

FILED  
November 1, 2024  
Data Center  
Missouri Public  
Service Commission

# Exhibit No. 248

Staff – Exhibit 248  
Nathan Bailey  
Surrebuttal & True-Up Direct  
File No. ER-2024-0189

*Exhibit No.:*  
*Issue(s):* *Accounts Receivable*  
*Bank Fees, Materials*  
*and Supplies,*  
*Insurance Expense,*  
*Maintenance Expense,*  
*Injuries and Damages,*  
*Regulatory*  
*Assessments, True-Up*  
*Adjustments*  
*Witness:* *Nathan Bailey, CPA*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Surrebuttal / True-Up*  
*Direct Testimony*  
*Case No.:* *ER-2024-0189*  
*Date Testimony Prepared:* *September 10, 2024*

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS SERVICES DIVISION**

**AUDITING DEPARTMENT**

**SURREBUTTAL / TRUE-UP DIRECT TESTIMONY**

**OF**

**NATHAN BAILEY, CPA**

**EVERGY MISSOURI WEST, INC.,**

**d/b/a Evergy Missouri West**

**CASE NO. ER-2024-0189**

*Jefferson City, Missouri*  
*September 10, 2024*



1 **ACCOUNTS RECEIVABLE BANK FEES**

2 Q. How did Staff account for accounts receivable bank fees (“bank fees”)?

3 A. In its direct filing on June 27, 2024, Staff annualized bank fees based on actual  
4 costs incurred using the 12 months ending December 31, 2023, the most recent available data  
5 at that time.

6 Q. Does EMW agree with the methodology that Staff used to annualize bank fees?

7 A. No. Beginning on page 6 of Linda Nunn’s rebuttal testimony, she disagrees with  
8 Staff’s methodology stating that it would lead to a misstatement of cost of these fees.  
9 Ms. Nunn goes on to state that EMW will evaluate the bank fees at true-up for trends and  
10 determine an appropriate methodology.<sup>1</sup>

11 Q. After reviewing the bank fees through the June 30, 2024, true-up period in this  
12 case, does Staff find that an annualization based on one month is appropriate?

13 A. No. After reviewing EMW’s true-up data, there is no significant trend over the  
14 12 months ending June 30, 2024, the true-up period in this case.<sup>2</sup> Additionally, using a single  
15 month excludes seasonal variability in EMW revenues and receivables sold, in addition to  
16 normal market interest rate fluctuations.

17 Q. Are there circumstances which would lead Staff to depart from using the most  
18 recent 12 months in favor of using a single month for annualizing bank fees?

19 A. Yes. During the prior rate case, Case No. ER-2022-0130, Staff agreed with EMW’s  
20 proposed methodology in response to sharp increases in bank fees paid by EMW.<sup>3</sup>  
21 This was almost wholly due to increases in interest rates which were driven primarily

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<sup>1</sup> Case Nos. ER-2024-0189, Linda J. Nunn, Rebuttal Testimony, page 6-7.

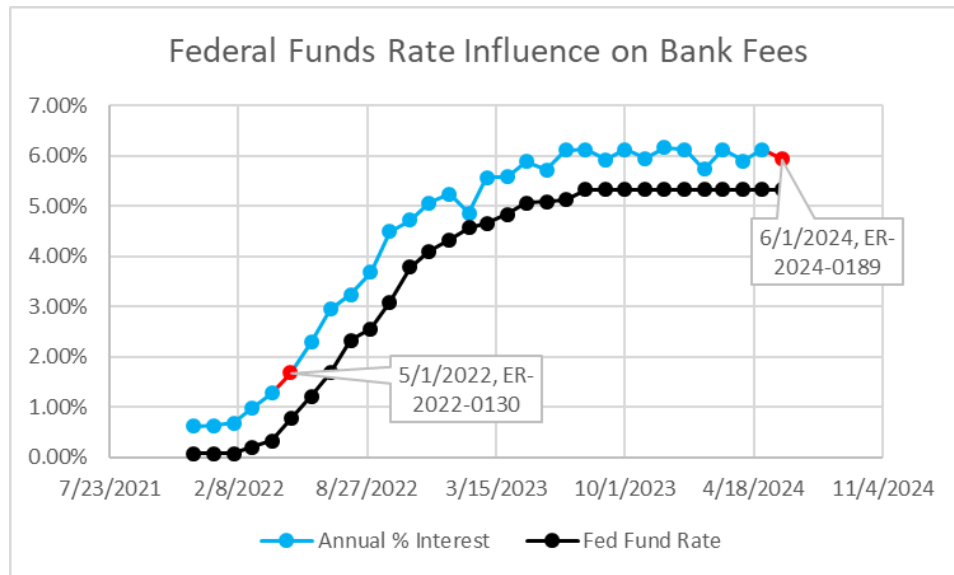
<sup>2</sup> Case Nos. ER-2024-0189 DR 230.

<sup>3</sup> Case Nos. ER-2022-0130, Antonija Nieto, Surrebuttal Testimony, page 2.

1 by the Federal Funds Rate, a component of interest rates. The Federal Reserve Bank  
2 (“Federal Reserve”) controls the Federal Funds Rate. Please see the chart below for a  
3 comparison of this rate to the rate charged to EMW. At the time, the Federal Reserve’s actions  
4 caused Staff to support using the latest, and therefore highest, rate available. These actions  
5 included the following.

- 6 1. The Federal Reserve had begun raising the Federal Funds Rate,
- 7 2. The Federal Reserve announced further rate increases going forward and,
- 8 3. The Federal Reserve’s announced intention with these rate increases was to bring  
9 down historically high inflation.

10 Below is a graph showing the interest rates for EMW in the past 12 months are not as  
11 volatile as in the previous case and how the Federal Funds Rate increases influenced interest  
12 rates charged to EMW.<sup>4</sup>



<sup>4</sup> Federal funds effective rate. FRED. (2024, August 1). <https://fred.stlouisfed.org/series/fedfunds#>

1           Due to this unusual situation, Staff agreed with EMW to use the most recent month  
2 available, May 2022, to be more representative of future costs instead of using the  
3 previous 12 months of data.

4           Q.     How is the June 30, 2024 situation during the present case different from  
5 May of 2022?

6           A.     The interest rate and economic environment are different and all the stated  
7 criteria above for using the latest possible month have not been met.

8           Q.     Has Staff determined the net benefit of Accounts Receivable sales to ratepayers?

9           A.     Yes. After evaluation, the sales of accounts receivable and associated bank fees  
10 paid appear to be, overall, a long-term net benefit to ratepayers as a source of short-term  
11 liquidity to EMW. Staff intends to evaluate the program in future Evergy rate cases.

12    **TRUE-UP ADJUSTMENTS**

13           Q.     Did you update any revenue requirement adjustments to reflect data through the  
14 true up period, 12 months ending June 30, 2024?

15           A.     Yes. Using the same methodology described in my direct testimony, I updated  
16 adjustments to reflect the following items at the true-up:

- 17           • Insurance Expense
- 18           • Maintenance Expense
- 19           • Materials and Supplies
- 20           • PSC and FERC Assessments

21           Q.     Does this conclude your Surrebuttal / True-up Direct testimony?

22           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 NATHAN BAILEY, CPA**

STATE OF MISSOURI )  
 )  
COUNTY OF Jackson )

ss.

COMES NOW NATHAN BAILEY, CPA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Nathan Bailey, CPA*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



NATHAN BAILEY, CPA

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 5th day of September 2024.



Notary Public

B. L. STIGGER  
NOTARY PUBLIC - NOTARY SEAL  
STATE OF MISSOURI  
MY COMMISSION EXPIRES JANUARY 2, 2028  
JACKSON COUNTY  
COMMISSION #24332661