FILED
October 21, 2024
Data Center
Missouri Public
Service Commission

Exhibit No. 130

Evergy Missouri West – Exhibit 130
Ronald A. Klote
True-Up Rebuttal
File No. ER-2024-0189

Exhibit No.:	
Issue:	Common Use Billings; FAC Deferral; ROE and Capital Structure
Witness:	Ronald A. Klote
Type of Exhibit:	True-Up Rebuttal Testimony
Sponsoring Party:	Evergy Missouri West
Case No.:	ER-2024-0189
Date Testimony Prepared:	September 18, 2024

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2024-0189

TRUE-UP REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

EVERGY MISSOURI WEST

Kansas City, Missouri
September 2024

TRUE-UP REBUTTAL TESTIMONY

OF

RONALD A. KLOTE

Case No. ER-2024-0189

I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address.

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

Q: Are you the same Ronald A. Klote who submitted direct testimony on February 2, 2024, rebuttal testimony on August 6, 2024, and surrebuttal/true-up direct on September 10, 2024?

A: Yes.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW" or the "Company").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to respond to various Staff witnesses from the Missouri Public Service Commission Staff ("Staff"). Specifically, I respond to:

- Common Use Billings – Staff witness Young
- FAC Deferral – Staff witness Giacone
- ROE/Capital Structure – Staff witness Dr. Won

In addition, the following Company witnesses also provide true-up rebuttal testimony:

- Linda Nunn

- Jessica Tucker
- Hsin Foo
- Ann Bulkley

Please note that the Company has attempted to address all substantive issues raised by Staff and OPC or other parties which the Company contests. If the Company inadvertently failed to address an issue raised by any party, the absence of a response does not constitute agreement by the Company with the party, and the Company may respond on the topic at hearing.

Q: As an administrative matter, did you make a correction to your true-up direct testimony?

A: Yes. I corrected an error in Company adjustment CS-25 which included capacity sales related to the addition of the Company's Dogwood Energy Center which was included in the true-up calculation in this rate case. These capacity sales were inadvertently included in CS-25 and were already reflected in Company adjustment R-100.

II. COMMON USE BILLINGS

Q: Have you previously provided an explanation of what Common Use Billings are?

A: Yes. In my direct testimony I describe the components of Company adjustment CS-117 Common Use Billings. These represent the billings from other Evergy jurisdictions and billings to other Evergy jurisdictions for the use of common plant capital assets that are included in rate base. These include common facilities across our jurisdictions for rate base assets such as common service facilities, telecommunications equipment, network systems and software. Billings are based on the depreciation and/or amortization expense of the underlying capital assets that are included in rate base and a rate of return applied to the net plant basis.

Q: How are capital assets reflected in rate base?

A: Capital assets as reflected in rate base are included as of a period in time. In this case that would be the end of the true-up period June 2024.

Q: Please explain how Common Use Billings were reflected in Company adjustment CS-117.

A: Consistent with prior rate cases, the Company updated Common Use Billings to reflect an annualization of the billings in the last month of the true-up period June 2024.

Q: Please explain how Staff reflected Common Use Billings in its true-up revenue requirement calculation.

A: Staff witness Young updated Common Use Billings to reflect billings over the 12-months ending June 2024.

Q: Does the Company agree with Staff's calculation?

A: No.

Q: Why not?

A: Staff's calculation ignores the growth that has occurred in Common Use Billings during the test year and true-up period, significantly understates Common Use Billings that will occur going forward, and results in a revenue requirement that does not accurately reflect the Company's cost of service.

During the true-up period there were significant increases in software upgrades and improvements in common facilities. From the beginning of the test year to the end of the test year, and then through the cut-off date to the end of the true-up period common use billings grew by more than $1.1 million per month or $13.78 million annualized.

	Monthly	Annualized
July 2022 Annualized	$1,976,901	$23,722,811
July 2023 Annualized	$2,758,961	$33,107,535
December 2023 Annualized	$2,889,832	$34,677,985
Company True-Up – Annualized June 2024	$3,125,199	$37,502,383
Staff True-Up – 12-month Ending June 2024		$34,909,088

By including months in which Common Use Billings are lower and not reflecting all the capital asset additions during the period, Staff has significantly understated the Common Use Billing expense. Capital assets included in rate base are not averaged over the period but rather reflect the true-up period ending balance. Staff's calculation does not reflect all the capital additions made during the test year and true-up period. And, a full rate of return and depreciation/amortization is not reflected in Staff's cost of service as a result for the capital assets that are currently being billed to EMW at the end of the true-up period.

Annualizing costs based on the last month of the true-up period as the Company has done ensures the Company's revenue requirement is reflective of its common plant capital assets in service and billed through its Common Use Billings process on a going forward basis.

Q: Is Staff's proposal consistent with how it reflected Common Use Billings in its revenue requirement calculation in prior EMW rate cases?

A: No, it is not. In ER-2018-0145 and ER-2022-0130 Staff followed the Company's methodology by using the final month of the Company's true-up period and annualized both the return and depreciation component of the Common Use Billings. Staff's selection of the 12-month period amount is not a proper reflection of this growth and, as I discussed earlier, significantly understates the amount of Common Use Billings that are currently occurring and understates the Company's revenue requirement.

Q: What is the difference between Staff's 12-month Common Use Billing calculation and the Company's June 2024 annualization calculation?

A: The difference between these two calculations is $2,593,152.

Q: What is the Company requesting this Commission to do in regards to Common Use Billings?

A: The Company is requesting the Commission to annualize Common Use Billings consistent with prior rate cases. In addition, EMW's method of using Common Use Billings annualized as of June 2024 is the most accurate way to reflect common plant capital asset additions that occurred during the test period.

III. FAC DEFERRAL

Q: What was the Company's recommendation in regards to the FAC Deferral included in adjustment CS-93 in the Company's revenue requirement calculation?

A: In my rebuttal testimony, the Company agreed with Staff's amortization of the FAC Deferral over a four-year period. The Company proposed to include carrying costs on the deferral until the effective date of rates in this rate case which is when recovery of this amount will begin. This treatment was in place of including the FAC Deferral in rate base and amortized over a 20-year period as was prescribed by the legislation that established the deferral.

Q: What did Staff witness Giacone recommend in regards to the calculation of the PISA FAC Deferral?

A: Staff witness Giacone appears to have kept his recommendation but has provided the Commission with two alternate options. One of those alternate options (option 2) is the Company's proposal to include carrying costs through the effective date of rates in this rate case. In addition, Staff has included option 1 which applies carrying costs up to the date that the deferral costs would have been included in rates in the Company's 2022 rate case.

Q: If the FAC Deferral had been included in rate base in the Company's prior rate case would it have earned a rate of return on the balance?

A: Yes. Rate base components are included in rates earning a return at the Company's rate of return.

Q: As such, does the Company's recommendation to include carrying costs until the effective date of rates in this rate case provide the same return on these costs that would have been provided in the last case?

A: Yes. Including the deferral in rate base as was prescribed by the legislation originally that established the FAC deferral would have provided a return on the same FAC deferral. As such the Company believes it is fair and reasonable to include the carrying costs on the FAC deferral through the effective date of rates in this rate case which would have been the identical treatment the costs would have been given had they been included in rate base in the Company's last rate case.

Q: Has the Company agreed to remove the FAC deferral from rate base in this case?

A: Yes. The Company has agreed to remove the FAC deferral amount from rate base and recover the remaining amount over four years with the ceasing of carrying costs beginning with the rates effective date of this case.

IV. CAPITAL STRUCTURE / COST OF CAPITAL

Q: What capital structure did Staff witness Dr. Won recommend in his true-up direct testimony?

A: Dr. Won recommends a capital structure made up of 49.88% common equity and 50.12% long-term debt for the true-up calculation in this rate case. Staff subsequently updated their revenue requirement calculation using 49.85% common equity in their latest revenue requirement model provided to the Company.

Q: Does the Company agree to Staff's recommendation?

A: Yes. Staff's proposed capital structure as provided in their updated revenue requirement calculation agrees to the Company's true-up revenue requirement model of 49.85%.

Q: What cost of debt did Dr. Won recommend be included in the revenue requirement calculation?

A: Staff witness Won recommends a cost of long-term debt of 4.34% for its true up calculation in this rate case.

Q: Does the Company agree with this recommendation?

A: Yes. The Company agrees to 4.34% and has used that amount in its true-up calculation.

Q: Are other Company witnesses addressing the testimony of OPC witness David Murray in regards to capital structure / cost of capital to include in the true-up revenue requirement calculation?

A: Yes. Company witness Ann Bulkley provides true-up rebuttal testimony.

Q: Does that conclude your true-up rebuttal testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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

1. My name is Ronald A. Klote. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Senior Director – Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my True-Up Rebuttal Testimony on behalf of Evergy Missouri West consisting of eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Ronald A. Klote
Ronald A. Klote

Subscribed and sworn before me this 18th day of September 2024.

Anthy R Westenkirchner
Notary Public

My commission expires: 4/26/2025

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