Commission Rule 20 CSR 4240-22.080(3).<sup>3</sup> The Company presented its Preferred  
27 Plan that reflected the lowest cost plan from a net present value of revenue  
28 requirement (“NPVRR”) perspective. The IRP analysis determined that the

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<sup>2</sup> Order Approving Tariffs, In re Knasas City Power & Light Co. Request for Authority to Implement a General Rate Increase, No. ER-2018-0145, and In re KCP&L Greater Missouri Operations Co. Request for Authority to Implement a General Rate Increase, No. ER-2018-0146 (Nov. 26, 2018).

<sup>3</sup> Order Directing Notice and Acknowledging Automatic Parties, In re 2017 Integrated Resource Plan Annual Update for KCP&L Greater Mo. Operations Co., No. EO-2017-0230 (June 2, 2017)

1 retirement of Sibley Units 2 and 3 (including the Unit 1 boiler and common plant)  
2 “by 2019” and the Lake Road 4/6 Unit (97 MW) “by 2020” should occur because  
3 it resulted in an NPVRR savings of \$282 million over the 2015 Triennial IRP  
4 Preferred Plan, making it the lowest cost alternative.<sup>4</sup>

5       ▪ As a result of this analysis and the economic factors that it considered, the Company  
6 announced in a press release on June 2, 2017 that Sibley Units 2 and 3 (as well as  
7 the Sibley Unit 1 boiler and common plant) would be retired by the end of 2018.  
8 As stated in the Company’s announcement of June 2, 2017, the factors contributing  
9 to Sibley’s retirement included: (1) the reduction in wholesale electricity market  
10 prices, (2) a reduction in the required reserve generating capacity, (3) a decline in  
11 near-term capacity needs, (4) the age of the Sibley plants, and (5) expected  
12 environmental compliance costs.

13       ▪ In response to the filed 2017 IRP Annual Update, as well as the Company’s  
14 subsequent 2018 Triennial IRP, OPC provided numerous comments regarding the  
15 plan to retire Sibley by the end of 2018.<sup>5</sup>

16       ▪ The Company filed general rate cases with the Commission on January 30, 2018  
17 which were subsequently consolidated. The Commission ordered the parties to use  
18 a test year ending June 30, 2017, updated through December 31, 2017, and a true-  
19 up period to end on June 30, 2018.<sup>6</sup>

20       ▪ Four stipulations and agreements that ultimately resolved all the issues in both rate  
21 cases were negotiated and filed with the Commission. The parties to the First  
22 Stipulation, which included MCEG, agreed to defer the depreciation expense of  
23 three generating stations whose plants were approaching retirement. This included  
24 Sibley’s three units and common plant.<sup>7</sup> While OPC was not a party to this  
25 stipulation, it failed to request a hearing or otherwise object to the First Stipulation  
26 which was, therefore, treated by the Commission as unanimous.<sup>8</sup>

27       ▪ Throughout this time period, the Company continued to plan for the retirement of  
28 Sibley by the end of 2018 until a turbine vibration tripped Unit 3 on September 5,  
29 2018. Staff was informed of this event via an EFIS filing on September 6. A follow-  
30 up EFIS filing occurred on September 12 as cost alternatives were analyzed.

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<sup>4</sup> See IRP 2017 Annual Update, § 7.1.5 at 68-69.

<sup>5</sup> See Comments of OPC, In re 2017 IRP Annual Update for KCP&L Greater Mo. Operations Co., No. EO-2017-0230 (July 28, 2017), Ex. 14, Marke Surrebuttal; Comments of OPC, In re KCP&L Greater Mo. Operations Co.’s 2018 Triennial Compliance Filing Pursuant to 4 CSR 240-22, No. EO-2018-0269 (Aug. 30, 2018).

<sup>6</sup> See Order Granting Motion to Consolidate, Nos. ER-2018-0145 & -0146 (Mar. 13, 2018).

<sup>7</sup> See Non-Unanimous Partial Stipulation & Agreement at 1-2, In re Kansas City Power & Light Co. Request to Implement a Gen’l Rate Increase, No. ER-2018-0145, and In re KCP&L Greater Mo. Operations Co. Request to Implement a Gen’l Rate Increase, No. ER-2018-0146 (“2018 GMO Rate Case”) (Sept. 19, 2018), at 8-9.

<sup>8</sup> See Order Approving Stipulations & Agreements at 3, 2018 GMO Rate Case (Oct. 31, 2018).



1           ▪       Various options were considered by Company management from repairing the  
2 turbine to decommissioning Sibley ahead of the scheduled retirement at the end of  
3 the year. After a comprehensive evaluation of these options the Vice President of  
4 Generation Operations Duane Anstaett advised senior management that the safest  
5 and most economical solution is to cease burning coal at Sibley. The  
6 recommendation was taken by Chief Operating Officer Kevin Bryant to review  
7 with senior management over the next several weeks, including a briefing to the  
8 Evergy Board of Directors. After further consideration, the Company determined  
9 that Sibley 3 and the other units should be retired, and decommissioning activities  
10 began on November 14, 2018.

11           ▪       During this period of time, the Company met with Staff and OPC on November 1  
12 and November 20 to provide reports on the ultimate resolution of the forced outage  
13 and the decision to retire Sibley.

14           Rather than “gaming” the regulatory process as Dr. Marke asserts, the Company engaged  
15 in a deliberate, transparent and prudent planning process which it carefully communicated  
16 to the Commission and interested parties, including Staff, OPC and MECG.

17 **Q:   MECG witness Greg Meyer recommends significant adjustments to the revenue**  
18 **requirement for Sibley, including limiting the return on the unrecovered investment.**

19 **What is EMW’s response?**

20 A:   EMW witnesses John Spanos and Larry Kennedy address MECG’s arguments and explain  
21 why Mr. Meyer’s recommendations should be rejected. As to Mr. Meyer’s testimony that  
22 "ratepayers should not be required to provide a profit stream for retired generating units",  
23 this flies in the face of well-established ratemaking principles. As discussed by Mr.  
24 Kennedy, EMW is entitled to the return of and return on its prudent investment. Mr.  
25 Meyer’s commentary that EMW has other options available to it to lessen the impact on  
26 shareholders, including securitization, directly contradicts Missouri’s securitization  
27 legislation. Securitization in Missouri is an option, not a requirement.

1 **IV. GREENWOOD SOLAR**

2 **Q: What has Staff recommended regarding the Greenwood solar station?**

3 A: Staff witness Karen Lyons recommends allocating the Greenwood solar station capital  
4 costs and all related expenses between EMW, EMM and Evergy Kansas Metro. Staff  
5 proposes to allocate costs between EMW and EMM based on the number of customers.  
6 Staff describes the basis of its proposal as satisfying conditions contained in the  
7 Commission’s order granting the certificate for the solar station (EA-2015-0256).

8 **Q: Do you agree with Staff’s allocation proposal?**

9 A: No. Staff’s proposal clearly violates a fundamental ratemaking principle of cost causation.  
10 The Greenwood solar station provides power and other benefits exclusively to EMW’s  
11 customers and does not benefit EMM. The solar plant is connected to a single circuit at  
12 the distribution level of EMW’s electrical system and can only serve the load of customers  
13 on that circuit. Not a single electron produced by the Greenwood solar station will ever  
14 reach the EMM system. All energy produced by the system is for the benefit and use of  
15 EMW’s customers.

16 In addition, the energy produced by the Greenwood station reduces EMW’s load  
17 purchase requirement from the Southwest Power Pool (“SPP”). This reduces SPP load  
18 expense for the benefit of all EMW customers. As a result, the FAC charged or credited  
19 to EMW customers is lower because of the Greenwood solar station.

20 As a corporation with multiple operating utilities, many projects, both generation  
21 and distribution, are often done at one utility subsidiary and may result in benefits of an  
22 intangible nature to the other. One of the benefits identified during the acquisition of  
23 KCP&L Greater Missouri Operations (EMW predecessor) by Great Plains Energy was the

1 expertise that KCP&L Greater Missouri Operations had in maintenance of its natural gas  
2 plants. That expertise was shared with KCP&L (EMM predecessor). Likewise, KCP&L  
3 had substantial expertise in maintenance of its coal fleet and that was then shared with  
4 KCP&L Greater Missouri Operations, without compensation through allocation of costs.  
5 KCP&L was one of the first utilities in the nation to implement an automated meter reading  
6 system many years ago. Both EMM and EMW are now in the process of deploying next  
7 generation automated metering (“AMI”) and EMW is receiving the benefit of EMM’s  
8 expertise, without any transfer of costs to EMW for that knowledge.

9 The Greenwood solar project was constructed at a site, the Greenwood Energy  
10 Center, already owned by EMW and located within EMW’s service territory. The 300-  
11 acre Greenwood site includes four combustion turbines that were constructed and in service  
12 prior to the construction of the solar facility. This site was selected for the solar project in  
13 part to minimize the cost of the solar installation based on the availability of land and  
14 existing electrical infrastructure. Furthermore, due to additional land availability at the  
15 site, it could allow for future expansion of solar as the company gains experience operating  
16 a solar facility and as the anticipated cost declines for the technology materialize.

17 Importantly, the solar plant is connected to a single circuit at the distribution level  
18 of EMW’s electrical system and serves the load of customers on that circuit. This energy  
19 reduces EMW’s load purchase requirement from the SPP and reduces SPP load expense  
20 for the benefit of all EMW customers. As a result, the FAC charged or credited to EMW  
21 customers is lower because of the solar system.

1 **Q: If the Commission requires EMW to transfer some dollar amount of the Greenwood**  
2 **solar station to EMM, how much might be appropriate and how it could be done?**

3 A: First, I would reiterate that the Company is opposed to any allocation of the costs of the  
4 Greenwood Solar facility away from EMW to EMM. Particularly when the energy  
5 produced from the solar station goes 100% to the benefit of Evergy Missouri West  
6 customers. However, if the Commission requires some allocation of costs to EMM because  
7 this pilot project was built and operated to gain experience with a utility scale solar project  
8 it is important to recognize that because of all the other impacts on the investment such as  
9 specific tax benefits, REC's, the energy from the facility, and operating costs which would  
10 remain with GMO, using a plant investment allocation which is typically used for these  
11 type of project costs is not practical. If the Commission ordered the Company to make an  
12 allocation, my recommendation similar to the Company's prior rate case would be that it  
13 allocate no more than \$100,000 to EMM in expenses to be reflected in EMM's cost of  
14 service and subtract a like amount from EMW's cost of service. I would further recommend  
15 that the \$100,000 be assigned to Missouri only, as this is more an issue with Missouri than  
16 it is with Kansas.

## 17 V. INCENTIVE COMPENSATION

18 **Q: What is OPC's position regarding incentive compensation?**

19 A: OPC witness Angela Schaben criticizes the Company's incentive compensation plan and  
20 recommends that the Commission remove more than \$10 million (Evergy Metro total) in  
21 incentive compensation from the revenue requirement of EMM and more than \$3.5 million  
22 in incentive compensation from the revenue requirement of EMW, resulting in more than  
23 \$30 million of market-driven compensation necessary to serve Missouri customers not

1 being recovered between now and the Companies next FAC required general rate cases.  
2 OPC argues that the O&M efficiencies from a well-designed incentive compensation  
3 program are absorbed by the Company through regulatory lag between rate cases so  
4 incentive compensation should deducted from the Company's revenue requirement.

5 **Q: What is your response to OPC?**

6 A: Company witness Kelly Murphy addresses the appropriateness of the Company's incentive  
7 compensation plan, and OPC's errors with regard to the aggregate incentive compensation  
8 awards for utility employees.

9 With regard to OPC's position regarding regulatory lag, from the view of the  
10 Every individual that led the negotiations with Staff and the merger proceeding in front  
11 of the Commission, this is in direct violation of the economic bargain underlying the  
12 merger of Great Plains and Westar which created hundreds of millions of dollars of  
13 sustainable savings for customers. It was clear in the merger proceeding that customers  
14 would benefit from the merger immediately and in growing amounts over time as  
15 efficiencies and cost savings created by the merger were achieved and maintained. It was  
16 equally clear, that in the initial five years following the merger, the Company's  
17 shareholders would retain benefits until the Company's next general rate cases and that  
18 these shareholder benefits would decline precipitously thereafter.<sup>9</sup> OPC's attempt to now  
19 suggest that there is something inappropriate about shareholders benefiting from merger  
20 savings through an offset of incentive compensation costs is nothing more than attempting  
21 to retrade an economic bargain that was struck in an already approved merger whose  
22 stipulation and settlement approved by this Commission to which the OPC was a party.

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<sup>9</sup> See, for example, the Direct Testimony of Darrin R. Ives in Case No. EM-2018-0012 at 15+.

1 **Q: What is your response to OPC’s assertions regarding the Uplight contract and**  
2 **incentive compensation?**

3 A: Company witness Charles Caisley responds to Ms. Schaben’s testimony and  
4 recommendations regarding the Uplight contract, as her recommendation is based on a  
5 misunderstanding of the Uplight contract. With regard to Ms. Schaben’s assertion that this  
6 contract “was seemingly designed to optimize enterprise level outcomes leading to”  
7 incentive compensation for Evergy’s officers, there is no basis for this claim. As discussed  
8 in the Rebuttal Testimony of Ms. Murphy, the scorecard and metrics for all Evergy  
9 compensation plans were reviewed and approved irrespective of the Uplight contract. As  
10 more fully discussed by Company witness Caisley, the Uplight contract is intended to  
11 reduce O&M costs, and improve the customer experience by “redefin[ing] how customer-  
12 facing solutions interact with our CIS, enabling the rapid deployment of a more secure,  
13 comprehensive and integrated set of best-in-class customer solutions while the ability to  
14 capitalize the software at a lower overall cost to Evergy customers.”<sup>10</sup> These are all good  
15 outcomes for the Company’s customers.

## 16 VI. BAD DEBT AND PROPERTY TAX TRACKERS

17 **Q: What is your response to Staff, OPC and MECG’s opposition to Evergy’s proposed**  
18 **property tax tracker?**

19 A: As discussed in the rebuttal testimony of Company witness Melissa Hardesty, Missouri  
20 recently passed legislation, signed by the governor on June 29, 2022, which allows utilities  
21 to establish a property tax tracker. The legislation will be effective August 28, 2022.  
22 Accordingly, the Company intends to begin recording a deferral for property tax expenses

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<sup>10</sup> See Rebuttal Testimony of Charles Caisley.

1 incurred that deviate from the amount currently in base rates starting on September 1, 2022  
2 and other than ensuring the Commission order in this rate case appropriately identifies the  
3 base property tax amount included in rates resulting from this 2022 rate case proceeding,  
4 there should no longer be a property tax tracker issue to be decided by the Commission in  
5 this proceeding.

6 **Q: MECG also opposes the Company's proposed bad debt tracker. Please briefly**  
7 **summarize this testimony.**

8 A: MECG witness Greg Meyer asserts that bad debt expense is "insignificant" relative to the  
9 Company's total cost of service, the proposed tracker is not based on known or measurable  
10 events, a tracker reduces the utility's incentive to control costs, and the Company has other  
11 "special regulatory tools" to address earnings erosion.

12 **Q: Do you agree with Mr. Meyer's position?**

13 A: No. The Company's current bad debt expense is not insignificant nor is the likelihood of  
14 significantly higher bad debt expense in future periods than will be established in rates in  
15 this rate case.

16 The continuing impacts and extraordinary nature of COVID-19 coupled with the  
17 impacts on our customers of inflation at a 40-year high, a cost of living crisis and the threat  
18 of a recession all strongly suggest that the Company's bad debt expense will continue to  
19 increase. None of this is within the control of the Company which is exactly what a  
20 tracking mechanism is intended to address. In addition to these factors, in her rebuttal  
21 testimony supporting the appropriate level of bad debt expense to include in the revenue  
22 requirement in this case, Company witness Linda Nunn discusses a number of recent  
23 factors that have limited Company collection efforts as compared to historical practices

1 which have artificially lowered bad debt expense in the last couple of years. This is another  
2 strong indicator that bad debt expense expected to be incurred after rates are set in this case  
3 is likely to exceed the level set in rates in this case. As I discussed in my direct testimony,  
4 it is entirely inappropriate for the likelihood of higher bad debt expense to be borne by the  
5 Company and ultimately its shareholders.

6 **Q: Will a bad debt tracking mechanism reduce the Company's incentive to control its**  
7 **bad debt expense?**

8 A: No. The Company will continue its normal collections policies. The potential for  
9 significantly higher bad debt expenses is not attributable to insufficient incentive to  
10 appropriately pursue collections, it is a byproduct of national and world events outside the  
11 control of the Company or its customers.

12 **Q: Do the Company's other adjustment mechanisms and ratemaking practices obviate**  
13 **the need for the proposed bad debt tracker?**

14 A: No. The "special regulatory tools" listed by Mr. Meyer are simply adjustment mechanisms  
15 and ratemaking tools common in the industry and have no relevance to the proposed bad  
16 debt tracker. In fact, as discussed by Company witness Ann Bulkley in her direct  
17 testimony, many of the companies she considered in her proxy group have cost recovery  
18 mechanisms that provide stronger financial support than those the Company is permitted  
19 to implement and Moody's recently noted that the Missouri regulatory environment has  
20 been challenging due to regulatory lag. Mr. Meyer's testimony suggests that because the  
21 Company has available to it some ratemaking practices that address some earnings erosion  
22 between rate cases there is no need to address additional earnings erosion from increasing  
23 levels of bad debt is simply not reasonable. Further, there is no downside to approving the



1 Company's proposal. In the unlikely event bad debt expense declines, the mechanism will  
2 return that "savings" to customers.

### 3 VII. INCOME ELIGIBLE PROGRAMS

4 **Q: Has OPC offered testimony regarding Income Eligible Programs for the Company?**

5 A: Yes. Dr. Marke proposes that the Company implement a Critical Needs Program and a  
6 Rehousing Pilot Program each funded 50% by customer and 50% by shareholders. Dr.  
7 Marke also recommends changes to the Company's Low-Income Weatherization  
8 Assistance Program ("LIWAP"). Company witness Charles Caisley addresses the purpose  
9 of programs like these and responds to Dr. Marke's LIWAP recommendations. I address  
10 OPC's proposed establishment and funding of a Critical Needs Program and Rehousing  
11 Pilot Program.

12 **Q: What is your response to Dr. Marke's proposal?**

13 A: There is no basis for Dr. Marke's proposal. In fact, he acknowledges that elements of the  
14 programs he proposes are outside of the scope of the Commission's jurisdiction.  
15 Regardless, his position is simply that other utilities have agreed to 50% shareholder-  
16 funded Income Eligible Programs so the Company should as well. This is nothing short of  
17 extortion. Further, if new programs were developed to satisfy public policy needs, these  
18 programs should be funded by customers as programs like LIWAP are.

19 **Q: Is this the first time Dr. Marke has abandoned fundamental ratemaking principles  
20 and arbitrarily proposed that shareholders fund a customer program?**

21 A: No. I am aware of at least two recent electric rate case proceedings where Dr. Marke  
22 proposed a 50/50 customer/shareholder funding of an income eligible program.<sup>11</sup> 50/50

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<sup>11</sup> Case No. ER-2021-0240 and Case No. ER-2021-0312.

1 customer/shareholder funding of programs continues to be a strategy advanced by OPC  
2 and Dr. Marke in proceedings across the State.

3 **Q: What was the outcome of these other proceedings where Dr. Marke proposed**  
4 **shareholder-subsidized programs?**

5 A: In both cases, the companies that filed the rate cases agreed in settlements to fund 50% of  
6 the programs level in Commission approved settlements. As the Commission is fully  
7 aware, settlements are negotiated outcomes that require concessions from filed positions  
8 of all signatories. The results of a settlement are generally stated as not precedential to any  
9 given issue and issue outcomes in a settlement are often specifically undefined and are  
10 interdependent with the resolution of all issues in the settlement. Parties to settlements  
11 typically request that the settlement be considered in total due to these factors.

12 **Q: Did Dr. Marke offer any rationale for his proposed shareholder funding in those**  
13 **cases?**

14 A: In an Ameren proceeding he attempted to justify his “’start-up’ ask” of 50/50 funding for  
15 a Critical Needs Program like the one he proposes the Company implement because the  
16 total amount of shareholder funding was modest in comparison to that company’s  
17 requested rate increase and his “fear that a lack of ‘skin-in-the-game’ (i.e., a nominal  
18 financial contribution), will deter Ameren Missouri from taking the program seriously...”<sup>12</sup>

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<sup>12</sup> Case No. ER-2021-0240, Surrebuttal Testimony of Geoff Marke, at 45.

1 **Q: If Dr. Marke were to make the same argument in rebuttal or surrebuttal would that**  
2 **justify compelling shareholders to fund 50% of the costs, subject to a cap, Dr.**  
3 **Marke’s proposed programs?**

4 A: No, it would not. It is not up to Dr. Marke where Company management chooses to invest  
5 shareholder resources. As described in the Rebuttal testimony of Mr. Caisley, Evergy has  
6 or participates in similar initiatives across its income-eligible programs that represent  
7 components of these two proposed programs and similar outreach to accomplish similar  
8 results. That the Company is seeking a rate increase so it can continue to safely, reliably,  
9 sustainably and affordably serve its customers is not a justification for compelling  
10 shareholders to fund Dr. Marke’s programs. Doing so would have the Commission put  
11 itself in the role of Company management by abandoning cost-based regulation and  
12 deciding how to spend shareholder resources. This is neither appropriate nor reasonable.  
13 If the Commission determines that Dr. Marke’s proposed programs are in the public  
14 interest, then it should also determine the just and reasonable level of costs that will be  
15 funded by customers. Dr. Marke’s “fear” that without shareholder funding the utility  
16 would not work to ensure the success of the program is entirely baseless. Dr. Marke’s  
17 proposal is without merit and should be rejected.

#### 18 **VIII. LEVEL OF RATES**

19 **Q: Please briefly summarize MECG’s testimony regarding the level of EMW and EMM**  
20 **rates.**

21 A: Mr. Meyer presents a rate case history and a comparison of EMW and EMM’s rates to the  
22 national average using Edison Electric Institute’s (“EEI”) Typical Bill and Average Rates

1 Report. He concludes that the Company's rates have risen more than the national average  
2 and therefore "must maintain strict cost controls."

3 **Q: What is your response to Mr. Meyer?**

4 A: Mr. Meyer offers no analysis of the Company's rates or the drivers of its rate increases.  
5 Instead, he simply presents virtually the same fundamental testimony he has presented in  
6 prior rate cases. It is important to be thorough in any rate assessment and to consider the  
7 drivers of rates. A reasonable examination of rates over time generally shows a series of  
8 increases and decreases that correspond to construction cycles. This is the case with EMM  
9 and EMW.

10 **Q: Please highlight the drivers of the Company's rate cases.**

11 A: Back in 2007, KCP&L (predecessor to EMM) increased rates for the first time in 20 years  
12 as part of a robust Comprehensive Energy Plan ("CEP") designed to address energy needs  
13 for the region. The CEP was the result of an 18-month, highly collaborative process  
14 involving customers, regulators, communities and environment advocates. The CEP took  
15 a balanced approach to meet the energy needs of the region by proposing the construction  
16 of a new, high efficiency base load coal-fired generating plant, construction of a new wind-  
17 powered generating facility, installation of environmental upgrades to existing generation  
18 plants, transmission/infrastructure improvements, and deployment of energy efficiency and  
19 affordability programs for customers.

20 KCP&L's (predecessor to EMM) efforts in developing and winning support for its  
21 CEP was recognized by the Edison Electric Institute, which awarded the Company its  
22 highest honor for community involvement. The CEP also was endorsed by the Sierra Club,  
23 local labor unions, the Kansas City Area Development Council, as well as numerous local

1 economic development agencies, chambers of commerce, and industrial customers such as  
2 Ford, Sprint and area hospitals. In fact, several of these industrial customers were parties  
3 that signed onto the CEP.

4 Since that time, investment in environmental upgrades at Iatan 1, the construction  
5 of Iatan 2, and environmental improvements at La Cygne contributed to three KCP&L  
6 (predecessor) rate cases. EMW is a joint owner in Iatan 1 and Iatan 2 incurring its share  
7 of investments in those facilities during the same time. In addition, since the acquisition  
8 in 2008 of the Missouri electric utility operations of Aquila (predecessor to EMW) by Great  
9 Plains Energy (predecessor to Evergy) EMW has been making more significant  
10 investments in its distribution system to address aging infrastructure that was under-  
11 invested in during the years leading to the Aquila transactions.

12 Through all of this, both EMM and EMW have maintained rates that are below the  
13 national average as shown in the EEI data presented by Mr. Meyer. In addition, as I noted  
14 earlier in my testimony, the Company has deliberately executed its STP and capital plan to  
15 deliver cost savings and reliability benefits to customers and to accelerate the transition to  
16 cleaner energy and a more modern electrical grid maintaining rate base growth that is  
17 nearly 2% lower than its peers. Mr. Meyer's testimony on this topic reasonably describes  
18 rate history during a period of investment in EMM and EMW but should be given no weight  
19 in the Commission's determination on the evidence presented in this case as to the  
20 components of these rate requests.

1 IX. EARNED RETURNS

2 Q: What is your response to MECG’s testimony that Evergy’s Missouri operations have

3 earned \*\* [REDACTED]

4 [REDACTED]\*\*?

5 A: Mr. Meyer’s characterization of the Company’s earned returns is overstated. He relies

6 exclusively on unadjusted, per-book surveillance reports in reaching his conclusion that

7 the Company has earned \*\* [REDACTED]\*\* its authorized ROE. As the

8 Commission has previously found, these reports have limited value because:

9 ... the earnings levels reported in the surveillance reports are actual per  
10 book earnings of the utility and cannot be compared directly to an authorized  
11 return on equity to determine whether a utility is overearning. Actual per  
12 book earnings are often computed differently than earnings used for the  
13 purpose of establishing rates. When setting rates, the Commission looks at  
14 “normal” levels of ongoing revenues and expenses, while book earnings can  
15 be affected by abnormal, non-recurring and extraordinary events.<sup>13</sup>

16 Q: How do the Company’s actual earned returns compare to its authorized ROE?

17 A: As shown in Table 2, the Company’s actual earned ROE as reported in Missouri

18 surveillance reports historically have consistently deviated from authorized ROEs in effect

19 reflecting many impacts across their cost structure that are both positively and negatively

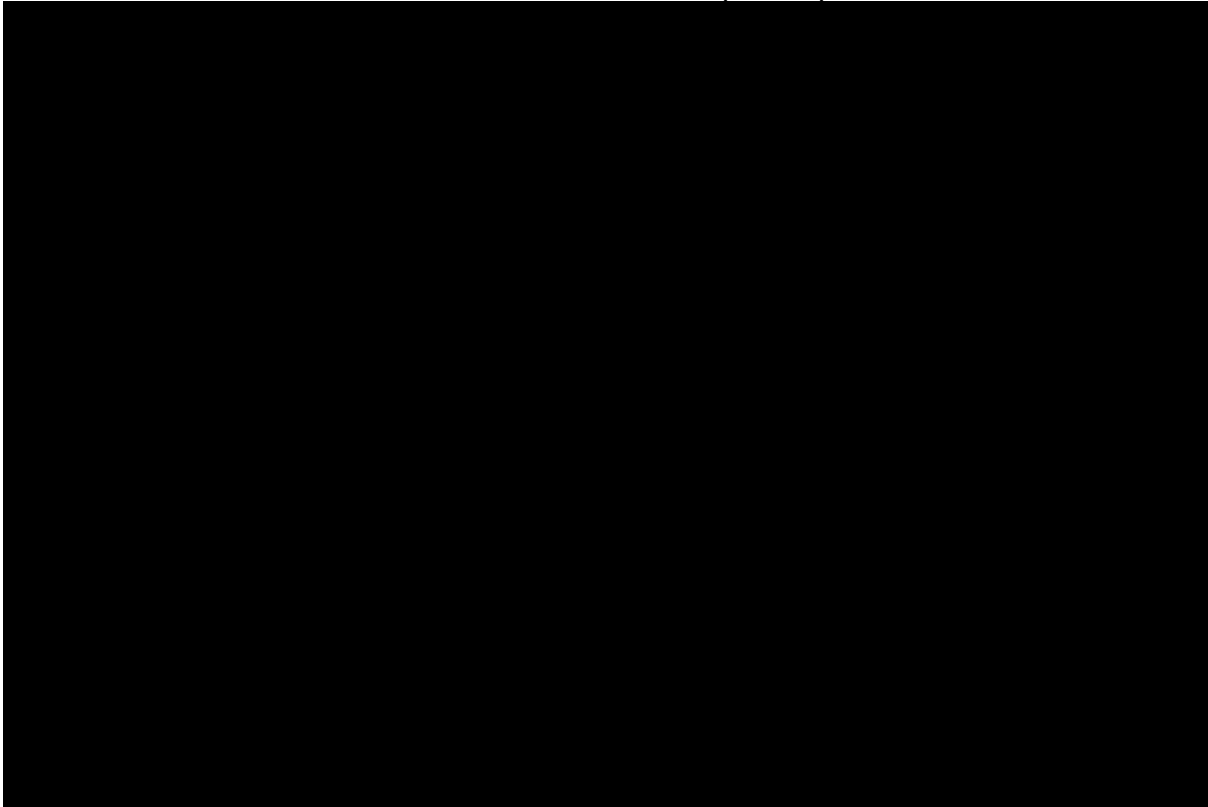
20 impacted by regulatory lag.

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<sup>13</sup> Report and Order at 8, Noranda Aluminum, Inc. v. Union Electric Co., No. EC-2014-0233 (Oct. 1, 2014).

1

**\*\*Table 2: Earned Returns (Metro)\*\***





2

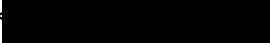
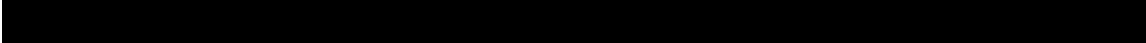
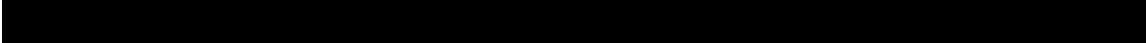
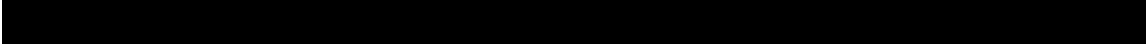

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1

**\*\*Table 2: Earned Returns (MO West)\*\***

2

3 **Q: Should the Commission be concerned that the Company's earned returns reflected**  
 4 **in the surveillance reports have \*\***   
 5  **\*\***

6 **A: No. First, the data clearly shows that the Company has earned \*\***   
 7   
 8   
 9   
 10  **\*\***

11 Second, as I discussed earlier in my testimony, it was clear in the merger proceeding  
 12 that in the initial five years following the merger, both customers and shareholders would  
 13 benefit from the efficiencies and cost savings created by the merger. The Company's  
 14 earned returns in the years since the merger closely reflect this.





1 valid reason to use a consolidated capital structure for ratemaking purposes. As discussed  
2 by Ms. Bulkley in her Rebuttal Testimony, the Commission has recognized it is not  
3 appropriate to use consolidated capital structure as the utility-specific capital structure  
4 when there are multiple operating utilities operating in more than one state.<sup>14</sup>

5 **Q: What is your response to Mr. Murray's apparent concern that different utilities**  
6 **paid different dividends to Evergy in 2021?**

7 A: Mr. Murray's concern is misplaced. First, subsidiary dividend actions are part of corporate  
8 capital management and are influenced by a myriad of factors. As long as Evergy (and its  
9 predecessors) have held multiple legal entity operating companies, they have managed  
10 capital to support the capital structure and cash management at the operating companies'  
11 level. This necessarily results in different cash dividends to Evergy from each operating  
12 company in any given year.

13 **Q: Mr. Murray asserts that Evergy had to issue short-term debt to fund dividends,**  
14 **increasing expenses to the utilities. Do you agree?**

15 A: No. While there are times when Evergy, the parent company, finds it necessary to issue  
16 short-term debt to fund corporate dividends, that interest expense is not billed to the  
17 operating companies and is not reflected in the operating costs of any jurisdictional utility  
18 including EMM and EMW. Each utility is responsible for the debt service on debt issued  
19 by the utility only. Mr. Murray is mistaken.

20 **Q: Does that conclude your testimony?**

21 A: Yes, it does.

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<sup>14</sup> Report and Order at 43, In the Matter of Laclede Gas Company, No. GR-2017-0215 (Mar. 7, 2018).

**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 DARRIN R. IVES**

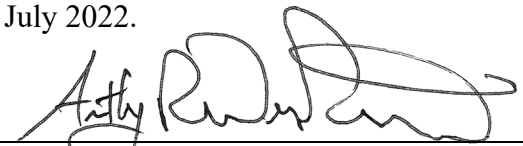
**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF JACKSON** )

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Vice President – Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of thirty-one (31) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Darrin R. Ives

Subscribed and sworn before me this 13<sup>th</sup> day of July 2022.

  
\_\_\_\_\_  
Notary Public

My commission expires: 4/26/2025

