Exhibit No.:	__________
Issue:	AAO Request; Comparison of Rate Impacts
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Evergy Missouri Metro and Evergy Missouri West
Case Nos.:	EU-2021-0283
Date Testimony Prepared:	June 30, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EU-2021-0283

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

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

Kansas City, Missouri
June 2021

DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. EU-2021-0283

Q: Please state your name and business address.

A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Evergy Metro, Inc. and serve as Director—Regulatory Affairs for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central"). These are the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively, "Evergy" or the "Company".)

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with Company rate case filings, compliance filings and other regulatory filings.

Q: Please describe your education, experience and employment history.

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated , I began my employment with Kansas City Power & Light Company ("KCP&L") as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs responsible for the coordination, preparation and filing of rate cases in our electric jurisdictions. I continue in that position today with Evergy.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("Commission" or "MPSC") or before any other utility regulatory agency?

A: Yes. I have testified before the MPSC, Kansas Corporation Commission, California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to support Evergy's Application for an accounting authority order ("AAO") that requests permission for Evergy to accumulate and defer to a regulatory asset and liability, with recovery to be addressed in future case proceedings before the Commission, all extraordinary costs and revenues incurred and realized as a result of Winter Storm Uri. I will explain how such costs and revenues will be accounted for under the Uniform System of Accounts ("USOA"), as adopted by the Commission in 20 CSR 4240-20.030, and how the costs and revenues will be reported to the Commission. Also, I will address the calculation of the allocation issue discussed in Evergy witness Ives' Direct Testimony that impacts Evergy Missouri Metro's recovery of its fuel and purchased power costs overall, but specifically as resulting from Winter Storm Uri.

Q: How is your testimony organized?

A: My testimony has two sections: I. AAO Request (with separate discussions for Evergy Missouri West and Evergy Missouri Metro) and II. Comparison of Customer Rate Impacts under Alternative Ratemaking Methods.

I. AAO REQUEST

Q: What costs do you propose be included in the AAO?

A: As explained in the Application, the Company is seeking an AAO from the Commission authorizing Evergy to track and defer in a regulatory asset and liability extraordinary costs and revenues related to Winter Storm Uri. More specifically, Evergy requests an AAO permitting it to identify, track, document, accumulate, and defer in a regulatory asset or liability, as appropriate, the following items:

Evergy Missouri West

1) Its actual extraordinarily incurred fuel and purchased power costs, and off-system sales revenues earned related to Winter Storm Uri that are in excess of a three-year average of those costs typically recovered in the fuel adjustment clause ("FAC");

2) its actual reasonable and prudently incurred non-fuel operation and maintenance ("O&M") costs related to Winter Storm Uri; and

3) carrying costs on such deferred amounts.

Evergy Missouri Metro

1) Its actual extraordinarily incurred fuel and purchased power costs, and off-system sales revenues earned related to Winter Storm Uri that are in excess of a three-year average of those costs typically recovered in the FAC;

2) its actual reasonable and prudently incurred O&M costs related to Winter Storm Uri; and

3) jurisdictional allocations that credit customers for off-system sales in excess of actual revenues, and

4) carrying costs on such deferred amounts.

These items will be tracked and deferred for recovery to be addressed by the Commission in a future proceeding.

Q: Are all Winter Storm Uri related costs and revenues known at this time?

A: No. Due to the Southwest Power Pool ("SPP") settlements process, the exact amount of the extraordinary impacts caused by Winter Storm Uri is not known at this time and will potentially be adjusted after future resettlement calculations are performed and received. In addition, there is the possibility for future legal challenges that could result in adjustments to resettlement amounts. We have developed estimates of such impacts for each utility which I believe are reasonable for use in this proceeding. However, Evergy proposes to track all future adjustments to the specific expenses and revenues it includes in the regulatory asset and regulatory liability, and to retain all appropriate documents supporting those calculations for the Commission's consideration in future Evergy proceedings in which rate recovery of such deferred amounts is addressed.

A. Evergy Missouri West

Q: Please explain in more detail Evergy Missouri West's request for deferral of costs incurred and revenues earned as a result of Winter Storm Uri.

A: As explained in Company witness Darrin Ives' testimony, Evergy Missouri West does not believe that recovery of Winter Storm Uri costs and revenues through the FAC is in the best interest of Evergy or its customers. Evergy Missouri West is making this deferral request due to the level of extraordinary costs incurred in February above the level of a three-year baseline for February fuel and purchased power costs and revenues earned.

Q: How did Evergy Missouri West calculate the amount of fuel and purchased power costs attributable to Winter Storm Uri?

A: In order to identify the extraordinary costs associated with Winter Storm Uri, Evergy Missouri West established a baseline to approximate normal conditions for the month of February. In order to approximate more historic normal conditions in the month of February, we calculated a three-year average baseline using actual February costs for the years 2018, 2019, and 2020 for fuel, purchased power costs and off-system sales, and compared the actual costs and off-system sales that were incurred in February 2021 to that three-year average. The amount of the February 2021 costs that exceeded the three-year average baseline is the amount that Evergy is requesting be deferred through an AAO.

Based on preliminary numbers, subject to resettlements and a final calculation of any other applicable and valid charges, Evergy Missouri West incurred $11.8 million in fuel costs and $316.8 million in purchased power costs in February 2021. When compared to the three-year average, Evergy Missouri West incurred $8.3 million of fuel costs and $302 million of purchased power costs *in excess* of its three-year average. Please see **Schedule RAK-1** for a summary of these calculations.

Q: Aren't fuel and purchased power costs normally recovered in the FAC?

A: Yes. Under normal circumstances, Evergy Missouri West would file a Fuel Adjustment Rate ("FAR") tariff that is designed to recover 95 percent of the energy cost differences from base rates, with a substantial portion of the recovery occurring in the first year. However, given the extraordinary nature of Winter Storm Uri and the impacts to customers that would result from the recovery of Winter Storm Uri costs and revenues through the FAC, the Company is seeking approval to defer the entire amount of the extraordinary costs above the three-year average baseline through an AAO. As explained in Company witness Ives' Direct Testimony, the 5% sharing percentage is not an appropriate utility incentive in this situation nor is recovery through the FAC of the 95% amount in the best interest of customers.

Q: Will Evergy Missouri West include any costs associated with February activity in its FAC filing to be made in July 2021 for the 6-month accumulation period from December 2020 to May 2021?

A: Yes. The Company will include in its July 2021 FAC filing a six-month accumulation period that includes for the month of February the three-year average baseline from 2018 through 2020. This baseline amount of average fuel and purchased power costs will be included in order to capture a more normal amount of fuel costs that were incurred and that Evergy Missouri West would have expected if Winter Storm Uri had not occurred.

Q: What will Evergy Missouri West's July 1, 2021 FAC filing look like?

A: Evergy Missouri West will explain in its July 2021 filing that the FAC is not the appropriate way to collect fuel and purchased power costs incurred as a result of Winter Storm Uri and that it proposes to recover through the FAC only the baseline average level calculated from 2018 through 2020 February levels. The Company will note that the FAC rule 20 CSR 4240-2.090(8)(A)2.A(XI) makes an exception for certain extraordinary fuel and purchased power costs so that they are not passed through the FAC. This approach was recently used by Empire District Electric Company when it filed a tariff sheet with its FAR, as amended, in No. ER-2021-0332 which was approved by the Commission on May 26, 2021.

Q: Please explain in more detail how the deferred costs and revenues will be accounted for in the USOA?

A: Evergy Missouri West proposes to defer the extraordinary costs (netted with off-system sales) above the historical baseline three-year average into a regulatory asset recorded in USOA account 182.3. These costs recorded in account 182.3 regulatory assets will then be held until a future proceeding in which the appropriate recovery mechanism will be determined.

Q: Does Evergy Missouri West propose to provide the Commission any adjustments made to the costs and revenues resulting from Winter Storm Uri that may occur after this filing is made?

A: Yes. Evergy Missouri West proposes to provide to the Commission on a quarterly basis any adjustments that are made to the amounts deferred associated with expected resettlements or valid charges that may occur in the upcoming months. SPP has issued one additional set of settlements 120 days after the winter weather event, and more are possible. Evergy Missouri West will continue to track and adjust the amount deferred to the regulatory asset as necessary as a result of this and any other resettlements or adjustments that may occur, and will report these to the Commission on a quarterly basis.

Q: How does Evergy Missouri West propose to handle carrying costs associated with the amounts requested to be deferred in this proceeding?

A: Carrying costs will be calculated using Evergy Missouri West's assumed weighted average cost of capital of 7.358%, plus applicable taxes.

Q: Why is the weighted average cost of capital appropriate in this case?

A: Evergy Missouri West proposes to remove the Winter Storm Uri costs from recovery in the fuel adjustment clause and instead proposes a long-term recovery of these costs. As such, using the weighted average cost of capital is appropriate in this case and is consistent with the recovery that would occur if these costs remained in the fuel clause and were ultimately deferred due to the plant-in service accounting ("PISA") rate caps established in Sections 393.1655.5 and 393.1400.2(3) which provide for the use of the weighted average cost of capital on amounts deferred in excess of established rate caps.

Q: Are Make-Whole Payments included in the winter weather deferred costs associated with Evergy Missouri West?

A: Yes.

Q: What are the different Make-Whole Payments that are charged by the SPP energy markets?

A: There are four main types of Make-Whole Payments in SPP: (a) Day-Ahead Make-Whole Payment, (b) Day-Ahead Make-Whole Payment distribution, (c) Real-Time Make-Whole Payment, and (d) Real-Time Make-Whole Payment distribution.

Q: What is a Make-Whole Payment in SPP markets?

A: Make-Whole Payments are needed to ensure revenue sufficiency for generating resources to cover their eligible costs associated with a commitment period. When the day-ahead locational marginal price ("LMP") in the market is not sufficient to compensate an eligible, SPP-committed generator for costs associated with the generator's day-ahead schedule, SPP will calculate the total shortfall of dollars and allocate it across load MWs, export MWs, and cleared Virtual bid MWs. Those eligible generators receive the credits in the form of Day-Ahead Make-Whole Payments, and the load, export, and cleared Virtual bids pay the pro rata share of those in the form of a Day-Ahead Make-Whole Payment distribution amount.

Similarly, when the SPP calculated real-time LMP in the market is not sufficient to compensate an eligible, SPP committed generator for costs associated with the generator's real-time schedule, SPP will calculate the total shortfall of dollars and allocate it across all deviations in real-time from day-ahead activity. Those eligible generators receive the credits in the form of Real-Time Make-Whole Payments, and the deviations from day-ahead activity pay the pro rata share of those in the form of a Real-Time Make-Whole Payment distribution amount. Real-Time Make-Whole Payments and Real-Time Make-Whole Payment distribution amounts are calculated the same way as the Day-Ahead Make-Whole Payments and Day-Ahead Make-Whole Payment distribution, but relate to SPP's Real-Time Energy Market.

An asset owner like Evergy can do little more than estimate potential Make-Whole Payment distribution amounts based on historical amounts until seven days after the operating day when SPP produces the initial settlement statement for that operating day. These amounts can be further adjusted as resettlements occur.

Q: Why were Make-Whole Payments so significant during Winter Storm Uri?

A: The main driver of significant Make-Whole Payments during Winter Storm Uri was the cost of natural gas. Natural gas prices during the event exceeded several hundred dollars per mmbtu across the SPP footprint, which drove the costs to produce energy well above $2,000/MWh for several days. If the LMPs for these generators did not clear high enough for the generator to recover its costs, SPP calculates the difference and collects it in the form of Make-Whole Payments from load-serving entities like Evergy.

Q: What was the net Make-Whole Payment amounts incurred by Evergy Missouri West?

A: SPP collected a $36.4 million charge (the aggregate of day-ahead and real-time Make-Whole Payment amounts) from Evergy Missouri West. SPP determined this amount based on Evergy Metro's load ratio share.

Q: Did Evergy Missouri West incur additional non-fuel O&M costs as a result of Winter Storm Uri?

A: Yes. Evergy Missouri West incurred extraordinary non-fuel O&M expenses directly attributable to Winter Storm Uri in the areas of communication, overtime for Evergy employees and payroll taxes on the overtime costs, additional contractor costs, damage claims, and costs for additional materials. For Evergy Missouri West, these costs are estimated at $274,933 and are summarized in **Schedule RAK-2**.

Q: What is Evergy Missouri West seeking with respect to these non-fuel costs?

A: Evergy Missouri West requests deferral of these extraordinary costs in a regulatory asset in order to be recovered in the same manner as the other extraordinary costs that have been incurred as a result of Winter Storm Uri.

Q: Will the Commission have the opportunity to review the prudence of these costs and revenues in a future rate proceeding?

A: Yes. Once amounts have been approved for deferral in this case, the Company expects to utilize the recently passed Missouri securitization legislation (House Bill 734) to address these "qualified extraordinary costs" once it is signed into law by the Governor. As part of a future financing petition associated with the issuance of securitized bonds, the

Commission will have a full opportunity to review Winter Storm Uri expenses and revenues for prudence and accuracy, as well as to consider other issues such as the appropriate form and time of recovery (i.e., amortization period) for the approved amount of regulatory assets and liabilities.

B. Evergy Missouri Metro

Q: Please explain in more detail Evergy Missouri Metro's request for deferral of costs incurred and revenues earned as a result of Winter Storm Uri.

A: Evergy Missouri Metro proposes to utilize a future accumulation period in the FAC calculation in order to flow back the benefits that have accumulated from off-system sales as a result of Winter Storm Uri. In addition, as discussed in Company witness Ives' Direct Testimony, due to allocation issues that have existed between the Missouri and Kansas jurisdictions associated with excess off-system sales and unrecovered fuel and purchased power costs, Evergy Missouri Metro proposes to include these costs in the deferral associated with Winter Storm Uri.

Q: Is Evergy Missouri Metro's FAC situation different than Evergy Missouri West's?

A: Yes. While Evergy Missouri Metro also had increased fuel and purchased power costs, it was able to more than offset these costs with an increase in off-system sales revenues. Therefore, there is a net customer benefit that should be provided to customers over a set time period.

Q: How did Evergy Missouri Metro calculate the amount of fuel and purchased power costs to be deferred?

A: As discussed above regarding the deferral request for Evergy Missouri West fuel and purchased power costs, Evergy Missouri Metro also used a three-year average of its fuel, purchased power costs and off-system sales revenues for February 2018, 2019, and 2020 in order to establish a baseline average cost for the month of February. However, since Evergy Missouri Metro generated significant off-system sales revenues, the fuel and purchased power costs and off-system sales revenues for February 2021 netted to benefit customers after comparing it to the three-year historic February average.

Based upon preliminary figures, subject to resettlements and a final calculation of any other applicable and valid charges, Evergy Metro, Inc. incurred $55 million in fuel costs and $109.9 million in purchased power costs in February 2021. However, Evergy Metro, Inc. also had off-system sales revenue of $200.8 million. When this amount is factored in and compared to the three-year average baseline, Evergy Metro, Inc.'s total energy costs and off-system sales for February 2021 were $56.8 million less than its February 2018-2020 average of fuel, purchased power costs and off-system sales. After jurisdictional allocation to Evergy Metro's Missouri jurisdiction, a benefit resulted for Evergy Missouri Metro customers of $32.0 million. See **Schedule RAK-3** for an illustration of the extraordinary benefit associated with Evergy Missouri Metro's off-system sales revenues.

Q: Aren't fuel and purchased power costs and off-system sales revenue typically recovered in the FAC?

A: Yes. Under normal circumstances, Evergy Missouri Metro would file a FAC rate tariff that is designed to provide back to customers 95% of the energy cost differences from base rates or approximately $30.4 million. However, Evergy Missouri Metro is seeking approval to defer the entire amount of the extraordinary costs above the three-year average through an AAO. As explained in Mr. Ives' Direct Testimony, the FAC's 5% sharing mechanism is not an appropriate utility incentive in this situation.,

Q: Will Evergy Missouri Metro include any costs associated with February activity in its FAC filing to be made in August 2021 for the 6-month accumulation period from January 2021 to June 2021?

A: Yes. Evergy Missouri Metro will include in its August 2021 FAC filing a six-month accumulation period that includes for the month of February the three-year baseline average from 2018 through 2020. This baseline amount of average fuel, purchased power costs and off-system sales revenue will be included in order to reflect a more normal amount of fuel costs that Evergy Missouri Metro would have expected if Winter Storm Uri had not occurred.

Q: What will Evergy Missouri Metro's August 1, 2021 FAC filing look like?

A: Evergy Missouri Metro will explain in its August 2021 filing that the FAC is not the appropriate way to consider the impacts of Winter Storm Uri until this case has been decided. As discussed below, there is an allocation issue between the Missouri and Kansas jurisdictions that impacts off-system sales and fuel and purchase power costs that causes an excess off-system sales credit to customers because Evergy Metro, Inc. operates in two state jurisdictions that use different cost allocation methodologies. This would not be an issue if Evergy Metro, Inc. operated in one state jurisdiction or if both states used a common allocation method. In addition, as discussed below, additional adjustments to the customer benefit amount could occur with future SPP resettlements. As such, the Company believes that inclusion of the customer benefit in this docket would be appropriate at the first FAC filing that is concluded after this docket. Evergy Missouri Metro estimates this would occur in the February 2022 FAC filing which would begin to be credited to customers in April 2022.

Q: Please explain in more detail how the deferred costs and revenues will be accounted for in the USOA?

A: Evergy Missouri Metro proposes to defer the extraordinary benefit discussed above into a regulatory liability recorded in USOA account 254. This benefit recorded in account 254 regulatory liability will be held until the first FAC filing after conclusion of this case which would be expected to be made in February 2022 with the credit to customers occurring in April 2022.

Q: Does Evergy Missouri Metro propose to provide the Commission any adjustments made to the costs and revenues resulting from Winter Storm Uri that may occur after this filing is made?

A: Yes. Evergy Missouri Metro proposes to provide to the Commission on a quarterly basis any adjustments that are made to the amounts deferred associated with expected resettlements that may occur in the upcoming months. SPP has issued one additional set of settlements 120 days after the winter weather event, and more are possible. Evergy Missouri Metro will continue to track and adjust the amount requested to be deferred to a regulatory liability as necessary as a result of this and any other resettlements or adjustments that may occur, and will report these to the Commission on a quarterly basis.

Q: Were Make-Whole Payments discussed above included in the costs for Evergy Metro?

A: Yes.

Q: What were the net Make-Whole Payment amounts incurred by Evergy Metro?

A: SPP collected $52.8 million in total charges for day ahead Make-Whole Payment amounts) from Evergy Metro (Total Company); SPP determined this amount based on Evergy Metro's load ratio share.

Q: How does the Evergy Missouri Metro propose to handle carrying costs?

A: Carrying costs will be calculated using Evergy Missouri Metro's assumed weighted average cost of capital of 7.1713%, plus applicable taxes. This amount will be applied to the outstanding balance of the calculated customer benefit from Winter Storm Uri until returned to customers in the FAC filing.

Q: Did Evergy Missouri Metro incur additional non-fuel O&M costs as a result of Winter Storm Uri?

A: Yes. Evergy Missouri Metro incurred extraordinary non-fuel O&M expenses directly attributable to Winter Storm Uri in the areas of communication, overtime for employees and payroll taxes on the overtime costs, additional contractor costs, and costs for additional materials. For Evergy Missouri Metro, these costs totaled $521,322 and are summarized in **Schedule RAK-2**.

Q: What is Evergy Missouri Metro seeking with respect to these non-fuel costs?

A: Evergy Missouri Metro requests deferral of these extraordinary costs which would be netted against the regulatory liability requested above, and be recovered through a reduction in the customer credit to be provided to customers through the FAC beginning in April 2022 that I previously described.

Q: Will the Commission have the opportunity to review the prudence of the fuel and purchased power costs and revenues in a future proceeding?

A: Yes. Once amounts have been approved for deferral in this case, Evergy Missouri Metro expects to utilize the FAC as the mechanism to return the regulatory liability to customers. The Commission will have a full opportunity to review Winter Storm Uri expenses and revenues for prudence and accuracy for the approved amount of the regulatory liability. In this case Evergy Missouri Metro is merely asking for approval to defer the costs and revenues for inclusion in rates in the next FAC filing after a decision in this case. The Commission will be able to review for prudence in that FAC case.

Q: How does Evergy Missouri Metro propose to address the extraordinary allocation issue discussed by Mr. Ives?

A: As Mr. Ives discusses in his Direct Testimony, the difference in allocation methodologies between the two states for the fuel clauses between the Kansas and Missouri Commissions caused a significant under-recovery for Evergy Metro, Inc. The total amount of under-recovery associated with this winter event is approximately $12.1 million. Evergy Metro has determined that $6.4 million of this total amount of under-recovery should be allocated to Missouri customers. Thus, Evergy Missouri Metro proposes to offset the amount of the regulatory liability associated with Winter Storm Uri that will be returned to customers by $6.4 million resulting in a net amount of $25.1 million to be returned to customers through the FAC. Evergy Metro is proposing similar treatment in Kansas, with an offset of the under-recovered amount attributable to Kansas customers against the regulatory liability to be returned to Kansas customers resulting from the effects of Winter Storm Uri.

Q: How did you determine the portion of the under-recovery that should be attributed to Missouri customers?

A: The portion of under-recovery that is attributable to Evergy Missouri Metro customers was calculated using the following steps:

1. Three categories of revenues and costs were analyzed which included off-system sales, fuel and purchased power.

2. Total Evergy Metro revenues and costs that actually occurred for the month of February in each category were identified. This is the actual amount of either a credit to customers for revenue or costs that was recorded on the income statement for Evergy Metro for the month of February.

3. Total Evergy Metro revenues and costs that would be actually credited or charged to customers through their respective fuel recovery mechanisms was identified using the current allocation methodology and accounting processes in place.

4. The actual total revenue and costs identified in step 2 compared to the total revenue and costs to be charged using the current allocation methodology as identified in step 3 were compared which identified a total resulting amount of under- or over-recovery that was caused by Winter Storm Uri in the month of February for the three categories. The three categories resulted in an ultimate under-recovery for Evergy Metro.

5. In order to allocate the total under- or over-recovery for each revenue and cost category for Evergy Metro, a ratio was established which used the sum of each state's (Missouri and Kansas) allocation methodology as the denominator and the

allocation for each individual state as the numerator. The resulting ratio for Evergy Missouri Metro was applied to the total under- or over recovery amount identified in step 4 above to obtain the total under- or over-recovery for each revenue and cost category assigned to Evergy Missouri Metro.

The total net amount identified from the three categories of revenue and costs in step 5 resulted in an under-recovery from customers. This under-recovery identified was netted against the regulatory liability discussed above that resulted from off-system sales exceeding the extraordinary costs that occurred during the cold weather event. In this way, customers in each state receive their proportionate share of the under-recovery caused by the different allocation methodologies employed by Missouri and Kansas.

Q: How does Evergy Missouri Metro propose to return the regulatory liability, net of the allocation issue discussed above, to customers?

A: Evergy Missouri Metro requests that the amount of the regulatory liability recorded as a result of Winter Storm Uri, reduced by the increase in O&M costs, and further reduced by the amount necessary to adjust for the jurisdictional allocation issue, be returned to customers over the typical twelve-month recovery period in the next FAC filing after a decision in this case. See the table below for the amount of each item listed.

Regulatory Liability	$31,957,409
Less: Increased O&M	$521,322
Less: Jurisdictional Allocation Adjustment	$6,377,916
Amount to Return to Customers	$25,058,171

II. COMPARISON OF CUSTOMER RATE IMPACTS FOR EVERGY MISSOURI WEST UNDER ALTERNATIVE RATEMAKING METHODS

Q: Have you compared the different ways the Commission can treat these extraordinary costs and revenues of Evergy Missouri West under different regulatory scenarios, including an AAO?

A: Yes, while recovery of extraordinary deferrals is not the focus of this proceeding, I believe recovery alternatives are an important context for the Commission to have visibility to in this proceeding. I have created a chart, attached as **Schedule RAK-4** which depicts various regulatory recovery treatments that could be used to recover Winter Storm Uri costs from Evergy Missouri West customers. This chart estimates the average annual revenue requirement impact associated with each cost recovery scenario. The four cost recovery scenarios are as follows:

Fuel Adjustment Clause Process – 21 years: This scenario shows the total annual cost impact of Winter Storm Uri that would flow through to customers annually for year 1 for amounts that would be included in the FAC mechanism and the annual impact of year 2 and subsequent years which would flow through base rates. This scenario includes the amounts that would be passed through to customers over one year up to the rate caps established under the plant-in-service accounting ("PISA") provisions of Sections 393.1400 and Section 393.1655, and deferring the remaining amount of fuel and purchased power costs into a regulatory asset to be recovered over a period of 20 years with inclusion in Evergy Missouri West's rate base as provided for in PISA. The annual revenue requirement impact of the FAC approach in year one would be approximately $78.5 million which would be recovered in the FAC mechanism. This would leave approximately $210.5

million deferred in a regulatory asset and recovered over a 20-year period. The average annual revenue requirement impact over the 20-year period is approximately $24.7 million.

AAO Amortization Approach – 20 years: This approach assumes an AAO is established in this proceeding and the recovery of the deferred amount of costs established in this proceeding in Evergy Missouri West's next rate case and amortized over a 20-year period including carrying costs at Evergy Missouri West's weighted average cost of capital. The average annual revenue requirement impact would be approximately $36.5 million.

AAO Amortization Approach – 15 years: This approach assumes an AAO is established in this proceeding and the recovery of the deferred amount of costs established in this proceeding in Evergy Missouri West's next rate case and amortized over a 15-year period including carrying costs at Evergy Missouri West's weighted average cost of capital. The average annual revenue requirement impact of the 15-year AAO approach would be approximately $43.2 million.

Securitization Bond Approach: This approach also assumes an AAO is established in this case and the recovery of the deferred amount of costs established in this proceeding occurs through the issuance of securitized bonds which are authorized under Section 393.1700.2(2) for "qualified extraordinary costs" in recently passed House Bill 734. The annual revenue requirement impact of the securitized bonds using a 1.65% bond rate and a 15-year bond repayment term is estimated to be approximately $25.7 million.

Q: What conclusions have you drawn from analyzing these four scenarios?

A: It is clear that the use of securitized utility bonds under House Bill 734 will have the least cost impact on customers for the recovery of the extraordinary costs resulting from Winter Storm Uri. The average monthly impact of using this approach on a typical residential customer for Evergy Missouri West over a 15-year period is estimated to be approximately $2.83 per month. The application of the Fuel Adjustment Clause process would result in significantly higher charges to customers in the first year, while the other scenarios enable more smoothing of customer impacts over time. Across the scenarios, the difference in customer annual revenue requirement impact is a result of the differing carrying costs used in each scenario. The securitized utility bonds are estimated to employ a carrying cost of 1.65% based on current market conditions, while the remaining scenarios employ a weighted average cost of capital amount, consistent with the financing costs necessary over the length of recovery. While the final securitization terms will be established in a future financing order issued by the Commission, I believe a 15-year bond term strikes the right balance of moderating monthly cost recovery from customers.

Q: Given that a decision will not occur in this case regarding cost recovery but only whether an AAO will be authorized, how will Evergy propose to address issues of cost recovery?

A: Evergy Missouri West intends to pursue the securitization bond approach after the legislation has been signed by the Governor and has become effective. As can be seen by the four scenarios identified in **Schedule RAK-4**, the use of securitized bonds will provide recovery of deferred costs at the lowest annual impact on customers. If the Commission grants an AAO approving the deferral of costs in this case, Evergy Missouri West plans to file a financing petition under Section 393.1700.2(2) that seeks authority to issue securitized bonds in order to recover the extraordinary costs that were caused by Winter Storm Uri.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Evergy Missouri West for an Accounting Authority Order Allowing the Companies to Record and Preserve Costs Related to the February 2021Cold Weather Event	)))))))	No. EU-2021-0283

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Director – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Kansas Metro ("Evergy Kansas Metro"); Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"); and Evergy Kansas Central, Inc. d/b/a/ Evergy Kansas Central ("Evergy Kansas Central")..

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of twenty-three (23) 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.

Ronald A. Klote

Ronald A. Klote

Subscribed and sworn before me this 30th day of June 2021.

Anthy R Westenkirchner

Notary Public

My commission expires: 4/26/2025

ANTHONY R. WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2025
PLATTE COUNTY
COMMISSION #17279952

Fuel Clause Analysis for Winter Weather Event
February 2021 calculated at March 31, 2021
Average amounts are 2018, 2019 and 2020 Actual data submitted in fuel clause filings to MPSC

MO West			
	Avg Feb	Variance from Avg Feb	Actual Feb
Fuel	6,714,998	8,192,651	14,907,649
Fuel disallowed	(3,237,471)	151,143	(3,086,328)
Fuel	3,477,527	8,343,794	11,821,321
Purchases	14,927,845	306,753,550	321,681,395
Nucor disallowed	-	(6,178,223)	(6,178,223)
Renewable tariff	-	2,019,709	2,019,709
PP disallowed	(126,052)	(571,662)	(697,714)
Purchased Power	14,801,793	302,023,374	316,825,167
Transmission	3,161,704	240,216	3,401,920
Nucor disallowed	-	(44,688)	(44,688)
Crossroads disallowed	(995,893)	(325,588)	(1,321,481)
SPP disallowed	(1,167,704)	112,830	(1,054,874)
Transmission	998,107	(17,230)	980,877
Sales	(885,133)	(13,070,828)	(13,955,961)
Wholesale	194,923	37,335	232,258
Sales	(690,210)	(13,033,493)	(13,723,703)
Total	18,587,217	297,316,445	315,903,662

Evergy MO Metro & Evergy MO West
Winter Weather AAO

Non-Fuel O&M Amounts:

	MO Metro	MO West	Total
Contractor	$ 225,232	$ 58,419	$ 283,651
Damage Claims	$ 11,545	$ 25,051	
Materials	$ 69,623	$ 8,164	$ 77,787
OT Labor	$ 197,080	$ 167,458	$ 364,538
Other	$ 874	$ 1,572	$ 2,446
Payroll taxes on OT	$ 16,968	$ 14,269	$ 31,237
Total	**$ 521,322**	**$ 274,933**	**$ 796,255**

Winter Weather Event
February 2021 calculated at March 31, 2021
Average amounts are 2018, 2019 and 2020 Actual data submitted in fuel clause filings to MPSC

Metro MO FAC			
	Avg Feb	Variance from Avg Feb	Actual Feb
Fuel	19,705,914	36,698,794	56,404,708
Fuel disallowed	(996,709)	(381,378)	(1,378,087)
Fuel	18,709,205	36,317,416	55,026,621
Purchases	12,459,475	89,433,201	101,892,676
Hydro disallowed	(683,043)	7,783,592	7,100,549
Renewable tariff	-	1,446,220	1,446,220
PP disallowed	-	(509,704)	(509,704)
Purchased Power	11,776,432	98,153,309	109,929,741
Transmission	6,143,365	(924,091)	5,219,274
Trans disallowed	(1,158,201)	263,561	(894,640)
SPP disallowed	(3,924,184)	741,361	(3,182,823)
Transmission	1,060,980	80,831	1,141,811
Sales	(9,821,513)	(191,764,842)	(201,586,355)
Capacity	249,427	370,848	620,275
Wholesale	150,761	11,663	162,424
Sales	(9,421,325)	(191,382,331)	(200,803,656)
Total	22,125,292	(56,830,775)	(34,705,483)
Collected in base rates	20,490,338		22,979,593
Over/Under	1,634,954		(57,685,076)
MO Share	748,578	(31,957,409)	(32,437,805)
		56.23%	

Note: The jurisdictional allocation include amounts that are allocated at the energy factor of 55.9% to MO, then there is a MO only amount that is added into the total. The jurisdictional factor is then calculated on the overall amount. Given this allocation the overall percentage to the MO jurisdiction becomes 56.23%

Table of Extraordinary Cost Scenarios

Line	Description		Amount
1	Total Cold Weather Event Costs		
2	Estimate of Cold Weather Event - February 2022 (millions)	$	297.3
3			
4	Fuel Clause Process Impact		
5	Average Annual Impact year 1 (millions)	$	78.5
6	Annual Impact year 2 - 21 (millions)	$	24.7
7			
8	AAO Amortization Approach Impact - 20 year		
9	Average Annual Impact (millions)	$	36.5
10			
11	AAO Amortization Approach Impact - 15 year		
12	Average Annual Impact (millions)	$	43.2
13			
14	Securitization Approach Impact - 15 year		
15	Average Annual Impact (millions)	$	25.7
16	Average monthly cost per residential customer	$	2.83