Exhibit No.:	____________
Issue(s):	NOL in Rate Base/Hedging/ Tax Benefits of Asset Dispositions
Witness/Type of Exhibit:	Riley/Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2024-0189

DIRECT TESTIMONY

OF

JOHN S. RILEY

Submitted on Behalf of the Office of the Public Counsel

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

CASE NOS. ER-2024-0189

** ____________________________________ **
Denotes Confidential Information that has been redacted

June 27, 2024

PUBLIC

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DIRECT TESTIMONY

OF

JOHN S RILEY

EVERGY MISSOURI WEST

CASE NO. ER-2024-0189

Q. What is your name and what is your business address?

A. John S. Riley, PO Box 2230, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Utility Regulatory Supervisor.

Q. What is your educational background?

A. I earned a B.S. in Business Administration with a major in Accounting from Missouri State University.

Q. What is your professional work experience?

A. I was employed by the OPC from 1987 to 1990 as a Public Utility Accountant. In this capacity, I participated in rate cases and other regulatory proceedings before the Public Service Commission ("Commission"). From 1994 to 2000 I was employed as an auditor with the Missouri Department of Revenue. I was employed as an Accounting Specialist with the Office of the State Court Administrator until 2013. In 2013, I accepted a position as the Court Administrator for the 19th Judicial Circuit, where I remained until April 2016 when I joined the OPC as a Public Utility Accountant III. I have also prepared income tax returns, at a local accounting firm, for individuals and small business, from 2014 through 2017.

Q. Are you a Certified Public Accountant ("CPA") licensed in the State of Missouri?

A. Yes. As a CPA, I am required to continue my professional training by attending Missouri State Board of Accountancy qualified educational seminars and classes. The State Board of

Accountancy requires that I spend a minimum of 40 hours a year in training that continues my education in the field of accountancy. I am also a member of the Institute of Internal Auditors ("IIA") which provides its members with seminars and literature that assist CPAs with their annual educational requirements.

Q. Have you previously filed testimony before the Missouri Public Service Commission?

A. Yes, I have. A listing of my case filings and certification is attached as JSR-D-1.

Q. What is the purpose of your direct testimony?

A. I will explain why net operating losses ("NOL") should not be included in the rate base or revenue requirement for Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy West" or "the Company"). I will further explain why the Company should not be allowed to include its cross-hedging losses in either the revenue requirement or the FAC. Finally, I testify as to why the annual tax return reductions due to utility asset dispositions should be recognized and applied to the calculation of income tax expense for the rate case revenue requirement.

NET OPERATING LOSS (NOL) EXCLUSION FROM RATE BASE

Q. Could you explain what a net operating loss (NOL) is and how it affects a Company's revenue requirement?

A. An NOL is a tax return creation that recognizes an annual taxable income shortfall over the total taxable expenses recorded on a tax return (i.e. deductions exceed income). It is a net loss for tax purposes. This, however, does not translate to an operating loss on the Company's regulatory financial statements.[1] The federal government allows utility companies to include higher expense amounts for tax purposes than those expenses included for regulatory

[1] Short of a natural disaster, only a small water company would be expected to possibly sustain an actual operating loss on its regulatory financial statements.

purposes. This is done to encourage the utility company to invest in assets or other employment enhancing projects. The most common expense difference between tax return and regulatory expenses would be using accelerated depreciation (for tax purposes) versus straight line cost allocation (for regulatory purposes).

Q. Could you please explain what the terms "accelerated depreciation" and "straight line cost allocation" mean and how they differ?

A. Depreciation is a cost allocation method. For accounting purposes, the cost of a purchased asset is spread out over the expected useful life of the property. This is often referred to as straight-line depreciation. Example: a $100,000 generator is expected to last 10 years. The $100,000 is spread out over the 10 years yielding $10,000 a year in depreciation expense.

Accelerated depreciation is a tax mechanism to promote investment in company expansion. For tax purposes, a utility can claim depreciation expense faster (higher) than how it presents that in its financial records. In the above example, the $100,000 generator may be depreciated over only five years, or the entire $100,000 could even be deducted off taxable income in one year (depending on the type of asset). This allows the utility to show less taxable income, by way of higher (*i.e.* accelerated) depreciation expenses compared to what is shown in the financial records of the utility established by regulatory ratemaking. This discrepancy between what is reported for tax purposes and what is recorded for regulatory purposes results in accelerated depreciation being the main source of accumulated deferred income tax ("ADIT"). As the name implies, ADIT (deferred tax liabilities) is the amount of revenue included and recovered by a utility in rates to pay taxes now even though the actual tax payment to the government is <u>deferred</u> to future periods.

We can understand how this all works by considering the $100,000 generator example again. In this case, the utility calculates taxes for IRS purposes using the five-year accelerated depreciation rate. So $20,000 in tax-reducing depreciation expenses are generated each year over five years (five years of $20,000 = $100,000). However, the utility's income tax expense for ratemaking purposes is calculated using the straight-line method, which spreads the tax-reducing depreciation expenses over 10 years at $10,000 a year. As a result, the utility's rates are set as though it will pay taxes based on a $10,000 deduction when it is actually paying less tax based on a $20,000 deduction for the first five years. As a result, the utility saves a cumulative $10,500 ($50,000 x 21%)[2] in tax expenses over the first five years. Another way of expressing that is the utility *deferred* taxes on the $50,000. However, in the next five years the situation inverts. Now, the utility's rates continue operating with a $10,000 deduction but actual taxes are higher due to the depreciation on the asset has been completely expended. This means the taxable income for the utility will be higher by $50,000 over that second five year period as the taxes that were deferred now come due. The result of all this is that the utility ultimately pays the same amount in taxes as what it collected from customers, but it was able to collect what it needed to pay those taxes faster than the taxes came due. This means the utility's customers were basically loaning the extra $10,500 in deferred taxes to the utility for those first five years, which is important because it effects how the Commission recognizes the ADIT.

The Commission recognizes ADIT as an interest free loan from the ratepayer. The ratepayer paid the same amount of tax each year even though the utility paid less tax than it was allowed in rates, in the first five years. To compensate the ratepayer for this free money given to the utility in the first five years, the balance of ADIT is treated as an offset against the utility's rate base and reduces revenue requirement. The flip side of this explanation is that accelerated depreciation and other generous tax deductions cause NOLs which eliminates taxable income thereby reducing the benefits of the deferred taxes. Commissions in the past have included NOLs (deferred tax assets) in rate base to coincide or offset the ADIT reduction and thereby increasing revenue requirement.

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[2] 21% is the current Federal corporate tax rate.

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Q. Does Evergy West currently record ADIT on its regulatory financial statements?

A. Yes. In this current rate case, Evergy West has included $638,791,842 in deferred taxes in its rate base.[3]

Q. Does Evergy West currently record NOLs on its regulatory financial statements?

A. Yes. Within the $639 million in ADIT is surprisingly a reduction of $46,090,883 for account 190 NOLs.

Q. Why is this reduction a surprise given what you said earlier?

A. In rebuttal testimony from ER-2018-0146, Evergy witness Ms. Melissa Hardesty testified that she expected the Company "to be able to use all of our NOLs to offset tax liabilities in the next five years."[4] So, to see the Company try to insert such a substantial amount of NOL into a case that is six years beyond that statement is surprising.

Q. Why would the Company still have NOLs included in this rate case when it expected the balances to be used by now?

A. It would appear that Evergy is amortizing NOL account balances from a prior owner,[5] which would artificially stretch the remaining life past the true extinguished date.

Q. Is amortizing NOLs an accepted practice?

A. Not for regulatory accounting and certainly not for an NOL from a prior corporation. There is a section of the IRS code (Section 382) that limits the usage of NOLs by requiring companies to amortize NOLs that have been on its books for an extended period of time, but

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[3] Evergy workpapers, Rate Base schedule 2
[4] Hardesty rebuttal, ER-2018-0146 page 8, lines 7 and 8.
[5] Tax return forms indicated that the NOL dates to 2005 and 2006, which is a period where the utility that is now known as Evergy West was operating under the name Aquila

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in normal circumstances and in regulatory accounting NOLs are applied to taxable income as the corporate tax return dictates.

Q. What has been the position of the Company concerning NOL treatment, in past cases?

A. In 2018, Evergy was aligned with the standard idea of using NOLs as taxable income dictated. As Ms. Hardesty stated in testimony:

> "Q: What are your concerns with the amortization of EDIT adjustments proposed by Mr. Brosch for NOL EDIT?
>
> A: For the NOL EDIT (identified in his testimony as "Net Operating Loss Deferred Tax Asset") Mr. Brosch has proposed using ARAM to amortize the EDIT related to NOLs. Mr. Brosch is correct that these NOLs were generated by tax deductions such as bonus depreciation and other accelerated tax depreciation deductions. And, ARAM would be an appropriate method to amortize the NOL EDIT if the Company's NOLs actually reversed over the remaining life of assets. But that is not how the deferred taxes relate NOLs reverse. NOL related deferred taxes reverse as they are used to offset tax liability of the Company."[6]

Ms. Hardesty is correct. NOL balances are applied to the taxable income of a current tax return. This would explain why Ms. Hardesty expected the NOL balance to be exhausted in the five years following 2018. Generally, there is no ability to withhold the NOL and apply it to some other year. In this rate case filing, however, it appears that Evergy is using the same NOL accounts in this case that it proposed in its last case, ER-2022-0130 even though it depleted all of its current NOL in 2020 (*see* Confidential Schedule JSR-D-02). Evergy is still proposing an NOL offset of $46,090,883. This is an incorrect rate base addition and should be amended.

[6] id. page 7, line 20 through page 8, line 6

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Q. Could you please summarize your opinion on the issue of the Company including NOLs in the rate base calculations?

A. Evergy West should have exhausted its NOLs in the five years since its 2018 rate case. Instead, the Company has been claiming an amortization of NOLs related to a predecessor utility. This is not appropriate for the purpose of regulatory accounting and should be halted. In the absence of these improperly amortized NOLs, the Company would no longer have any NOL balances to include in rate base, therefore the amount included as an NOL offset for ADIT should also be removed. Because ADIT is itself treated as a reduction to rate base and the NOL is used to counteract that reduction, the NOL is effectively treated as an addition to the utility's rate base. Therefore, making the adjustment I am proposing to remove the NOL offset from Evergy West's ADIT results in a reduction to rate base of $46,090,883.

HEDGING BALANCE SHOULD BE EXCLUDED FROM THE FAC CALCULATIONS

Q. The Company halted its hedging activities after the 2016 general rate case. In the 2022 rate case it moved to have the Commission consider reintroducing hedging into the FAC again starting in this case. What are your thoughts on reintroducing hedging activity into the FAC again?

A. It seems that the more things change, the more they stay the same.

Q. Can you please explain what you mean?

A. Certainly. In the 2016 general rate case, Staff and Public Counsel heavily scrutinized Evergy West regarding its practice of "cross-hedging." The Staff and OPC's recommendation was that Evergy West cease cross-hedging due to the Company's poor track record and the unnecessary expense it was foisting onto ratepayers. Schedule JSR-D-03 is an excerpt from Staff's 2016 rate case report along with my testimonies focused solely on the Company's

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hedging. The Company finally agreed to cease the practice. Yet, here we are again seeing the Company's poor execution of cross-hedging.

The OPC proposed in the 2016 case that any reintroduction of hedging should not be included in the FAC but instead should be reviewed through general rate cases. But even if the Commission accepts hedging expenses as a legitimate cost of service component, it should still exclude cross-hedging from the formula.

Q. Could you provide a brief description of the purpose of hedging in the regulatory environment?

A. Hedging is a program of commodity oriented purchases designed to reduce the impact of unexpected price increases in those commodities. In other words, hedging is used to level out the price peaks in commodity purchases. Hedging can be accomplished by contracting for actual fuel at a set price for a specific time period, which can be referred to as physical hedging, or through financial hedging which involves buying or selling futures contracts (not actual fuel) on a commodities market so as to offset price increases in the natural gas market.

Q. What is "cross-hedging"?

A. Cross-hedging is purchasing financial contracts in natural gas to offset price volatility in buying power from the SPP. A company is hedging a commodity to counter the prices paid for power purchases. This is different than simply hedging for the cost of natural gas used to produce electricity.

Q. Why the specific exclusion of cross-hedging from rates?

A. The formation of the Southwest Power Pool ("SPP") day-ahead energy market has eliminated any justification for cross-hedging power purchases. The whole focus of the SPP is to coordinate the most efficient generation of energy in its footprint. Evergy Missouri West

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cannot affect the price of purchase power by cross hedging. The Company has not shown any ability to positively offset the efficient pricing of power from the RTO. Instead, all the Company has shown is that cross-hedging is a waste of money. The Company argues to include this hedging through the FAC but, just as it demonstrated since nearly the beginning of this century, it did not level the peaks in its energy prices by way of adding value and instead only added unnecessary costs on top of the prices.

Q. How volatile has the natural gas market been in recent years?

A. The natural gas markets experienced heightened volatility in last part of 2021 into 2022. However, that volatility has not carried over to 2023 and 2024. To better explain that point, let's review the pricing pressures in 2022. This table shows the monthly Henry Hub[7] natural gas price from 2021 through April 2024:

Henry Hub Natural Gas Spot Price (Dollars per Million Btu)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	2.71	5.35	2.62	2.66	2.91	3.26	3.84	4.07	5.16	5.51	5.05	3.76
2022	4.38	4.69	4.90	6.60	8.14	7.70	7.28	**8.81**	7.88	5.66	5.45	5.53
2023	3.27	2.38	2.31	2.16	2.15	2.18	2.55	2.58	2.64	2.98	2.71	2.52
2024	3.18	1.72	1.49	1.60								

Compared to 2021, 2022 prices are much higher with April kicking off elevated pricing all the way through the end of the year. January of 2023 brings greatly lower prices that continue down through April of 2024.

[7] The Henry Hub is a distribution hub on the natural gas pipeline system in Erath, Louisiana, that interconnects with nine interstate and four intrastate pipelines. Due to its importance, it lends its name to the pricing point for natural gas futures contracts traded on the New York Mercantile Exchange (NYMEX) and the Over-the-Market (OTC) swaps traded on the Intercontinental Exchange (ICE).

Q. Was Evergy's natural gas hedging strategy effective against the price increases during the test year period?

A. Judging from the monthly settlements during the test year, I would have to say no. (JSR-D-04) Monthly hedging totals for the test year are as follows:

22-Jul	22-Aug	22-Sep	22-Dec	23-Jan	23-Feb	23-Mar	23-Apr	23-May	23-Jun
56,250	(1,033,425)	121,225	1,965,513	2,418,636	3,306,272	577,870	440,368	256,203	1,262,263

The only month where Evergy actually showed a gain in its hedging transactions was August of 2022 where the average price of natural gas was at its very highest. Evergy still lost money in every other month that it hedged in the test year. So essentially, the ratepayer paid for all of the elevated natural gas prices of 2022 and to add salt to the wound, the Company would like its hedging losses reimbursed with only August being offset with *some* hedging gains.

Q. Why is Evergy suffering such consistent hedging losses?

A. I don't think I can provide an accurate answer to that question without pouring over the Company's hedging transactions. But natural gas and purchase power prices often correlate so getting the hedge wrong in spiking months compounds an already expensive purchase. However, it is clear that the Company has only itself to blame. Evergy isn't really hedging natural gas to lower fuel cost for energy production. Evergy is instead hedging natural gas to offset energy purchases (This, as explained before, is what makes it "cross-hedging"). This makes a big difference. One of the ways to hedge fuel consumption is to contract in advance with set prices. Similar to establishing coal prices several years in advance through delivery contracts. However, Evergy West is power production poor and incapable of producing adequate amounts of electricity cheaper than the price it pays at the market. The way to hedge power production is to <u>produce your own power</u>. Evergy West cannot do that so, instead, it cross-hedges with contracts that consistently produce additional losses.

Q. Is the intent of hedging to generate a profit?

A. No. I know from the past two rate cases that the Company will argue that hedging is an insurance against rising prices and I don't disagree with that representation of hedging in the abstract. Another description of hedging is that it levels off the price spikes in the markets. The issue in this case is not with hedging in general, however, but with Evergy West's specific practice of cross-hedging, which has been repeatedly proven to be ineffective. Looking at the Henry Hub prices above, in the first quarter of 2022 the prices were in the $4 range and then <u>spiked</u> to the mid $6 range in April and were still elevated above 2021 prices in Oct through year end. The conventional wisdom tells you that the "insurance" should have kicked in with the August hedge and buffered all the way through December and softened those higher prices, but it didn't. Prices had spiked and the Company was still losing money on its hedges. The exact opposite of what should have happened.

Q. How does hedging reduce the impact of price increases?

A. Ideally, when commodity prices rise, the hedge that was employed for that commodity would also rise in value. The increase in the hedge value would offset some or all of the increase in the price of the commodity. That is the leveling effect of hedging. As I just explained, however, that is not what we see when we look at Evergy's cross-hedging program.

Q. What amount of hedging expenses is the Company requesting to include in this rate case?

A. Apparently, Evergy sustained $12,662,228 in hedging losses in the course of the test year/true-up period and are seeking a four-year amortization of $3,165,557.[8]

Q. How should the Commission treat Evergy's reintroduction of hedging for rate making purposes?

A. Evergy apparently hasn't changed its hedging strategy from before it suspended its practice. The Company still cross-hedges for power purchases and still does a very ineffective job of it. Ratepayers should not pay for continuously ineffective cross-hedging in the FAC. The FAC functions as a price leveling mechanism on its own by way of blending the fuel costs from period to period. The Company's cross-hedging to compensate for its anemic power production is still unnecessary and should be excluded from the revenue requirement and definitely should not be included in the FAC. Since reimbursement of poor performance in interim rates only enables the Company to continue an unnecessary exercise.

<u>TAX DEDUCTION FOR ASSET DISPOSAL</u>

Q. Could you please provide some background information on asset disposal and how that is reported on a company's federal tax return?

A. Yes. Asset disposal is merely the reporting of the sale, removal, or retirement of a portion of a company's assets from its general line of business. An asset could be any number of items. It could be an old generator, a vehicle, a piece of furniture or even an entire generation plant. Utility companies dispose of assets every year and these disposals are reported on many tax forms and also reported to many regulatory authorities. The reporting of the disposition on

[8] Evergy included hedging totals for January and February of 2022 in its summary. These two months are outside the test year. The correct amount of its proposed amount is $12,002,444.

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the income tax return is necessary because the asset in question was a depreciable fixture and was depreciated for income tax purposes and the disposition creates a taxable gain or loss. Some disposals are actual transacted sales where the sale price is less (or more) than the current depreciated cost basis of the asset. The other common form of disposal is the retirement or outright abandonment of the property.

Q. Do these abandonments or sales occur often?

A. Yes. Evergy Missouri West has a substantial amount of sales or retirements every year. The Evergy, Inc. consolidated 2022 federal tax return indicated that Evergy Missouri West recorded losses of **__________ ** on distribution and transmission asset sales. In 2021 Evergy West reported a loss of **__________ ** and in 2020 it reported a **__________ ** loss.

Q. What are you proposing the Commission do with this information?

A. The Commission should recognize these tax losses (or gains for that matter) and adjust the Company's income when calculating the overall tax expense that is included in the revenue requirement.

Q. To your knowledge does Staff recognize this tax deduction when calculating the taxes on the total revenue requirement?

A. No. Except for recognizing some tax credits, Staff does not generally include tax return items when calculating the revenue requirement.

Q. Why do you believe Staff should recognize these disposal losses in its calculation of income taxes for a rate case?

A. First and foremost, the disposal is for utility assets that were paid for by the ratepayers. Given that the ratepayers are the ones who paid for the asset, they should receive the corresponding tax benefit when the asset is disposed of. Secondly, the ratepayer provided an interest free

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loan associated with the assets and neither the Company nor the Commission, by way of rate reduction, refunded the loan.

Q. Please explain your loan reference.

A. Because the items being disposed of would have been subject to depreciation, accelerated for tax purposes and straight-line for regulatory rates, there will be ADIT associated with them. The ADIT associated with these dispositions are interest free loans accumulating as accelerated depreciation is applied. The unused loan should be refunded when the asset is disposed of.[9] Let me go back to my generator purchase from our NOL discussion. Let's assume our $100,000 generator purchase has accumulated accelerated depreciation over three years and created $6,300 in deferred taxes.($10,000/year in excess depreciation = $30,000 x 21%) Let's say after year three the generator gets struck by lightning and is completely worthless. The company disposes of the generator and takes a $40,000 reduction and a $8,400 tax benefit for the asset disposal loss ($100,000 less $60,000 Depreciation = $40,000 loss multiplied by 21%). At this point, IRS regulations require the company to remove the asset and the associated ADIT from the regulatory books. No more generator increasing rate base and no more ADIT offsetting rate base. But what happens to that $6,300 interest free loan? The asset isn't on the books so the ADIT (interest free loan) does not reverse. The customers never see the return of their loan.

More than likely, the company will replace the generator with a new one and the accelerated depreciation and ADIT cycle will start over. The ratepayer gets left out of the benefits arising on the ADIT from the first generator and starts paying a new round of interest free loans on the second. Identifying and incorporating the tax benefit in rates is essential to providing a fair and reasonable solution to the utility asset tax benefit. The disposal of rate base assets

[9] A quick refresher course on ADIT. ADIT (deferred tax) is paid by the ratepayer in advance in the expectation of the company having to pay those moneys as taxes in the future. Between the asset purchase and when those expected taxes become due, is the interest free loan period. If the asset in question is disposed of before the taxes are due then the money set aside to pay those taxes (the ADIT) isn't due to the government anymore. The money was provided by the ratepayer and should now be returned to the ratepayer.

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without recognizing the ratepayer contribution is an injustice. The ratepayer has essentially paid for the assets through rates and the Company has also benefitted from the use of interest free money, provided by the ratepayer, in the recognition of the accumulated deferred tax the asset purchase created. So, this interest free loan that the Company enjoys for *years* is never returned when the asset is retired. The ratepayer has paid for the asset and provided a rate of return and the Company obtains an interest free loan that never gets paid back. To top that off, the retirement provides the Company one more benefit by creating a final tax break that doesn't get recognized in the revenue requirement. This is a tax inequality that needs to be addressed. Staff should recognize the tax break in rates because the ratepayer has funded everything associated with the assets for the Company to receive this lopsided bonus.

Q. How would Staff make this adjustment when computing income tax for a general rate case?

A. When calculating income taxes within the Accounting Schedules of the rate case, Staff would insert a line item to deduct the disposable income tax loss from the computed revenues used in the income tax schedule. This revenue reduction would only be used in the income tax calculations to determine taxable income for calculating revenue requirement tax expense. This would reduce the additional tax needed for the proposed revenue increase and give back to the ratepayer what they are due.

Q. What amount of losses are you proposing to adjust the taxable revenues of this case?

A. I am proposing that the last three years of property sales and retirements that are included on the consolidated tax returns be averaged, and that balance used to reduce taxable income for the purpose of calculating taxes.

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Q. What is your calculated balance to reduce taxable income in this case?

A. I'm proposing an average of the last three years of tax deductions. 2023 was **__________ **, 2022 was **__________ ** and 2021 was **__________ ** . The average of the three years would be **_________ **[10]

Q. Would this adjustment raise any normalization violation concerns?

A. None. The IRS mandates that the ADIT and disposed property are removed from the regulatory records upon retirement but I have found nothing from the IRS to direct the disposition of this interest free loan after disposal or retirement.

Q. Would you summarize your tax adjustment for this case?

A. Yes. The Company, in fact all major utilities, dispose of utility property every year and reap a tax deduction for these sale or retirement losses. The ratepayer has been footing the bill on the purchase of the assets as well as the ADIT and ROR. The ratepayer should receive the benefit, of the tax reduction upon disposal, in rates.

Q. Does this conclude your direct testimony?

A. Yes, it does.

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[10] 2022 and 2021 figures were obtained from the consolidated tax returns and the 2023 amount was obtained through OPC data request 1327.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2024-0189

<u>AFFIDAVIT OF JOHN S. RILEY</u>

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John S. Riley, of lawful age and being first duly sworn, deposes and states:

1. My name is John S. Riley. I am a Utility Regulatory Supervisor for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct 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.

John S. Riley
Utility Regulatory Supervisor

Subscribed and sworn to me this 27th day of June 2024.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

My Commission expires August 8, 2027.

Tiffany Hildebrand
Notary Public