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	))))	**File No. ER-2024-0189** Tariff No. JE-2024-0110

EVERGY MISSOURI WEST'S STATEMENT OF POSITIONS

COMES NOW, Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW") and, pursuant to the Missouri Public Service Commission's ("Commission") *Order Granting Applications to Intervene and Order Setting Procedural Schedule* ("Order")[1] issued March 8, 2024, submits its *Statement of Position*, as follows:

ISSUES

1. **Cost of Capital**

A. What is the appropriate value of the return on common equity ("ROE") for the Commission to use to determine the rate of return?

EMW POSITION: Evergy Missouri West's ("EMW") return on common equity ("ROE") should be set at 10.50%, based on a range of 10.25% and 11.25%. (Bulkley Direct Testimony at 71-72) This recommendation is presented by Company witness Ann Bulkley, a Principal at the Brattle Group. Ms. Bulkley supports the appropriateness of the ROE in relation to industry peers and investments with similar risks. Ms. Bulkley applied the Constant Growth form of the Discounted Cash Flow model ("DCF"), the Capital Asset Pricing Model ("CAPM"), the Empirical Capital Asset Pricing Model ("ECAPM"), and the Bond Yield Risk Premium ("BYRP" or "Risk Premium") analysis. She also took into account the Company's relative business and regulatory risk as compared with the proxy group, and the Company's proposed capital structure

[1] As modified by the Commission's *Order Granting Joint Motion to Amend Procedural Schedule*, issued September 17, 2024.

as compared with the capital structures of the operating utilities of the proxy group companies. For the DCF model, the Company's average mean results are 9.07% to 11.24% and the average median results are 9.32% to 11.20%. (Sched. AEB-1) For CAPM, the long-term average value line beta pertaining to the 30-year treasury bond yield is 10.49% to 10.31% for the current 30-day average and longer-term projected, respectively. (*Id.*) For ECAPM, where a variance of the traditional CAPM is used, the long-term average value line beta pertaining to the 30-year treasury bond yield is 10.79% to 10.40%, respectively. (*Id.*) For the BYRP, the 30-year treasury bond yield is 10.79% to 10.40% for the current 30-day average and longer-term projected, respectively. (*Id.*)

B. What is the appropriate capital structure for the Commission to use to determine the rate of return?

EMW POSITION: EMW recommends use of its June 30, 2024 true up capital structure which is consistent with industry norms and supportive of continued capital investment in the State of Missouri. EMW recommends: 49.85% common equity and 50.15% long-term debt. (Klote True-Up Rebuttal at 7).

2. Fuel and Purchased Power

A. What is the appropriate level of variable fuel expense for the Commission to order?

i. Should forecasted or actual gas prices be used in the fuel expense calculation?

EMW POSITION: Jessica Tucker and Hsin Foo explain in their testimony the Company's method for calculating the appropriate level of variable fuel and purchased power expense.

B. What is the appropriate level of purchased power costs and sales for resale revenue for the Commission to order?

EMW POSITION: See response to A above.

C. What is the appropriate level of transmission costs rights ("TCR") and/or Auction Revenue Rights ("ARR") revenues for the Commission to order?

i. In what FERC account should TCR and ARR revenues be recorded?

ii. Should the Company's FAC tariff sheet be updated to reflect the account?

EMW POSITION: Company witness Hsin Foo explains the Company's calculation of these rights in True- up direct testimony. The net revenues are recorded in FERC account 555 and the tariff sheet can be updated to reflect this account.

3. Fuel Adjustment Clause

A. What sharing ratio between EMW and its customers should the Commission order as an incentive mechanism in EMW's FAC?

EMW POSITION: The Commission should maintain its long-standing decision to utilize a 95%/5% sharing mechanism. OPC's recommendation to utilize a 75%/25% sharing ratio is not new, it is not productive, and, for a number of reasons addressed in the rebuttal testimony of Darrin Ives, it is not reasonable and should be disregarded by the Commission. OPC has persistently raised the same arguments and same concerns with Evergy's resource planning activities – and continue to be ruled against by the Commission. On at least ten other occasions, OPC has repeated its criticism of Evergy's participation in the Southwest Power Pool ("SPP") market, and a lack of sufficient "insurance" generation. Based on this view of the Company's Regional Transmission Organization participation, in this proceeding OPC once again argues for significant prudence disallowances utilizing a variety of mechanisms. The Commission has already ruled on resource planning issues related to a number of Evergy's PPAs and its resource portfolio. The Commission has also ruled on the prudence of generation resource retirement decisions. The positions taken by OPC in this case on the subject of the FAC are yet another variation of the repeated resource adequacy arguments and are overly punitive. The Commission should not adopt the change in the sharing ratio recommended by OPC in this case. (Ives Rebuttal, pp. 19-23)

B. At what level should Regional Transmission Organization or Independent System Operator transmission costs be included in EMW's FAC?

   i. What are the updated transmission costs for EMW?

EMW POSITION: Under the FAC tariff, non-SPP transmission used to serve off-system sales or to make purchases for load and 66.03% of the SPP transmission service costs are to be included in the FAC.

C. What is the appropriate base factor for EMW given the Commission's determination of Issue 2?

   i. What are the appropriate FAC Voltage Adjustment Factors for EMW?

   ii. What, if any, Regional Transmission Organization or Independent System Operator charge types should the Commission allow EMW to include in EMW's FAC tariff sheets?

      a. Should Southwest Power Pool purchase power administration fees account 555070 be included in the FAC?

EMW POSITION: For EMW, the true-up model supports a FAC base rate of $0.02393 per kWh. Schedule LJN – provides the Company-proposed FAC tariffs, which address all issues included in the Company's direct, rebuttal, and surrebuttal testimonies related to all changes proposed throughout the case associated with the FAC tariffs**.** (Nunn True-up Rebuttal, p. 14)

The inclusion of the SPP administration fees in account 555070 in the FAC is both appropriate and necessary. To facilitate that change, the tariff must be modified to specifically identify account 555070. (Nunn Surrebuttal, p. 4)

EMW's current FAC tariff specifies which charges are appropriate for recovery through the FAC rider. Among the costs approved for FAC recovery is subaccount 555000 which includes "charges and credits related to the SPP Integrated Marketplace". As such the Company maintains that SPP administration fees are appropriately recovered through the FAC. Furthermore, two of the SPP administration charges that she identifies, the Integrated Marketplace Clearing Administration Service and the Integrated Marketplace Facilitation Administration Services, are both charged by SPP on a per MWh basis. Therefore, the total charges will vary depending on total EMW load, just like the other costs currently recovered through the FAC. If the administration fees were a fixed amount each year they would be appropriately recovered through base rates. But since the SPP administration fees fluctuate based on changes in customer demand, just like the cost of coal, natural gas, and purchased power, they are appropriately recovered through the FAC. (Nunn Rebuttal, pp. 4-5)

D. Should the Commission order the supplemental monthly submission requirement proposed by Staff and the OPC?

EMW POSITION: The first request would require a great deal of time for Company employees to compile on a monthly basis and is unduly burdensome and can be found on the SPP website by OPC without Company input. ARR/TCR revenues and expenses are already identified in the Company's general ledger by the use of resource code. The remainder of the requested information can be provided as explained on page 13 of Hsin Foo's rebuttal testimony. The Company, however, believes that piecemeal additional reporting is not an appropriate strategy to address this issue. Depending on if market prices are high or low, the wind PPAs will look either favorable or unfavorable. Retrospective assessment of generation investments decisions with the benefit of 20/20 hindsight is not likely to produce actionable information and is contrary to the concept of evaluating investment decisions based on the information that was available at the time the decision was made. (Nunn Surrebuttal, pp. 5-6; Foo Rebuttal, pp. 14).

E. Should the FAC tariff sheets be modified to remove the language associated with Crossroads?

EMW POSITION: The Crossroads language in the current FAC tariff should be removed. Given that Crossroads is an owned plant and not a PPA, and that EMW has little to no off-system sales, there is no reason for language in the FAC regarding Crossroads. The transmission associated with the Crossroads plant will be included in base rates only. (Nunn Surrebuttal, p. 6)

4. Hedging

A. Should EMW be allowed to include an amortization of the previously deferred hedging costs in its revenue requirement?

EMW POSITION: Yes. Staff and the Company agree that:

Hedging is a safeguard measure to mitigate risk. The primary risk is market volatility; however, it is not cost free. Hedging is an internal management strategy and is done as a risk mitigation measure to avoid spot market pricing exposure and provide budget consistency for forecasting purposes. This is similar to paying for insurance premiums, to help mitigate risk or cover the market exposure of the energy market.

Looking at the results of hedging transactions in isolation after settlement and determining success by whether the hedges made or lost money is completely missing the point of the purpose of hedging. The concept of hedging is to take a small portion of that spot market pricing exposure and spread it out to reduce volatility by "fixing" the price via a hedge. Without hedging EMW would be ignoring this volatility exposure and hoping that the SPP market will always clear low in the day-ahead and real-time markets. (Mastrogiannis Rebuttal at 5.)

B. Should EMW be allowed to include the costs, gains, and losses arising from its hedging program moving forward in its revenue requirement?

   i. If EMW is allowed to include the costs, gains, and losses arising from its hedging program moving forward, should those hedging costs, gains, and losses be recovered through the Company's FAC?

EMW POSITION: Yes, "hedging activity in the FAC is the only way to ensure the customers that are impacted by the hedging activity are the ones that receive the benefits/costs associated with the activity." (Meitner Surrebuttal at 4.) As a result, "Staff does not oppose the proposed hedging language in the FAC tariff sheets in order to attempt to mitigate the market volatility, nor does Staff oppose including a four-year amortization of" the hedging balance. (Mastrogiannis Rebuttal at 6.) Because of this and the fact that OPC's proposal can cause a mismatch between customers paying for or receiving a benefit from a hedge and customers paying for or a receiving a benefit from the underlying hedged transaction, the Commission should permit EMW to recover its hedging balance with a four-year amortization through the revenue requirement and FAC.

5. Crossroads Energy Center

A. Should the transmission costs EMW incurs to transmit energy from its Crossroads Energy Center at Clarksdale, Mississippi to its service area in Missouri due to this generating facility being located outside of EMW's regional transmission organization be included in EMW's revenue requirement?

   i. If so, how much?

EMW POSITION: Yes. The Commission should approve the inclusion of approximately $16.5 million in the Company's annual retail revenue requirement for the firm point-to-point transmission service agreement ("TSA") expense that brings the capacity and energy of the 300 MW simple-cycle, gas-fired Crossroads Energy Center in Clarksdale, Mississippi to EMW's customers in Missouri. <u>See</u>, Direct, Rebuttal, and Surrebuttal Testimony of Cody VandeVelde and Darrin Ives.

The Company's 2024 Integrated Resource Plan ("IRP") found that maintaining Crossroads in EMW's generation portfolio and including its transmission costs is the most economically feasible and prudent option for the Company to provide EMW's customers with adequate capacity and energy. The 2024 IRP determined that the next lowest net present value of revenue requirement ("NPVRR") alternative was over $120 million more costly than retaining Crossroads with its transmission expense in EMW's generational portfolio. The average increase to residential customers of including this cost in rates is reasonable at $0.002/KWh per month.

The Company and Entergy Services, Inc. are parties to the Crossroads TSA, a 20-year contract which was signed in 2009. The annual transmission cost at that time was approximately $4.9 million, as set under a FERC-approved tariff. In 2009 Entergy was not a member of a regional transmission organization ("RTO"), while EMW was and is a member of the Southwest Power Pool ("SPP"), an RTO. However, in December 2013 Entergy joined the Midcontinent Independent System Operator ("MISO"), the RTO to the east, and the Crossroads transmission costs increased. At the end of 2014, these costs increased to $12.0 million, and have, every year except one, been in double-digit million-dollar levels, reaching a high of $17.0 million in 2022.

Today, the Company and the region face major challenges as the U.S. energy industry and the economy are undergoing dramatic and disruptive changes that are affecting EMW's ability to provide safe and reliable service to customers. As described in SPP's recent report "Our Generational Challenge" (summer 2024),these unprecedented developments include: (1) the reduction of dispatchable capacity due to the retirement of coal and gas plants, (2) the increase in intermittent, renewable wind and solar generation which is non-dispatchable, (3) congestion in the SPP interconnection queue that caused by the unexpected number of proposals for new generation and transmission assets and the resulting delay in their construction, (4) an increase extreme winter and summer weather events that create significant risks to the electric grid, (5) the increase in demand caused by new data centers, high-tech manufacturing facilities, and cryptocurrency computer "mining" operations, and (7) SPP's recent decision to raise its planning reserve margin for both summer and winter seasons beginning in 2026. Given these significant changes in circumstances and new facts, the Commission should allow the Company to recover its transmission costs to bring the benefits of Crossroads' capacity and energy to customers.

B. If the Commission includes transmission costs in EMW's revenue requirement, at what value should the Commission include Crossroads in EMW's rate base?

EMW POSITION: There should be no change in the valuation of Crossroads, regardless of what decision the Commission makes regarding the recovery of Crossroads transmission costs. The Commission found that including Crossroads in rate base was prudent in its Report & Order in the 2010 Rate Case, No. 2010-0356. It has continued to allow it to be included in rate base as a prudent investment in each of the Company's rate cases since then.

C. In this case, should the Commission determine it is prudent for Evergy to renew its firm point-to-point transmission service agreement with Entergy Corp. before it expires in February 2029?

EMW POSITION: To reassure the Company and its customers that Crossroads will continue to be a reliable source of capacity and energy, the Commission should find that the firm point-to-point transmission service agreement should be renewed before it expires in February 2029, and that such action is reasonable and prudent.

6. **Pensions and SERP**

   A. What's the appropriate level of pension expense to include in revenue requirement?

EMW POSITION: The Company's true-up adjustment for Pension and Other Post-Employment Benefits reflects updated 2024 actuarial information and should be used to set the Company's rates.   Klote True- Up Rebuttal, p. 19.

7. **Payroll and Payroll Taxes**

   A. What's the appropriate level of payroll expenses and payroll taxes to be included in revenue requirement?

EMW POSITION: See adjustment CS-50 and CS-53. The difference is due to the capitalization (O&M) ratio explained in issue 17 below.

8. **Severance Costs**

   A. Should severance costs be included in revenue requirement?

EMW POSITION: The Company has included only non-executive severance payments in the cost of service. Executive severance payments have been excluded from the Company's cost of service. Severance payments are a necessary and recurring annual business expense and part of total operating expense associated with the Company's employment of individual employees. Severance costs may be one-time payments to individual employees but are an annual recurring expense to the utility cost structure and should be included in its cost of service with the exception of executive severance payments which are usually more significant and have a variety of purposes. (Klote Rebuttal, p. 23)

9. Inflation Bonus

A. Should the inflation bonuses Evergy West paid out during the test year be included in its revenue requirement calculation?

EMW POSITION: Yes. Bonuses are a compensation method the Company uses periodically to support a variety of Company initiatives. The bonuses paid in recognition of extraordinary inflation were designed to supplement the Company's overall compensation philosophy of maintaining competitive compensation packages. EMW paid inflation bonuses to recognize the extraordinary economic challenges the Company's employees faced during a period of unexpected, extreme, and economy-wide inflationary pressure. The inflation bonuses were designed to ensure the Company's total compensation package continued to provide employees with an appropriate and consistent standard of living. These bonuses were consistent with EMW's overall compensation philosophy, which recognizes the need to retain talent in a competitive environment. More broadly, bonuses provide incentives for strong employee performance, which ultimately benefits customers. (Klote Rebuttal, pp. 25-26)

10. Maintenance Expense

A. What is the appropriate level of maintenance expenses for generation, transmission and distribution to be included in revenue requirement?

EMW POSITION: The Company agrees with Staff's methodology for all non-labor maintenance expense accounts being based on a three year average. The Company used an updated three-year average (including the true-up period) for all non-labor maintenance accounts, with the exception of account 593000 in which the Company used the 12-months ended June 2024 in its true-up. (Nunn Rebuttal, pp. 7-8)

11. Regulatory Assessments

A. What level of regulatory assessment costs should be included in revenue requirement?

EMW POSITION: All regulatory assessments should be included in revenue requirement. Staff excluded the FERC regulatory assessments associated with the Crossroads generation facility. The Company continues to maintain that Crossroads is a cost-effective resource for EMW customers and this disallowance associated with the facility is not justified. EMW witness Cody VandeVelde and Darrin Ives address this issue in their rebuttal testimony. Additionally, if the Company was required to eliminate transmission costs associated with Crossroads from cost of service. Regulatory assessments are not transmission costs and were not identified in prior cases to be eliminated. (Nunn Rebuttal, p. 9)

12. Advertising Expense

A. What level of advertising expense, if any, should be included in the revenue requirement?

EMW POSITION: Advertising expense in test year, $679,065 was reviewed for any expenses such as event sponsorships and public image advertising are removed with this adjustment. After review of the test year, the Company determined that all advertising costs recorded above-the line during the test year are allowable in rates. (Nunn Direct, p. 29)

B. Should the Company be required to make accounting changes associated with advertising expenses?

EMW POSITION: No. While Company continues to work with staff to address their concerns, the accounting practices used are consistent with industry standards and best practices.

13. FAC Deferral

A. What amount of amortization expense associated with the FAC deferral should be included in the revenue requirement?

EMW POSITION: The Company has appropriately included $1,290,177 in amortization expense for the FAC deferral which includes carrying costs through the expected effective date of new rates.

14. Common Use Billings

A. What is the appropriate method to annualize common use billings?

B. What level of annualization should be included in the revenue requirement calculation?

EMW POSITION: Common use billings represent the monthly billings of common use plant maintained by Evergy Metro, EKC and EMW. Assets belonging to Evergy Metro, EKC and EMW may be used by another entity. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. In order to ensure that Evergy Metro, EKC and EMW's regulated entities do not subsidize other Evergy companies or jurisdictions, Evergy Metro, EKC or EMW charge for the use of their respective common use assets. Monthly billings are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the net plant basis. The total cost of all common use plant is then accumulated before being billed to the appropriate jurisdictions. The Company analyzed plant additions that are expected to be placed into service prior to the true-up date in this rate case proceeding. These include capital additions associated with network systems and software that will be billed to EMW as part of the Common Use Billing Process. As such, this adjustment is the result of annualizing these costs to ensure an appropriate amount of Common Use Billings is included in EMW's cost of service. (Klote Direct, pp. 29-30)

The annualized level of Common Use Billings in the revenue requirement is $37,502,471. This figure is derived from the annualization of the last month of the true-up period, multiplied by 12, and then adjusted for the jurisdictional considerations since common use billings have been increased throughout the test year and true-up periods.

15. Kansas City Earning Tax

A. What level of Kansas City Earnings Tax Expense should the Commission recognize when determining Evergy West's revenue requirement?

EMW POSITION: While Staff's witness Young is correct that no earnings tax liability was paid in 2021 and 2022, EMW estimates that the liability for 2023 when filed will be $48,704. (Hardesty Rebuttal at 7-8.) Alternatively, if an estimate for 2023 is not acceptable, the Company asks that an average of the tax due on the last three years of tax returns filed be used. (*Id.*) The tax liability due for the 2020, 2021, and 2022 tax years was $65,403, $0, and $0, respectively. (*Id.*) Therefore, the average of these amounts is $21,801. (*Id.*) A three-year average of Kansas City Earnings tax was proposed by Mr. Young in Evergy Metro's 2022 rate case and could be used in this case. (*Id.*) Staff admits that "including the expense in rates with either of EMW's recommendations would have an immaterial effect on the revenue requirement." (Young Surrebuttal at 13.)

16. Bad Debt Expense

A. Should bad debt expense be grossed-up for the revenue requirement change the Commission finds for Evergy West in this case?

EMW POSITION: Yes.

B. What level of bad debt expense should the Commission recognize in EMW's revenue requirement?

EMW POSITION: The Company examined net bad debt write-offs on a Missouri-specific basis as compared to the applicable revenues that resulted in the bad debts. The Company adjusted bad debt expense applicable to the annualized and normalized revenues which then have MEEIA, FAC, and RESRAM revenues added back in as bad debts can result from write offs related to all retail revenue categories, by applying a Missouri-specific net bad debt write-off factor. The Company established bad debt expense for the requested revenue adjustment in this rate case, again using the bad debt write-off factor. (Nunn Direct, p. 18)

C. Should forfeited discount revenue be grossed-up consistent with the gross- up of bad debt expense?

EMW POSITION: Yes. Staff's witness Neito states in Rebuttal that Staff recommends that if the Commission approves EMW's request to adjust bad debt expense proportionate to any increase in revenue requirement, then it should also "factor-up" late payment fees for the same reason. If the Commission concludes that EMW will experience a proportionately different level of bad debts as a result of a rate change then it would follow that EMW will experience a different level of late payment revenue as well. (Nieto Rebuttal, p. 18)

Staff witness Antonija Nieto explains that forfeited discounts, also referred to as late payment fees, were calculated by Staff based on an annualized ratio of forfeited discounts to revenue for the period February 1, 2023 through December 31, 2023. This was the first period since the start of the COVID pandemic that the Company had reintroduced those fees. That ratio was then applied to the test year annualized weather normalized revenue to derive total forfeited discounts. The Company used a similar approach and corrected calculation errors. (Nunn Rebuttal, pp. 13-14)

17. O&M

A. Should the O&M ratio reflect an average of multiple years or the last known O&M amount for calendar year 2023?

EMW POSITION: The O&M ratio should be based on a multi-year average due to the fluctuation from year to year. This is simply an effect of varying levels of labor that support capital projects on a year over year basis. The capitalization rate has trended up (less labor recorded to O&M

expense) in recent years and the 3-year average included in the Company's revenue requirement is reflective of this trend. Internal labor can be impacted by a variety of factors like the availability of internal labor considering work required for storm restoration and other unexpected maintenance work year-to-year. Additionally, much of our capital work is supported heavily by contractors. The availability of contractors year-to-year can impact the use of internal resources on capital projects (positively and negatively). These externalities, among others, support the use of a multi-year average to normalize the capitalization ratio included in this rate case. Setting a capitalization rate for O&M expense at a low point would artificially lower the cost of service in this rate case. That is precisely why in historical cases and in this case the Company has proposed a multi-year average. (Klote Rebuttal, pp. 7-8)

18. Dues and Donations

A. What level of dues and donations expense should the Commission recognize in Evergy West's revenue requirements?

EMW POSITION: The Company has already removed donations that were recorded below the line. In addition, the EEI membership dues provide access to services that assist the Company in providing more reliable and efficient services and provide benefits to EMW customers. They provide valuable forums and information-sharing for nearly every department in the Company including customer experience, security and preparedness, energy supply, human resources, legal and health and safety. Staff's attempt to eliminate additional beneficial costs of EEI should be rejected by the Commission. (Nunn Rebuttal, pp. 12-13)

19. Rate Case Expense

A. What level of rate case expense should be included in rates?

EMW POSITION: Staff included a three-rate case expense average of full costs incurred by EMW in the most recent rate cases, Case Nos. ER-20 2022-0130, ER-2018-0146, and ER-2016-

0156. Of that three-case expense average, 100 percent of expenses associated with depreciation and line loss studies were included and 50 percent of the remaining, what Staff considers to be discretionary, rate case expenses. Averaging the total rate case expense expended over cases allows for the fact that much of the rate case expenses incurred are paid after the cut-off for including those expenses in the current case. Therefore, the Company does agree with using an average of the expenses over the last three cases, but disagrees with taking 50% of those averaged costs. Rate case expenses are a necessary part of doing business as a regulated electric utility and should therefore be recovered in the utility's cost of service. (Nunn Rebuttal, pp. 16-17)

20. Depreciation

A. What depreciation rates should be ordered by the Commission?

EMW POSITION: The Commission should adopt the depreciation rates for the new plant accounts and locations filed in Staff's True-up EMS run. Additionally, the Commission should adopt the amortization rate requested on short term incentive disallowances found in the testimony of Company Witness Klote. Klote True-Up Rebuttal, p. 21 and filed in Staff's True-up EMS run.

B. Is Evergy Missouri West required to maintain an accurate CPR in accordance with Commission Rule 20 CSR 4240-20.030(3)(1)(I), which includes the vintage year?

EMW POSITION: EMW does not agree that it is improperly recording assets in its CPR as it has used its existing process for many years. Klote Rebuttal, p. 6. The Company agrees to work with Staff in the future to resolve this issue.

21. Time of Use Education and Marketing

A. Did the Company properly comply with the Commission's order from the prior rate case to engage and educate its customers with regard to TOU rate implementation?

EMW POSITION: Yes. Evergy developed a comprehensive, multi-faceted, surround-sound outreach and education campaign, strategically designed to engage and educate customers. The campaign included multiple touchpoints, communication tactics and channels, and bilingual messaging in both English and Spanish. In addition, Evergy conducted in-depth qualitative and quantitative marketing research to help understand customers' reactions to the new TOU rate plans, determine which TOU messages are the most impactful, tested rate plan names, and conducted an analysis to pinpoint segments most affected by the transition. Evergy developed a campaign that would reach all Evergy customers while also prioritizing engagement efforts for special customer groups including seniors, income-eligible individuals, households relying on electric heating, and those less digitally inclined. In addition, Evergy engaged a third-party research firm to conduct quarterly surveys to help us gauge our education efforts of awareness and understanding of the rates before and during the campaign. Additionally, a monthly survey was launched to assess marketing campaign performance. Evergy shared the results of this work with Staff and OPC throughout the months leading up to and during the campaign, making adjustments and changes based on their feedback.

Evergy utilized a five-phase education campaign. This campaign featured multiple ways in which Evergy engaged and educated customers and is one of the most comprehensive customer campaigns in Evergy's history. Please refer to the Rebuttal Testimony of Katie McDonald, Schedule KRM-2 for a breakdown of the campaign phases, along with our engagement tactics and education messaging, and Schedule KRM-3 for a list of the engagement and education tactics by audience groups.

The Staff's and OPC's assertion that Evergy neglected to engage and educate customers is unfounded. Contrary to their claims, the evidence indicates robust customer engagement and continued growing education. Evergy's internal research, supplemented by studies conducted by

TrueNorth, underscores widespread awareness and understanding of the TOU transition among customers. (McDonald Rebuttal, pp. 5-18)

Evergy's third-party customer research has shown that Evergy's Customer Campaign has been successful in creating awareness among Missouri residential customers. By the end of November, 2023, 87% of Missouri residential customers had heard about Evergy's time-based rates. That is a significant increase from the baseline measurement in June, truly showing that customers are engaged in the topic. Also, the number of Missouri residential customers who recall Evergy communications about the new time-based rates more than doubled in those few months (increased from 32% to 89%). Customers rated their knowledge just above the mid-point on the 7-point scale. However, when asked what they believe to be true about time-based plans, most correctly identify the key aspects of time-based plans, showing that they are educated on the plans and TOU. Customers became increasingly familiar with the plans throughout the campaign, with 82% being familiar with the plans by the end of the year. Those indicating they know "a lot" or "a good amount", increased a significant +7 percentage points in Wave 3 of our 3rd party research.

Furthermore, Evergy's Engagement Data revealed we had seen over 300,000 unique customers visits to our TOU Campaign landing page and over 340,000 unique visits to our Compare My Rate Tool, with approximately 160,000 customers selecting their rate plan before the transition. This data underscores the robust engagement generated by our campaign. (McDonald Rebuttal, pp. 17-18)

B. What, if any, amount of EMW expenditures related to the education and outreach costs associated with TOU rate implementation should EMW be permitted to recover?

EMW POSITION: Given the success of Evergy's TOU Implementation program, it would be an abuse of discretion for the Commission to now arbitrarily disallow half of those costs after the

Company has prudently expended the funds to implement the Commission's Order, as proposed by OPC, or adopt the Staff's proposed disallowance which was first recommended in surrebuttal testimony. (McDonald Rebuttal, p. 31)

C. Should the Commission order EMW to continue its education and marketing campaign and undertake the public service announcements as articulated in the testimony of Dr. Geoff Marke.

EMW POSITION: No. Evergy's TOU campaign effectively communicated the tenets of TOU rate plans and its benefits to our customers, and the launch of a new campaign at this point would have a negative impact on customer satisfaction and work against the goal of Dr. Marke's suggestion. (McDonald Rebuttal, p. 32)

D. Should Evergy conduct additional education and outreach efforts to educate residential net metering customers of TOU rate availability?

EMW POSITION: Evergy believes additional education and outreach efforts to educate residential net metering customers of TOU rate availability are unnecessary since Evergy's TOU rates are well known to its customers.

22. Greenwood

A. Should a portion of plant, reserve and depreciation expense of the Greenwood solar facility be allocated to EMM?

EMW POSITION: No. Staff's allocation proposal violates a fundamental ratemaking principle of cost causation. The Greenwood solar station provides power and other benefits exclusively to EMW's customers and does not benefit EMM. The solar plant is connected to a single circuit at the distribution level of EMW's electrical system and can only serve the load of customers in that circuit. Klote Rebuttal, pp. 10-12

23. Prepayments

A. What level of prepayments should be included in rate base?

EMW POSITION: The Commission should accept the level included in rate base by EMW. (Nunn Rebuttal, pp. 11-13). This appropriate level includes an amount for prepaid EEI dues. Consistent with the Commission's decisions in KCP&L rate cases Nos. EO-85-185 and EO-85-224, the Company records approximately 15% of the EEI annual membership dues below the line, representing the portion of time that EEI is engaged in lobbying activities for the electric utility industry. (See id.) As such, the Company has already eliminated costs that should not be charged to customers. (Id.) In addition, the EEI membership dues provide access to services that assist the Company in providing more reliable and efficient services, and in providing benefits to EMW customers, as detailed in the testimony of Company witness Nunn. (Id.) Staff's attempt to eliminate these beneficial costs should be rejected. (Id.)

24. Net Operating Loss Carryforward

A. Does EMW have a Net Operating Loss Carryforward (NOLC)?

i. Should the balance of Accumulated Deferred Income Tax ("ADIT") or Excess Accumulated Deferred Income Taxes ("EADIT") in rate base be reduced by the book balance of the NOLC, if it exists

EMW POSITION: No. OPC's witness Riley incorrectly asserts that the $46,090,883 ADIT asset in rate base is related to NOLs generated and used on income tax returns, and he asserts that since EMW utilized all of its NOLs in 2020, EMW should no longer have ADIT related to NOLs in rate base. However, the $46,090,883 asset included in rate base is not related to NOLs generated and used on income tax returns; rather, the balance is related to the reduction of the federal corporate income tax rate in 2017 from 35% to 21% and for the reduction of the Missouri corporate income tax rate from 6% to 4%, for NOLs that EMW had at that time of the rate changes. (Hardesty Rebuttal at 4.) The difference in the tax rates was not written off, instead an adjustment to the balances of EMW's ADIT assets and liabilities was computed and deferred into a regulatory asset or liability to be amortized back to customers over time. (*Id.*) All EDIT balances and amortization periods related to the federal corporate rate change were determined in EMW's 2018 rate case. (*Id*. at 5.) All of the EDIT balances and amortization periods, including NOLs, related to the Missouri corporate rate change were determined in EMW's 2022 Rate Case. An amortization period of four years was agreed to in the Stipulation and Agreement approved by the Commission. (*Id*.).

25. EADIT

A. What amount of EDIT amortization should be included in rates?

EMW POSITION: Staff and the Company agree that EDIT amortization should be included in the current revenue requirement. (Hardesty Rebuttal at 6-7.) However, the EDIT amortization for protected plant and net operating losses should be computed using the IRS's average rate assumption method ("ARAM") under the normalization rules. (*Id.*) This method uses book depreciation to estimate the amount of EDIT that would have reversed over the life of the assets to which it relates. (*Id.*) The amount of book depreciation included in cost of service in the true up of this case and used to compute the 2024 expected amortization is based on a full year of expected book depreciation and not based on the twelve-month true-up period. (*Id.*) Therefore, it is more appropriate to use the expected 2024 EDIT amortization calculated using the expected annualized book depreciation to be consistent. (*Id.*)

26. Income Taxes

A. Should the calculation of EMW's income tax expense include a tax deduction for tax losses associated with asset dispositions?

EMW POSITION: No. The proposed reduction of income by the tax losses on asset dispositions ignores the simplified method used by the Company and Staff since the 2014 rate case to compute income tax expense in cost of service. (Hardesty Surrebuttal at 2.) If the tax losses were included as a reduction in current income tax expense without an offset for the impact on deferred income taxes, then the losses would be double-counted in computing income tax expense over time. (*Id.*) If the Company included the tax loss in the computation of current tax expense, an offsetting deferred tax expense would also need to be recorded. (*Id.* at 3.) The resulting income tax expense, considering both the current and deferred income tax components, is the same. (*Id.*).

27. Revenues

A. What are appropriate current revenues and billing determinants for establishing rates in this case?

i. EMW rate switching adjustment: Should the residential current revenues be modified by Evergy's proposed adjustment related to the difference in calculated bills for the period July 2022 – June 2023?

EMW Position: Yes. Prior to the implementation of TOU rates, most Residential customers were on traditional blocked rates. As individual customers are moved to a default TOU rate or they select an alternate TOU rate, their billings would change as compared to their bill under the old traditional blocked rate design. Aggregated changes to customer billings impact Company revenues. Changes in expected revenues would directly impact the revenue requirement sought in a case.

The test year in this rate case is 12 months ending June 30, 2023. Given that the implementation of the rate case did not begin until October of 2023, the test year would not reflect the revenue impact of customer moves that began after the test year. Additionally, about 79,000 EMW residential customers had proactively selected a TOU rate prior to the transition to the TOU rate established in the rate case, which largely occurred after the test year.

It is reasonable to adjust test year revenues for the TOU implementation if it happened outside the test year. While the TOU implementation as a result of the rate case order happened outside of the test year, it occurred within the True Up period and would therefore be similar to other adjustments made to revenues that would happen within that True Up period. Examples of similar adjustments like this include weather normalization, energy efficiency, or customer annualization where adjustments are made to Test Year revenues to account for known and measurable changes that occur within the True Up period.

EMW is leveraging Oracle's analysis for the purposes of this rate case to estimate the annual impact of the TOU rates on billed revenue. The Oracle analysis was developed and is used for Evergy's online tool that presents the data to the customer so that the customer may choose the best TOU rate for their household. Customers with less than 9 months of data (new movers) are not included in the analysis, which is a limiter within the online tool analysis so as to allow a longer history of usage data such that a customer can confidently review their TOU options. Additionally, EV rate, solar subscription, net metering, parallel generation, non-AMI customers are also excluded from Oracle's rate comparison analysis.

EMW further refined the TOU rate revenue impacts calculated from Oracle's rate comparison analysis. While the Oracle's revenue estimates were calculated using a majority of Residential customers' kWh's within the test year period, there were minor exclusions as previously described. The revenue estimates were further adjusted to more completely reflect the full test year of kWh's. This was done by comparing the total actual kWh's in the test year to kWh's in Oracle's analysis to calculate a % differential and then grossing up the Oracle kWh's to reflect the full kWh of the Residential population. Once the full test year kWh's were reflected in revenues, the revenue impacts were further adjusted for weather, a 365-day year, energy efficiency, and customer growth. The resulting revenue impact estimates for the Default and Best Fit scenarios were then averaged together based on the number of customers who self-enrolled into a TOU rate.

Customers who self-enrolled fell under the Best Fit scenario, while customers who did not were assigned to the Default scenario. The result was a TOU adjustment to Test Year revenues of approximately $3.1M.

The Commission should adopt this adjustment to reflect the impact of TOU rates and revenues in this case. (Miller Direct, pp. 7-10)

ii. Should Staff's residential interclass rate switch reduction of $380,818 to rate case revenues be approved?

EMW Position: No. Staff arbitrarily assumed that all customers will move to the RPA rate and reflected rate case revenues with that assumption with no support for the assumption. EMW relied on extensive analysis to inform its $3.1M revenue adjustment, as explained in (i) above. (Miller Rebuttal, p. 12)

iii. Should the blocking percentage for the actual blocks and the weather normalized blocks be the same?

iv. What method should be utilized to measure customer growth?

EMW Position: EMW recommends, and Staff agrees, that the 365-day adjustment and weather normalization should be consistent. The "Company utilized the average percentage of billing determinant kwh per cycle to allocate daily weather adjusted kwh to billing cycles across the January-December 2023 period. The resulting kwh were aggregated to billing and calendar month totals. The ratio was computed comparing annual calendar month totals to annual billing month totals to arrive at the 365-days adjustment factor." (Bass Rebuttal at 2) Whereas, Staff's method adjusted "a bill cycle's usage, using an average day's use, to get the total number of days in the annual bill cycle to equal 365." (Stahlman Surrebuttal at 2) However, Staff concedes that there is "nothing inherently wrong with either method, and Staff has generally found the differences between the results to be small." (*Id*. at 3)

Additionally, EMW recommends that Commission adopt its Time of Use ("TOU") method for block adjustment because "it uses 12 months of available actual rate code data and did not, unlike Staff, utilize overly general assumptions. (Bass Rebuttal at 5) Staff used "a historical standard residential load shape to calculate a different percentage to match the different time-of-use blocks" which assumes that TOU customer rates "behave the same usage as a typical historical residential customer prior to introducing the TOU rate codes." (*Id*. at 3-4) This method is imprecise and over generalized as "individual TOU rate codes can all have varying and different load shapes and usage" and "not representative of customer's TOU usage." (*Id*. at 4) Further, a minimum of twelve months of customer data for TOU would be needed to utilize such "data for weather normalization and development of load shapes by each TOU rate codes, however, this data was not available for this case because switching to the new TOU rates did not start until July 2023 and the TOU default rate did not commence until October/November 2023. (*Id*. at 4-5)

Evergy used Customer Charge Count for both calculating customer growth and average use per customer in this rate case. The Company's method is consistent with Staff's method for calculating customer growth and should be used to measure customer growth and average use per customer. Staff uses inconsistent methods for calculating customer growth and average use per customer. However, the difference between the Company approach and the Staff approach (i.e. bill count) is not significant.

Given the extensive historical Staff testimony supporting utilization of customer charge count for the calculation of customer growth and Evergy's modifications to historical processes to align with Staff on this methodology, as well as, ensure the ability to produce the data Staff needs to utilize Customer Charge Count in this (and future) rate case, Evergy recommends the utilization of Customer Charge Count as the count for customers in the calculation for customer growth and average use per customer. However, whichever method is used (service agreement or customer charge), there is no reason to have differing definitions of customer count. (Miller Rebuttal, p. 8)

v. Should net metering and parallel generation customer usage be adjusted for weather normalization?

EMW Position: The Company will have to assess the availability of the data and the necessary steps to 22 separate the net-metering customers from residential class. There are currently only 4,970 net-metering customers out of a total residential population of 301,973 customers (or 1.6% of the total residential class) as of June 2024. The impact upon the total case or the residential class itself would be marginal at best if not a minimal impact.

vi. Should the bill counts be provided by Evergy for test year and update period in the next general rate case?

EMW Position: EMW does not understand this issue. The Company believes the Commission should order a single definition of "bill count" -either bill count or customer charge count. After it is defined, the Company will provide it for the appropriate periods that Staff requests in the next rate case.

vii. Should EMW be ordered to review 20% of individual bills for the TOU rate codes for the shoulder months going forward?

a. If so, when should those results be provided?

EMW POSITION: No. Staff witness Kim Cox describes a concern with Residential TOU seasonal billing and recommends a review of 20% of TOU rate bills for the months of October and November going forward and to provide results to Staff every January. Evergy does not agree with this recommendation. Evergy believes the recommendation is based upon an incorrect assumption.

Specifically, Ms. Cox noticed that 2023 usage for one of the Residential TOU rates, 5 MORT, billed based on actual usage and included summer and winter usage in a given 6 month, while shoulder months occurring in October/November 2022, did not show 7 winter/summer usage in a given month. Based on this observation, Staff assumed this was an error. That is incorrect. Instead, at the conclusion of the 2022 EMW rate case, the MORT tariff was modified to bill based on actual usage instead of revenue accounting month and Evergy's billing system was configured to bill according to the Commission approved tariff in December 2022. This means that all MORT billing starting in January 2023 would bill based on actual usage and all bills prior to that would have billed based on the old tariff. Staff's observation aligns with the approved tariff in place at the time of billing and no billing error exists. Since the test year included billing for MORT that included the old tariff in place from June 2022-December 2022 and the new tariff in place January 2023 forward, the billing would obviously be different under those two different time periods. (Miller Surrebuttal, pp. 3-4)

28. Revenue Tracker

A. Should the Commission approve EMW's request for a tracker associated with TOU rate revenue?

EMW POSITION: Yes. In the last general rate case for EMW (Docket No. ER-2022-0130), the Commission approved tariffs to implement TOU rates for residential customers. In its ER-2022-0130 3 Order, supplemented by the order from Docket No. ET-2024-0061, the Commission ordered that TOU rates for residential customers and the default rate will be Staff's proposed Peak Adjustment Charge Rate. In the Order there was no option for customers to opt-in to a traditional, non-TOU residential rate structure for residential service, if the traditional rate structure was the customer's preference. Instead, the Order stated: "The Commission is not approving any traditional ratemaking structure for residential customers to be used after December 31, 2023, when the transition to TOU default rates is completed, 10 with the exception of those residential customers without AMI meters."

The Company believes it is the first Missouri electric utility to have TOU rates with no customer opt-in option for non-TOU rates. Since Evergy's traditional blocked rate structures (non-TOU) for residential customers were eliminated, there is much uncertainty among residential customers and the Company itself on the level of revenues that will be collected by the Company under the TOU rates ordered by the Commission. As the Commission knows, the roll-out of the TOU rate is not intended to cause a financial windfall to the Company or a financial loss for Evergy's shareholders. The requested deferral mechanism will ensure that neither a windfall nor a loss will occur as a result of the implementation of TOU rates ordered by the Commission. (Klote Direct, p. 38)

29. Rate Design/Class Cost of Service

A. What is the appropriate allocation of revenue requirement among the rate classes?

EMW POSITION: See below.

Results of CCOS Study

The jurisdictional rate of return was calculated to be 4.6%. Individual classes' rates of return at current rates vary, and based on the current costs, are shown in the following table.

The Relative Rates of Return by Rate Class

Residential	Small General Service	Large General Service	Large Power Service	Other Lighting	Electric Vehicle
2.6%	9.3%	7.6%	5.9%	10.5%	-59.9%

A. What is the appropriate allocation of revenue requirement among the rate classes of the company?

EMW POSITION:

Residential Class—Utilizing the results of the CCOS study, the Company is proposing that an increase of 16.59% or approximately 116% of the jurisdictional increase be applied to Residential class revenues with a Customer Charge of $14.99. The remaining revenue shortfall/increase was then applied equally to remaining Residential bill components. The Company opted to propose a lesser amount to help manage the impact to customers but hopes to make continued progress towards the equalized customer charge in subsequent rate cases, consistent with prior Commission approved customers charges. The proposed customer charge not only considers incremental progress towards the alignment of cost and ratemaking, but also seeks to maintain some consistency across its Missouri jurisdictions (Evergy Missouri West and Evergy Missouri Metro).

Non-Residential Class—For the remaining classes (with the exception of the Electric Vehicle class), the Company applied approximately 100% of the jurisdictional rate increase or 15.05% for the Large Power Service class, 80% of the jurisdictional increase or 13.03% for Large General Service class, and 60% of the jurisdictional increase or 8+% for the Small General Service and Lighting classes utilizing the results of the Class Cost of Service study and the C&I class relative rates return.

a. Should the Commission order EMW to provide information in its next general rate case for conduct of a distribution customer cost study, as described in Sarah Lange rebuttal testimony at page 42?

EMW POSITION: No. Staff witness Sarah Lange devotes considerable testimony to exploring distribution classification and allocation. Ultimately, Ms. Lange recommends no change to the class allocation of the revenue requirement and suggests the Commission order the Company to provide considerable data to support "improvement" of distribution classification and allocation. Evergy does not support her recommendation.

This Staff recommendation closely parallels the Staff position taken in File No. EO-2024-0002, the Data Production case, recently addressed by this Commission. It represents a variation on what was referred to as Staff Data Set #1. Despite an Order from the Commission not to pursue this data, Staff continues to seek ways to compel the Company to provide data to support its singular view of distribution cost allocation. Data that the Company does not have, nor that could be obtained without incurring significant cost. It is also important to note that the recommendation includes the phrases "reasonable estimates" or "best available information" which in our experience means that Staff would be the sole party to decide what is reasonable or best. (Lutz Surrebuttal, pp. 9-10)

b. What are reasonable CCOS results to inform ratemaking in this case?

i. What is reasonable allocation for production plant, transmission plant, and distribution plant?

ii. What is the appropriate allocation method for allocating fuel expenses?

iii. Are adjustments for residential TOU revenues appropriate? Yes.

iv. Are adjustments for Crossroads transmission revenues appropriate? Yes.

EMW POSITION: The Company's CCOS study is reliable to inform ratemaking in this case. The Company has followed generally acceptable methods to perform its CCOS study, has relied on appropriate data sources, and has produced a reasonable result suitable and reliable to inform the Commission concerning decisions related to setting of rates. (Lutz Surrebuttal, pp. 4-8) Company witness Craig Brown details how the Company methodology for allocation of production, transmission, customer service and distribution costs is appropriate and consistent with approaches recognized within the NARUC Manual. (Brown Rebuttal, pp. 4-7)

Production and Transmission—Production plant is the single, largest component of cost to allocate to the classes within the study. As such, the production allocator has the most impact on the outcome of the CCOS study. After considerable efforts to determine the most appropriate production allocation methodology in prior rate cases, the Company intends to continue to utilize an energy-weighted method, specifically the Average & Excess Demand ("AED") allocation method, incorporating a four (4) Coincident Peak ("CP") component (collectively "AED-4CP"). Production plant is the single, largest component of cost to allocate to the classes within the study. As such, the production allocator has the most impact on the outcome of the CCOS study. After considerable efforts to determine the most appropriate production allocation methodology in prior rate cases, the Company intends to continue to utilize an energy-weighted method, specifically the Average & Excess Demand ("AED") allocation method, incorporating a four (4) Coincident Peak ("CP") component (collectively "AED-4CP"). An Energy Weighted approach was viewed to be cost effective, balanced through its incorporation of energy, and less subjective than other methods. Utilization of the AED method is an energy-weighted method of production plant allocation that gives classes an Energy Weighted approach was viewed to be cost effective, balanced through its incorporation of energy, and less subjective than other methods. Utilization of the AED method is an energy-weighted method of production plant allocation that gives classes a reasonable balance between the energy and capacity function of generation facilities. Use of the AED method is also consistent with the provisions of Section 393.1602(2). (Miller Direct, pp. 15-16).

Distribution Plant—Depending on the plant account, distribution plant is allocated using either a demand or customer allocation factor. Accounts 360 through 363 are demand-related and allocated using a Non-Coincident Peak ("NCP") demand allocator based on the use of NCP class demands at the substation level. Accounts 364 through 368 include both a demand and a customer component and use a minimum system method to distinguish the appropriate split between demand and customer-related costs for each account. The demand component is further split between primary voltage and secondary voltage. The demand components are allocated using a Primary or Secondary Class NCP demand allocator and the customer component is allocated using a customer allocator. The remaining distribution plant accounts (369-373) were allocated using a customer allocation factor. (Miller Direct, pp. 17-18)

Fuel Expenses—Fuel costs were allocated using a monthly kWh allocator. Based on monthly fuel costs from the Company for the 12 months ended June 30, 2023, each month's fuel costs were allocated to each customer class's corresponding calendar month kWh sales adjusted for losses. These allocated results were summed by rate and major customer class to identify a proxy fuel allocator which was then used to allocate the actual fuel costs shown in the CCOS study.

Residential TOU Revenues--The Company adjusted test year revenues to reflect an expected revenue decrease resulting from the implementation of Time of Use ("TOU") rates that began in October 2023. As explained in Direct testimony of Marisol Miller, EMW included a reduction to revenues in the amount of $3.1M. (Miller Direct, pp. 5-11)

Staff, on the other hand, arbitrarily assumed that all customers will move to the RPA rate and reflected rate case revenues with that assumption with no support for the assumption.

EMW relied on extensive analysis to inform its $3.1M revenue adjustment. Evergy engaged Oracle to construct an online tool that would allow customers explore the different TOU rate options resulting from the rate case orders for Evergy Missouri Metro and Evergy Missouri West and choose the rate option best suited to their usage profile. This Batch Rate Analysis Tool

("BRAT") was also used by Oracle to analyze how the change to TOU rates will impact Missouri residential customers.

The Company acknowledges that the estimated revenue impact of $3.1M is inexact. It is fully expected that actual revenue impacts will be different. The Company did not attempt to precisely estimate an annual or seasonal revenue amount nor did it attempt to modify existing TOU pricing with that goal because it would have required that the Company attempt to predict not only which TOU rate a customer would select based on the many options available to them, but also how each customer would modify their usage and behavior in response to those price signals. There is no data that currently exists to reliably predict or estimate that outcome. Instead, the Company utilized the Oracle analysis with the assumption that customers will move to a given TOU rate based on their lowest measured bill. This may or may not be true. And, dependent on multiple factors, including weather, customers future bill comparisons may result in a different impact and as such, a different TOU rate choice. The $3.1M estimate was the best estimate that the Company could offer and was more appropriate than no adjustment.

Crossroads Transmission Revenues—The Company's treatment of Crossroads transmission revenues in its CCOS is appropriate since Crossroads should be included in the total cost of service on a going forward basis. It is inappropriate to exclude those revenues or make any adjustments for Crossroads transmission revenues, as suggested by Staff witness Sarah Lange.

c. What are the appropriate rate structures and rate designs for the Residential customers of the company?

i. What is the appropriate customer charge for Residential customers?

EMW POSITION: The Company is proposing a residential Customer Charge of $14.99 per month. The proposed customer charge is based on the results of the CCOS study and is consistent with prior Commission approved customer charges. This proposed amount is below the recommended CCOS customer charge of $17.83 which represents the customer charge inclusive of the jurisdictional rate increase on an equalized basis. The remaining revenue shortfall/increase was then applied equally to remaining Residential bill components.

The Company opted to propose a lesser amount to help manage the impact to customers but hopes to make continued progress towards the equalized customer charge in subsequent rate cases, consistent with prior Commission approved customers charges. The proposed customer charge not only considers incremental progress towards the alignment of cost and ratemaking, but also seeks to maintain some consistency across its Missouri jurisdictions (Evergy Missouri West and Evergy Missouri Metro). The intention of the Company is to continue to offer one customer charge with the same pricing across both its Missouri jurisdictions. This means that in a future rate case that is filed for Evergy Missouri Metro, the Company will explore the reasonableness of setting the same customer price as Evergy Missouri West, assuming supported by CCOS study and rate design objectives, etc. (Miller Direct, pp. 27-28).

ii. What is the appropriate approach to enable residential net metering customers to fully participate in time-of-use rates?

EMW POSITION: It has been the Company interpretation that the existing Net Metering statutes, Section 386.890 RSMo, prevents us from netting usage by time period. The statute refers to netting the consumption and production of electricity by customer-generators over a billing period, approximately 30 days, not a daily TOU time period. It has been our interpretation that only the Schedule RPKA rate aligns with the billing process defined in the statute. This position was detailed in a report prepared by the Company. On February 4, 2024 the Company issued its Barriers to Net Metering under Time of Use Rate Structures Report to parties to the ER-2023-0129/0130 rate case. In that same case, the Commission accepted this position and on page 73 of the Amended Final Order in ER-2022-0129/0130 stated,

> The Commission recognizes that Evergy's TOU rates do not currently work for net metering customers due to the limitation of the current legislation. The parties agree that Staff's low differential rate can be used for net metering customers. As a result, Staff's low differential TOU rate shall be the default rate for net metering customers when Evergy's 2-period TOU rate is established as the default residential customer rate for the non-net metering customers.

On June 7, 2024, the Commission issued an Order Directing Filing in the current case, ordering that,

> Evergy, Staff, and any other party who wishes to comment, to make proposals in their next rounds of testimony that allow all residential customers the ability to utilize all TOU rates (including net metering and solar subscription program customers).

The Company accepts the broad authority of the Commission to approve tariffs for service to customers. We have prepared an alternative in a rider format that aligns with that authority, preserving the original Net Metering tariff, but allowing for the modified billing approach needed to allow participation in the remaining residential TOU rates. (Lutz Surrebuttal, p. 24)

iii. Should Evergy's current marketing names for its residential rate plans should be reflected in EMW's tariff?

iv. Should the rates currently found at sheet 146.1, provision A as applicable to General Use rate code "MORG" be increased consistent with the Commission's order in this case and retained on or around sheet 146.3 as "Monthly rate for customers who have opted out of AMI metering"?

v. Should sheets 146 – 146.2, titled "Residential Service" should be modified to reflect service under the default residential rate plan, RPKA, currently tariffed at sheet 146.9-146.11, with the "Availability" provisions and "Applicability" provisions throughout the residential service tariff sheets revised to remove obsolete language related to rate plan transitions and eliminations?

vi. Should the Commission order the company to remove the Residential Other Use tariff?

EMW POSITION: Yes.

d. What are the appropriate rate structures and rate designs for the non- Residential customers of the company?

i. What are the appropriate customer charges for non-Residential customers?

ii. What are the appropriate facilities charges for non-Residential customers?

EMW POSITION: The following table details the proposed Customer and Facilities Charge pricing changes for the primary non-residential rates.

	Voltage		**SGS**	**LGS**	**LPS**
Customer Charge	Primary	Current	23.97	246.21	675.46
		Proposed	20.06	19.89	89.81
	Secondary	Current	23.97	74.84	675.46
		Proposed	20.06	19.89	29.53
	Substation	Current	-	-	675.46
		Proposed	-	-	89.81
	Transmission	Current	-	-	675.46
		Proposed	-	-	89.81
Facilities Charge	Primary	Current	1.448	1.483	3.223
		Proposed	2.959	3.028	5.457
	Secondary	Current	1.448	2.290	2.815
		Proposed	3.120	4.318	4.576
	Substation	Current	-	-	-
		Proposed	-	-	1.294
	Transmission	Current	-	-	-
		Proposed	-	-	-

iii. Should a peak time overlay be applied to the Hours-Use energy charges? No.

iv. Should Seasonal Energy be eliminated within the Hours-Use energy charge? No.

EMW Position: Staff is proposing a mandatory time-based overlay be applied to the hours-use energy charge of the non-residential/non-lighting rates. Staff recommends this overlay be applied simultaneously with the promulgation of new rates in this rate case.

Staff is also recommending that the frozen, separately metered heating rate in the Small General Service class and seasonal pricing elements, a component of the Annual Base Demand ("ABD") methodology and present in all the current non-residential energy charge be eliminated. This would be accomplished by combining the determinants of these rates into the respective tail block of the general rate at the same voltage. Evergy does not support these proposals.

Evergy does not support Staff's overlay proposal because it represents a mandatory implementation of the structure without the benefit of any robust customer impact analysis. Building off our experiences from the residential TOU transition, it is clear that these approaches can be impactful to the customer, the Company or both.

Staff's overlay approach would appear to mirror the structure used for the Residential Peak Adjustment rate, Schedule RPKA, by incorporating a peak charge and a super off-peak credit to the hours-use blocked energy charges. However, the situation is quite different. Staff's overlay periods are more segmented, and the overlay is being applied to hours-use pricing, not simple kWh pricing as was done with the residential RPKA rate.

Evergy does not support Staff's seasonal energy elimination as proposed because the service rate. Staff has moved the determinants of the seasonal energy to the tail block of the respective general service rate. This is understandable given the presentation of the seasonal energy determinants in the Company workpapers; however, additional detail on the blocking breakdown could be obtained from the Company systems to support a more precise alignment of the seasonal usage to the blocks of the general service rate.

In addition, Evergy does not support Staff's proposals because they do not align with the Company rate design plans, and the proposals will complicate the steps to transition away from the ABD methodology, a key next step identified for the EMW jurisdiction. (Lutz Rebuttal, pp. 3-4)

v. Should the company retain the separately metered Small General Service rate?

EMW Position: Staff is proposing to eliminate the frozen Separately Metered Space Heating rate in the Small General Service ("SGS") class. This rate has been frozen as part of case ER-2007-0004 and not available to new customers since May 31, 2007. Staff is proposing to eliminate the rate by consolidating this rate into the SGS Non-Demand rate. Within the rate calculation and the proof of revenue, this elimination is achieved by moving the billing determinants into the SGS Non-Demand billing determinants. Evergy does not support this recommendation.

The Small General Service Space Heating rate was eliminated as part of case ER-2022-0130. The customers formerly on the rate were moved to the Standard General Use Rate, Schedule MOSGS or MOSDS at the conclusion of that case. The transition occurred such that a small amount of billing determinants appeared in the test year for the case, possibly contributing to Staff's interpretation that the rate was still being used by customers. In this case, the Company has proposed deleting the remaining rate details from Sheet 147.1. Staff's proposal concerning the Small General Service Space Heating rate is unnecessary. (Lutz Rebuttal, pp. 14-15)

vi. Should the company evaluate and make recommendations concerning the Primary Discount Rider in future case?

EMW Position: Yes. Study is needed to ensure the intent of the charge and to determine how best to address in the overall rate design. The Company is supportive of taking steps in the next general rate proceeding to evaluate and make recommendations concerning this discount.

vii. Should the company eliminate the Eliminate Thermal Storage Pilot Program?

EMW Position: Yes. There are no customers currently taking service under that tariff and have not been for some time. EMW has not completed an analysis of the relevancy of the current tariff's structure and rather than proliferating a structure that likely requires significant review or may not properly recover costs, EMW recommends taking the opportunity to eliminate the tariff in this rate case and continue to evaluate the need for a thermal energy storage tariff for the future. (Miller Direct, p. 32)

viii. Shall the company state its preferred changes to rate structures for consideration and input of stakeholders?

EMW Position: This specific issue was not addressed by the Company in testimony. However, as with any rate case, the Company explains its preferences in its direct testimony.

e. Should EMW's proposed changes to the municipal street lighting tariff language be implemented? Yes.

i. Shall the company file MDCA contracts? No.

EMW POSITION: EMW's proposed changes to the municipal street lighting tariff language should be implemented.

The Company should not be required to filed MDCA contracts. Five of the twelve customers pay less than $25 per month for this charge. According to the billing records, eight of the twelve charges were established prior to 2006. Due to the nature and quantity of these charges, they are not listed in the currently effective lighting tariff.

Given these details, the work required to produce and file these tariffs and contracts is significant given the size and nature of this component of the overall Company rates. Evergy does not support the recommendation to submit these customer agreements.

f. What is the appropriate charge for AMI Opt-out?

EMW POSITION: Evergy recommends that the current fee of $150 remain in place without modification. Evergy does not agree with Staff's recommendation to reduce the fee to $141. Costs to perform this work for opt-out customers can fluctuate and would tend to go up. The administrative work required to communicate this change to customers and to update the associated Company systems and processes would far exceed the cost of this minor, $9.00 per month change in the rate. In Evergy's opinion, it is highly likely that the rate would be adjusted higher again in the near future. Therefore, Evergy recommends that the current charge remain in place.

30. Other tariff cleanup

A. Should the "Economic Development Rider," tariff at sheets 120-123, and the Real-Time Pricing program at sheet 73, be removed?

EMW POSITION: Yes.

B. Should the Commission order the following updates:

i. Update Missouri Energy Efficiency Investment Act (MEEIA) margin rates.

ii. Update Standby Service Rider rates consistent with changes made to underlying rate schedules.

iii. Update Community Solar distribution service rates.

iv. Update EV-related rates (CCN, BEVCS, and ETS) to coincide with the overall ordered percentage increase or based on increase ordered for the associated class.

v. Update lighting rates and other miscellaneous rate schedules to coincide with the overall ordered percentage increase.

EMW POSITION: Yes. These changes proposed by Staff largely align with steps taken in the Company direct testimony and associated tariff sheets. (Lutz Surrebuttal, pp. 19-20) The suggested changes proposed by Staff should be approved.

31. Other Tariff Changes

A. Should the Commission order EMW's requested changes to the following items for the compliance tariff filings in this case?

i. Service Agreements Discontinuance of Service?

ii. Supplying and Taking Service?

iii. Installations?

iv. Metering – Multiple metering terms?

v. Meter Reading, Billing, Complaint Procedures?

vi. Electric Power and Energy Curtailment Plan naming and rule reference?

vii. Extension of Electric Facilities?

EMW POSITION: Yes. See below.

The Company is proposing edits to the following tariffs:

- Residential Availability
- Economic Development Rider (frozen)
- Table of Contents
- Service Agreements Discontinuance of Service
- Installations
- Metering
- Meter Reading, Billing, Complaint Procedures
- Electric Power and Energy Curtailment Plan
- Municipal Street Lighting Service
- Extension of Electric Facilities

(Lutz Direct, pp. 34-42) Little, if any, testimony was provided in opposition to these suggested tariff revisions. Therefore, these tariff revisions should be adopted (Lutz Surrebuttal, pp. 22-23)

32. Future Margin Rate Direct Testimony

A. Should EMW be ordered to file in its direct testimony in future rate case its proposed MEEIA margin rates?

EMW POSITION: Evergy supports updating its MEEIA margin rates in this case at the time of compliance tariffs, consistent with historical practices. (Lutz Rebuttal, p. 20) It is unnecessary for EMW to be ordered to file in its direct testimony in future rate cases its proposed MEEIA margin rates because these rates will be updated at the end of the rate case

33. Right of Way

A. Should EMW prioritize using highway right of ways vs acquiring adjacent private property for new/existing system upgrades/expansions?

EMW POSITION: EMW does prioritize the use of highway right of ways where appropriate. Evergy's practice is to first look at placing facilities in the highway or public utility ROW when it is appropriate from a safety and operational perspective. Where there are safety or operational issues that show that that a private easement is the best solution, the Company will negotiate the acquisition of private easements. Ives Rebuttal, p. 36.

34. Property Tax

A. What is the appropriate level of Missouri property tax to be included in rates?

EMW POSITION: The true-up adjustment for Property Tax Expense incorporates both an actual property tax ratio and actual plant values at January 1st, 2024.. Klote True Up Rebuttal , p. 29. EMW does not agree with Staff that the levelized property tax expense for EMW should be based on the actual property tax paid in 2023. In the past several general rate cases for EMW, an actual ratio of property tax expense to actual total plant-in-service for the year tax payments were known was computed and applied on the January 1 balance of plant for the year the general rate case is considered. In this case, a ratio of the actual 2023 property tax payments divided by the actual plant balance at January 1, 2023 was applied to the actual January 1, 2024 plant balance to estimate the level of property tax expense in EMW's direct filing. Any PILOT payments were added to this balance. This method takes into consideration any increases in plant balances that have occurred since January 1, 2023 and projects a corresponding increase in property tax expense to cover increases in expense for EMW. The Staff method does not take into account any increases in rate base since January 1, 2023. The Staff method will produce a significant shortfall for property taxes EMW expects to pay in 2024. The ratio method provides a better estimate of the actual taxes EMW expects to pay. Any increase or decrease from the base property tax expense set in this case is expected to be deferred into regulatory asset or liability to ensure that customers only recover the actual property taxes incurred. (Hardesty Rebuttal, p. 8)

B. What base level of property taxes should the Commission approve for Evergy to track property tax?

EMW POSITION: The base level of property taxes should be aligned with the amount of property taxes included in the revenue requirement as outlined above in Question A.

C. What amount of property tax deferrals should be included in EMW's revenue requirement or rate base amortization used to set customer rates in this case?

EMW POSITION: As discussed by Company witness Melissa Hardesty, the Company implemented a property tax tracker on August 28, 2022, the effective date of the legislation which provided for the availability of the property tax tracker. From that point forward the Company tracked on a monthly basis property tax expense recorded against the base level of property tax expense included in the Company's 2018 rate case.

D. Should budgeted property taxes be included in the deferred property taxes associated with the property tax tracker?

EMW POSITION: The property tax deferral process is a comparison of the base level from the most recent rate case compared to the current years estimated expense that is trued up throughout the year as actuals become known. At the end of the test period, June 2024 there are estimated amounts, but by the end of the year it will be trued up to actuals only.

35. Wholesale Transmission Revenue Credit

A. Should the Commission accept EMW's revenue reduction to adjust utility transmission revenues in its cost of service to reflect Commission- authorized v. FERC-authorized ROEs?

EMW POSITION: Yes. The Company calculated transmission revenues by forecasting the first six months of expected revenues from SPP and then multiplied by two to derive an annual value. Given the recent decrease in SPP revenue the Company felt that a forecast for 2024 would be a better estimate of revenues than the historical data used by Staff. Because revenues are declining, transmission revenue will be trued-up so the change in revenues will be addressed. (Nunn Rebuttal, p. 14). EMW proposed Adjustment R-80 to correct a situation where the crediting of transmission revenue results in wholesale customers paying to reduce Missouri retail customers' MPSC-authorized rate of return. (Reuter Rebuttal at 4-8.) By not making the adjustment, Staff is attempting to use EMW's revenues from point-to-point transmission customers to improperly reduce retail cu**stomers' rates. (Id.)**

36. Transource Missouri Incentives Adjustment

A. Should the adjustments to transmission expense for Transource incentives, as proposed by EMW be adopted, or the transmission expense adjustments as calculated by Staff?

EMW POSITION: The Commission should adopt the adjustments to transmission expense for Transource incentives as proposed by EMW. (See, e.g., Reuter Rebuttal at 1-4.) Staff used the same CS-108 template as in ER-2022-0129 and -0130, but only updated the current rates. (See Id.) The effect of only updating the template with Transource's 2024 projected rates means Staff is not using actual rates for years 2018-2023. (Id.) After making these changes, the adjustment amount reflects an addition to revenues of approximately $24,000. (Id.) EMW proposes to eliminate adjustment CS-108 in the current case as well as future rate cases, because of the complicated nature of the adjustment and immaterial impact to retail rates. (Id.)

37. Storm Reserve

A. Should the Commission establish a storm reserve for EMW?

EMW POSITION: Yes, consistent with the storm reserves maintained in the jurisdictions of Evergy Kansas Central and Evergy Kansas Metro. (See, e.g., Klote Surrebuttal at 14-16.) This request will simply establish reserves for a known cost that impossible to accurately predict but essential to providing customers with reliable electricity service. (Id.) Staff even agrees "that the frequency of storms has increased" and that "there are possible costs associated with processing an AAO, such as additional legal costs," which would not be required if EMW was permitted a storm reserve. (Lyons Surrebuttal at 12.)

38. Injuries and Damages

A. Should the Commission establish an injuries and damages reserve for EMW?

EMW POSITION: Yes. The Company is proposing to set up an I&D reserve due to the unpredictability of expenses associated with these types of claims, rather than trying to predict precisely when and in what amount these costs will be incurred. The cost to build up the reserve is recorded as a consistent expense month to month and included in rates. This reserve, once established, will provide a smoothing of annual expenses associated with I&D claims which are volatile year to year. (Klote Direct, pp. 26-27)

39. Critical Infrastructure Program ("CIP) and Cyber Security Tracker

A. What level of CIP/cyber-security expense should the Commission recognize in EMW's revenue requirement?

EMW POSITION: The jurisdictional annualized level of CIP/cyber-security expense in the revenue requirement is $1,174,364 which was the amount of expense included in the test period.

B. Should a tracker be implemented for EMW's CIP/cyber-security expense that varies from the level of CIP/cyber-security expense the Commission recognizes in EMW's revenue requirement?

EMW POSITION: Yes. The Company fully anticipates these expenses related to CIP and Cyber Security will increase substantially over the next few years, and more importantly, in emergency situations we need to be able to respond quickly and with flexibility to new threats surfacing every day. A tracker provides this ability. In the past, costs in this area have proven to be unpredictable and can vary from amounts established in base rates. Additionally, the Company is including a security component to the Security Tracker because security threat costs are expected to have an increasing impact on the Company. (Klote Direct, pp. 32-37)

40. Schedule SIL

A. What is the appropriate reduction, if any, to revenue requirement based upon the Schedule SIL hold-harmless requirement?

i. Should the actual purchased power costs incurred to serve customers on Schedule SIL be utilized to determine the appropriate revenue shortfall?

ii. What is the correct amount of under recovery to be calculated?

iii. Is the under recovery adjustment necessary?

iv. Should capacity costs be included in the cost of servicing the NUCOR contract?

v. Should actual real-time market prices (for Cimarron Bend III wind farm) be utilized to determine the revenue shortfall?

EMW POSITION: The revenues achieved by Nucor adequately cover the costs of providing service to Nucor, and so there should be no reduction to the revenue requirement based on the hold-harmless provision in the Nucor Special Incremental Load ("SIL") contract. (See Nunn Rebuttal at 20-22.) Additionally, and as required by Southwest Power Pool ("SPP"), EMW submitted and received approval from SPP for the Nucor Capacity Calculation workbook, which shows the adequacy of EMW's capacity for the Nucor load for the 2023 process. (See Meitner

Surrebuttal at 2-3; Conf. Sch. JMP-2.) Therefore, Staff's proposed capacity costs of $861,000 and $118,686 are non-existent and should be removed from Staff's calculation, which in turn would mean the Company has not only not under-recovered from Nucor per the Nucor SIL, there was instead an over-recovery of $342,000. (Meitner Surrebuttal at 3.). Therefore, there should be no under-recovery adjustment or calculation, nor Staff's included capacity costs. (Id.) And, since there is no revenue shortfall, sub-issues i and v are moot. (Id.) In addition, Staff corrected its purchased power calculations using the correct pricing node, as any adjustments relating to NUCOR must use consistent values across different evaluations. (Nunn Surrebuttal at 10-11; Foo Rebuttal at 6-9.)

41. Customer Complaint Reporting Requirements

A. Is EMW fully in compliance with Commission Rule 20 CSR 4240-13.040?

EMW POSITION: Staff and the Company agree that when the Commission's Rules refer to complaints, they are explicitly referencing formal or informal complaints registered with the Commission per the definitions in 20 CSR 4240-13.040(1)(D) and 4 CSR 240-2070. (See, e.g., Caisley Surrebuttal at 9-10) Not only is the Company not required to track the originating entity for "escalations" or to maintain all "escalations" for two years by Commission Rules, the Commission should not order OPC's request in this case. While customer complaints are not tracked in the Contact Center, the Company does monitor and track customer complaints at the account level (i.e., the Company can look up an account and obtain all of its history). (See Caisley Surrebuttal at 9-10.) Because of this and the fact that not all escalation stems from customer complaints, it would not be useful for Evergy to arbitrarily retain all issues forwarded to the escalation team for two years, or to implement a segregation process designating the operating company from which all escalated issues originated. (*Id.*) Escalation could include a CSR calling the escalation desk when they are stumped, or if property management has a complex or unusual issue. (*Id.*) Thus, complaints and escalations must remain in their already-defined categories and processes, without adding unnecessary cost and burden. (*Id.*)

B. What, if any, changes should the Commission order EMW to make regarding its retention of customer complaint information?

EMW POSITION: See response above.

42. Income Eligible Program Evaluation

A. Should the Commission order EMW to evaluate their critical medical needs program and file the results of that evaluation in its next rate case?

i. Should the Commission order this study to be done in conjunction with other participating utilities?

EMW POSITION: EMW is not opposed to a study but since this program only started in in the middle of 2024, it asks that such a study not be conducted until 2026 to fully assess the program and its benefits. Caisley Rebuttal, p. 11.

43. Prospective consolidation of Evergy service territories

A. Should the Commission order EMW to file, in a new docket, its position on consolidation in detail to include, without limitation, estimated time-frame, specific deliverables, and meaningful actions that would need to occur to consolidate its Missouri affiliates?

EMW POSITION: No, the establishment of such a docket is premature and unhelpful. Establishing a docket at this early stage would mean that the docket could take years to conclude. As described in the rebuttal testimony of Darrin Ives, it is clear from the steps Evergy has already taken and continue to take that the Company is committed to a full and robust evaluation of both jurisdictional rate consolidation, legal entity consolidation, and any other corporate actions identified to affect these efforts. The consolidation roadmap project that is in process is a demonstration of our commitment. This is a complex undertaking. We must carefully consider and assess all identifiable benefits, costs and risks to all identified Evergy stakeholders. We know that doing this right will require focused effort and substantial time to complete. We do not know what the outcome of these efforts will be and while we recognize potential benefits of full legal consolidation, we also recognize significant complexities and potential costs. We are committed to going in the direction the full study takes us. And, we are committed to communicating with our Commissions and stakeholders throughout the process so there are no surprises. Ives Rebuttal, pp. 4-19.

B. Should the Commission order EMW to provide periodic on-the-record presentations with status reports on the progress of consolidation and penalties for non-compliance?

EMW POSITION: The Company will provide updates throughout its consolidation roadmap study process.

WHEREFORE, the Company respectfully submits its Statement of Positions to the Commission.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served upon counsel for all parties on this 23rd day of September 2024 by either e-mail or U.S. Mail, postage prepaid.

/s/ Roger W. Steiner

Roger W. Steiner