**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF EVERGY METRO, INC., EVERGY KANSAS CENTRAL, INC. AND EVERGY KANSAS SOUTH, INC.

IN THE MATTER OF THE APPLICATION OF EVERGY KANSAS METRO, INC., EVERGY KANSAS SOUTH, INC. AND EVERGY KANSAS CENTRAL, INC. TO MAKE CERTAIN CHANGES IN THEIR CHARGES FOR ELECTRIC SERVICE PURSUANT TO K.S.A. 66-117.

Docket No. 23-EKCE-775-RTS

Filed April 25, 2023

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. I am employed by Evergy, Inc. I serve as Senior Director - Regulatory for Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM"), Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a Evergy Kansas Central ("EKC"), Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro"), and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), the operating utilities of Evergy, Inc.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of EKC and EKM. In this proceeding these entities are at times referred to collectively as "Evergy" or the "Company."

Q. What are your responsibilities with the Evergy, Inc. operating utilities?

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

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

A. In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri-Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP, holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined

Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with Kansas City Power & Light Company ("KCP&L") as Senior Manager, Regulatory Accounting in July 2008. In April 2013, I joined the Regulatory Affairs department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs continuing my Regulatory Accounting responsibilities. In addition, I was responsible for the coordination, preparation and filing of rate cases and rider filings in our electric jurisdictions. In October 2021, I became Senior Director of Regulatory Affairs for the Evergy, Inc. operating utilities and I continue in that position today.

Q. Have you previously testified in a proceeding before the Kansas Corporation Commission ("Commission" or "KCC") or before any other utility regulatory agency?

A. Yes. I have testified before the KCC, the Missouri Public Service Commission ("MPSC"), the California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to:

- describe the revenue requirement model and schedules supporting the rate requests for EKM and EKC (**Schedules RAK-1** through **RAK-6** for EKM and **Schedules RAK-7** through **RAK-10** for EKC);
- identify the test year used to develop the revenue requirements and the true-up period proposed by the Company;
- describe jurisdictional allocators and proposed alignment between Kansas and Missouri;
- identify the witnesses who support various accounting adjustments (**Schedules RAK-2** and **RAK-4** for EKM and **Schedules RAK-8** and **RAK-10** for EKC);
- explain and support certain accounting adjustments including COVID and Storm Uri-related allocations, Pension and Other Post-Employment Benefit ("OPEB") costs and trackers;
- describe our proposal for continuation of the Critical Infrastructure Protection/Cyber ("CIPS/Cyber") Tracker;
- explain the implementation of common use billings across the Evergy jurisdictions;
- describe the jurisdictional alignment changes related to Construction Work in Process ("CWIP");
- explain termination of the final benefits of EKC's corporate owned life insurance ("COLI") program; and
- describe the structure and terms of a proposed storm reserve and injuries and damages reserve for EKM.

II. <u>REVENUE REQUIREMENT MODEL AND SCHEDULES (EKM and EKC)</u>

Q. What is the purpose of Schedules RAK-1 through RAK-6 and Schedules RAK-7 through RAK-10?

A. These Schedules contain the key outputs of the Company's revenue requirement model used to develop the rate requests in this proceeding. **Schedules RAK-1** and **RAK-7** show the revenue requirement calculations for EKM and EKC, respectively. **Schedules RAK-2** (EKM) and **RAK-8** (EKC) list the rate base components for the two entities along with the sponsoring witnesses. **Schedules RAK-3** and **RAK-4** (EKM) and **Schedules RAK-9** and **RAK-10** (EKC) include the income statement and adjustments for the two entities.

Q. Were the scheduled filed with your direct testimony prepared by you or under your direction?

A. Yes.

Q. Please generally describe the process used to determine the requested rate increases in this proceeding.

A. We utilized our historical ratemaking preparation process to determine the requested rate increases. We began with actual, historical test year data from the financial books and records of the Company to establish a foundation for operating revenues, operating expenses and rate bases. We then adjusted this data to reflect (i) normal levels of revenues and expenses that would have occurred during the test year, (ii) annualization of certain revenues and expenses, (iii) amortization of regulatory assets and liabilities, and (iv) known and measurable changes that have been identified since the end of the historical test year. For EKM we then allocated the adjusted test year data to arrive at jurisdictional operating revenues, operating expenses, and rate bases. We subtracted operating expenses from operating revenues to arrive at operating income for each entity. We multiplied the net original cost of each rate base by the requested rate of return to determine the net operating income requirement for EKM and EKC. This result was compared with the net operating income available to determine the additional net operating income before income taxes that would be needed to achieve the requested rate of return. Additional current income taxes were then added to arrive at the gross revenue requirement.

The requested rate increase for each utility is the amount necessary for the post-increase calculated rate of return to equal the overall rate of return proposed in the direct testimony of Company witness Kirkland Andrews and supported in the direct testimony of Company witness Ann Bulkley.

III. TEST YEAR

Q. What historical test year did the Company use to determine the requested rate increases for EKM and EKC?

A. The revenue requirement schedules are based on a historical test year of the 12 months ending September 30, 2022, with known and measurable changes projected through June 30, 2023. Where appropriate and necessary, we plan to true up this financial data to reflect actual experience as of that date.

Q. Why was this test year selected?

A. The Company used the 12-month period ending September 30, 2022, for the test year in this rate proceeding because that period reflects the most current quarterly financial information available to provide adequate time to prepare the revenue requirement and rate design schedules for this case.

Q. Why is a true-up period needed for this rate case?

A. Historically, rate cases have included true-up periods which provide for updates to test year and projected data. This process allows for changes in cost levels included in the test year to be updated to the most current information as of a specified date which is closer to the date rates are effective. This allows for a proper matching of rate base, revenues and expenses to account for known and measurable changes that have occurred since the end of the test year. As stated above, the Company is requesting a true-up date of June 30, 2023 for this update.

Q. Does test year expense reflect an appropriate allocation of EKM and EKC overhead between the two entities as well as to Evergy Missouri West and other affiliated companies?

A. Yes. EKM and EKC incur costs for the benefit of each other, for Evergy Missouri West and for other affiliated companies, and these costs are billed out as part of the normal accounting process. Certain projects and operating units are set up to allocate costs among the various affiliated companies based on appropriate cost drivers, while others are set up to assign costs directly to the benefiting affiliate. Similarly, Evergy Missouri West incurs costs for the benefit of Evergy Metro and Evergy Central, and those costs are allocated to those entities.

IV. JURISDICTIONAL ALLOCATIONS (EKM)

Q. Why is it necessary to allocate revenues, expenses and rate base to the Company's jurisdictions within Evergy Metro?

A. Evergy Metro does not have separate operating systems for its Missouri, Kansas, and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Missouri and Kansas as well as to full requirements firm wholesale customers. Therefore, jurisdictional allocations of operating expenses, certain operating revenues, and rate base are necessary.

Q. Why is it so important that appropriate allocation methods be adopted and applied?

A. Allocation methods directly affect both customer rates and Company revenues. First, the method of allocation should ensure rates charged to customers in a particular jurisdiction reflect the full cost of serving those customers and not the cost of serving customers in other jurisdictions. Second, the allocation methods employed should allow the Company the opportunity to recover fully its prudently incurred costs of serving those customers—no more and no less. Accordingly, the sum of the allocation factors applied in the jurisdictions in which a regulated utility operates should be 100 percent. Otherwise, some customers may pay too much or the utility will be unable to recover its prudently incurred costs of service and authorized return on rate base.

Q. What allocators did the Company use?

A. Two types of allocators were utilized: (i) primary allocators and (ii) derived allocators. The primary allocators are based on weather-normalized customer, demand, and energy inputs. These allocators, and how they are applied to our revenue requirement model, are described in **Schedule RAK-6**. The derived (or calculated) allocators are based on the Demand, Energy, and Customer allocators with potential inclusion of directly assigned amounts. They may reflect combinations of amounts that have previously been allocated. Attached as **Schedule RAK-5** is a listing of the specific allocation factors used in this proceeding.

Q. Please describe the Demand allocator.

A. The Demand allocator being proposed in this case is discussed in Company witness John Wolfram's direct testimony. Mr. Wolfram describes how demand allocators have been addressed in previous rate filings in Kansas and Missouri. He also explains how the utilization of different demand allocators by different jurisdictions can result in inappropriate cost recovery for a multi-jurisdictional utility such as EKM.

Q. Has the Company indicated to the KCC and the MPSC that it would propose a solution to correct the allocation problem that develops from the use of two different demand allocation methods in Kansas and Missouri?

A. Yes. In filings in Kansas and Missouri addressing the impact and costs of Winter Storm Uri, Evergy indicated it would propose a solution to correct this allocation problem prospectively in its next rate case filings in Kansas and Missouri.

Q. What is Evergy's proposal to correct the demand allocation problem?

A. As Mr. Wolfram states in his direct testimony, for the EKM jurisdiction we are requesting the KCC adopt a 4 Coincident Peak ("4CP") demand allocator. Our ultimate objective is to achieve a single, comprehensive determination of the jurisdictional demand allocator to be uniformly applied in both retail jurisdictions of Evergy Metro. Mr. Wolfram provides the support and justification for utilizing the 4CP demand allocator.

Q. Will adopting the 4CP demand allocator result in fairness in allocation methodologies and achieve uniformity between the Missouri and Kansas jurisdictions?

A. Yes. As Mr. Wolfram testifies, EKM's adoption of the 4CP demand allocator will result in fairness in allocation methodologies, is supported by Mr. Wolfram's research and analysis, and reaches the goal of achieving uniformity between both the Missouri and Kansas jurisdictions.

Q. Please describe the Energy allocator.

A. The Energy allocator is based on the total weather-normalized kilowatt-hour usage by Kansas and Missouri retail customers and the firm wholesale jurisdictional customers covering the test period October 2021 through September 2022.

Q. Please describe the Customer allocator.

A. The Customer allocator is based on the average number of retail customers in Kansas and Missouri and the firm wholesale jurisdiction for the test period October 2021 through September 2022.

Q. Please explain how the various revenue, expense and rate base components are allocated among Evergy Metro's regulatory jurisdictions.

A. **Schedule RAK-6**, attached, is a narrative description of the allocation methodology.

Q. Is EKM requesting any other changes in the allocation methodologies it uses to separate revenues and costs between Kansas and Missouri in this rate case proceeding?

A. Yes. As Mr. Wolfram testifies, EKM requests changing the methodology used to allocate off-system sales margins from unused energy allocator ("UE1") to the energy allocator as supported by his research and analysis.

V. ACCOUNTING ADJUSTMENTS

Q. Please describe Schedule RAK-4 for EKM and Schedule RAK-10 for EKC.

A. These schedules present a list of adjustments to net operating income for the 12 months ended September 30, 2022, and identify the Company witnesses who provide explanatory testimony for both the EKM and EKC jurisdictions.

Q. Please explain the adjustments to reflect normal levels of revenues and expenses.

A. Adjustments such as normalization adjustments are made to reflect "normal" levels of revenues and expenses. For example, retail revenues are adjusted to remove abnormal climate occurrences. As a result, test year revenues reflect weather impacts that are more typical of historical averages.

Q. Please explain the adjustments to annualize certain revenues and expenses.

A. Annualization adjustments have been made to reflect an annual level of revenues and expenses in cost of service such as the annualization of payroll and depreciation expenses. The payroll adjustment reflects a full year's impact of recent pay increases and reductions in staff levels, while the depreciation expense adjustment reflects the impact of a full year's depreciation on plant additions included in rate base and includes the proposed new depreciation rates that have resulted from our most recent depreciation study, which was conducted by Company witness Dr. Ron White.

Q. Please explain the adjustments to amortize regulatory assets and liabilities.

A. Various regulatory assets and liabilities have been established in past Kansas rate cases for both EKM and EKC. These assets/liabilities are amortized over the number of years authorized in the orders from those cases. Adjustments are sometimes necessary to annualize the amortization amounts included in the test year or to remove amortizations that have ceased during that time.

Q. Please explain the adjustments to reflect known and measurable changes that have been identified since the end of the historical test year.

A. These adjustments are made to reflect changes in the level of revenue, expense, rate base, and cost of service that either have occurred or are expected to occur prior to the June 30, 2023, true-up date for this case. Payroll expenses, for example, have been adjusted for known and measurable changes.

Q. Do the adjustments listed on Schedule RAK-4 for EKM and Schedule RAK-10 for EKC, and discussed throughout the remainder of your testimony and that of other Company witnesses, reflect adjustments to test year amounts?

A. Yes. They reflect adjustments through June 30, 2023, to test year amounts.

<u>RB-20 Plant in Service</u>
EKC and EKM

Q. Please explain adjustment RB-20.

A. Plant in service calculated as of June 30, 2023, for EKM Kansas Jurisdictional is $5,373,804,745 and for EKC is $11,188,551,576. Both EKM and EKC rolled the test year-end September 30, 2022 plant balances forward to June 30, 2023 by using the actual results through September 30, 2022 and the 2022-2023 capital budgets for subsequent capital additions through June 30, 2023. Projected plant additions net of projected retirements were added to actual balances to arrive at projected plant balances at June 30, 2023. These projections will be replaced with actual capital investments for plant placed in service as of the true-up date.

Q. What are some of the significant projects included in the projected capital additions through the true-up date of June 30, 2023?

A. Projects included in projections to June 2023 for EKM include Generation Enterprise Asset Management ("GEAM"), Software as a Service, PMC Endur upgrade and Hawthorn Solar. For EKC, projects include GEAM, Midian Substation 69kV, Wolf Creek Rosehill 345kV, Otter Creek Eureka 115kV line rebuild, Emporia Service Center, Golden to Mad. 115kV line and STP communications.

Q. Please explain the adjustment that was made in RB-20 for EKC regarding the 800 South Kansas Avenue disallowance?

A. This adjustment impacting only EKC is consistent with the approach that has been used in prior cases. This adjustment removes costs associated with the refurbishing executive office space at 800 South Kansas Avenue more than a decade ago. The adjustment removes any amount from plant in service in excess of the inflation-adjusted cost incurred in 1992 to renovate the current executive offices. In addition, accumulated depreciation included in RB-30 and depreciation expense associated with these costs have been removed.

<u>RB-21 Construction Work in Progress</u>
EKM and EKC

Q. Please explain adjustment RB-21.

A. This adjustment includes in rate base the anticipated June 30, 2023, Construction Work in Progress ("CWIP") balances for EKM and EKC. The adjustment is based upon the Company's 2023 capital budgets and includes projects that are projected to be placed in service between July 1, 2023 and September 30, 2023. The amount of the adjustment is $33,661,726 for EKM Kansas Jurisdictional and $94,834,371 for EKC. Inclusion of CWIP in rate base is authorized by K.S.A. 66-128, which states in relevant part:

> (b)(1) For the purposes of this act, except as provided by subsection (b)(2), property of any public utility which has not been completed and dedicated to commercial service shall not be deemed to be used and required to be used in the public utility's service to the public.
> (2) Any public utility property described in subsection (b)(1) shall be deemed to be completed and dedicated to commercial service if: (A) Construction of the property will be commenced and completed in one year or less; (B) the property is an electric generation facility that converts wind, solar, biomass, landfill gas or any other renewable source of energy; (C) the property is an electric generation facility or addition to an electric generation facility; or (D) the property is an electric transmission line, including all towers, poles and other necessary appurtenances to such lines, which will be connected to an electric generation facility.

The Company will replace the projects that are projected to be placed in service between July 1, 2023 and September 30, 2023 with projected CWIP balances for the same period given actual June 20, 2023 CWIP balances.

Q. How were the June 30, 2023 projected CWIP balances calculated?

A. We used the 2023 capital budget for the anticipated balances at June 30, 2023, and then excluded any projects with an in-service date after September 30, 2023, which is one year from the test year date of this rate case proceeding. The adjustment reflects short-term and power plant construction activity that has been forecasted to commence but is not expected to be completed by June 30, 2023. This adjustment excludes CWIP related income-producing projects, such as transmission projects, which are recovered through the Transmission Delivery Charge ("TDC"). The projects covered in this adjustment for both EKM and EKC will be placed in service to benefit customers within 12 months from the end of the test year.

<u>RB-28/CS-28 Western Plains Wind Farm</u>
EKC

Q. Please explain the background surrounding adjustments RB-28 and CS-28 in connection with the Western Plains Wind Farm.

A. This adjustment applies to EKC only and is the result of the Stipulation and Agreement ("S&A") resulting from EKC's 2018 rate case Docket No. 18-WSEE-328-RTS in which the settling parties agreed the recovery of the Western Plains Wind Farm would be through a fixed price PPA approach. The S&A states in pertinent part:

> The Parties agree that the Western Plains Wind Farm will be recovered by Westar through a fixed price PPA approach. The revenue requirement decrease agreed to by the Parties and stated above includes a levelized revenue requirement for Western Plains of $23,697,593 which assumes a 46.57% capacity factor, and 1,144,717 MWhs, which equates to $20.70 MWh.[1]

[1] *Non-Unanimous Stipulation and Agreement*, Docket No. 18-WSEE-328-RTS at p. 6, section III.D.

Q. Please explain how adjustment RB-28 and CS-28 was completed.

A. The adjustments made to EKC revenue requirement associated with the Western Plains Wind Farm were made in four steps. First, in RB-28 the actual amount of gross plant, accumulated depreciation and associated accumulated deferred income taxes was removed from rate base. In addition, by removing the gross plant from rate base the associated depreciation expense for the wind farm is removed. Second, in adjustment CS-28 all test year operation and maintenance expenses associated with the wind farm facility, as well as all taxes other than income taxes, were removed from the test year cost of service. Third, the production tax credits associated with the wind farm facility were removed from the revenue requirement tax calculation. Finally, the above adjustments were required in order to implement the final step of adding the levelized revenue requirement amount of $23,697,593 as provided for in S&A from the 2018 rate case discussed above. By making this series of adjustments the revenue requirement for EKC appropriately includes the levelized revenue requirement amount agreed to in the 2018 rate case.

Q. Did the S&A in the 2018 rate case have any additional language associated with the capacity factor generated from the performance of the Western Plains Wind Farm?

A. Yes. The S&A established a three-year rolling average range from 44.57% to 48.57%. If the wind farm operated outside of the range, the S&A contained requirements that a charge or credit would be included in the Company's Actual Cost Adjustment ("ACA") included in the Retail Energy Cost Adjustment ("RECA") depending on if the wind farm was above or below the range established in that case.[2]

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[2] *See id.*

Q. Does this capacity factor requirement impact the revenue requirement calculation in this rate case?

A. No. It should be noted as well that the Western Plains Wind Farm capacity factor's three-year rolling average has operated within the range established since the 2018 rate case.

<u>RB-30 Reserve for Depreciation</u>
EKM and EKC

Q. Please explain adjustment RB-30.

A. This adjustment rolls forward the EKM and EKC Reserve for Depreciation from September 30, 2022 to balances projected as of June 30, 2023. The Plant Reserve for Depreciation calculated as of June 30, 2023 for EKM Kansas Jurisdictional is $2,263,479,953 and for EKC is $4,252,546,249.

Q. How was the Reserve for Depreciation roll-forward accomplished?

A. The depreciation/amortization provision component was calculated in two steps: (i) the September 2022 depreciation provision was multiplied by nine months to approximate the provision that will be charged to the Reserve for Depreciation from October 2022 through June 2023 for plant existing at September 30, 2022; and (ii) the depreciation/amortization through June 30, 2023 attributable to projected net plant additions from October 2022 through June 2023 was estimated. In the second step, we assumed the net plant additions occurred ratably over this period. This amount will be replaced with actuals at the true-up date of June 30, 2023.

Q. Was the impact of retirements included in the roll-forward?

A. Yes. Projected retirements for the period October 2022 through June 2023 were based on actual test period retirements for EKM and actual calendar year 2021 retirements for EKC, which represented the time period that is most representative of historical retirements in each jurisdiction.

<u>RB-68 Accrued Vacation Payable-Regulatory Liability</u>
EKM and EKC

Q. Please explain adjustment RB-68.

A. This adjustment applies to EKM and EKC. Accrued vacation represents a current liability for unpaid amounts owed to EKM and EKC employees for vacation leave earned in accordance with Evergy's vacation policy. The amount of the rate base offset adjustment is $6,182,481 for EKM and $8,128,815 for EKC.

<u>RB-79 Accumulated Provisions - 228</u>
EKC

Q. Please explain adjustment RB-79.

A. This adjustment applies only to EKC, as EKM is making its initial request for injuries and damages and storm reserves in this case. The amounts shown for accumulated provisions that are recorded in Federal Energy Regulatory Commission ("FERC") account 228 are comprised of three separate items including the environmental reserve, injuries and damage reserve and the property insurance reserve (storm reserve). The environmental reserve was established to pay for periodic costs related to environmental work including compliance with regulations mandated by regulatory agencies. The injuries and damages reserve was established to cover costs associated with liabilities to members of the public for claims against EKM not covered by insurance. The property insurance reserve, commonly referred to as the "storm reserve," was established to cover maintenance costs incurred by EKC in excess of $250,000 that result from storms that damage company property. The amounts recorded in the environmental reserve, injuries and damages reserve and property insurance reserve have all been collected from customers in advance of a liability being incurred by EKC and, as a result, are appropriately reflected as cost-free capital. The amount of the rate base offset for EKC is $37,229,606.

<u>R-29 Covid AAO Lost Revenues/CS-29 COVID AAO Expense</u>
EKM and EKC

Q. What is the purpose of this part of your testimony?

A. The purpose of this part of my testimony is to support adjustments R-29 COVID AAO Lost Revenues and CS-29 COVID AAO Expenses. The Company is requesting recovery of the costs/expenses, lost revenues due to load degradation, and foregone late fees accumulated and deferred into the COVID-19 Accounting Authority Order ("AAO") entered by the Commission on July 9, 2020.[3] The testimony of Company witness John Grace addresses the AAO lost revenue balances attributable to load degradation.

Q. Please summarize the federal and state government actions that were taken in response to the COVID-19 health emergency.

A. In January 2020 the World Health Organization ("WHO") declared the COVID-19 outbreak a global health emergency of international concern and the United States Department of Health and Human Services declared the novel coronavirus a public health emergency. On March 11, 2020, the WHO declared COVID-19 a pandemic. Soon after, the State of Kansas declared the pandemic a State of Disaster Emergency, and the President of the United States issued a national pandemic emergency declaration. In late March 2020, Kansas Governor Laura Kelly issued an executive order directing all individuals to stay in their homes or residences unless performing certain essential activities. The extended stay-at-home and

[3] See *Order Approving Application for Accounting Authority Order* ("Evergy AAO"), Docket No. 20-EKME-454-ACT (July 9, 2020), p. 5.

shelter-in-place orders imposed by state and local government authorities resulted in widespread school shut-downs as well as temporary and permanent business closures.

Q. Describe the customer protections ordered by the Commission in response to the pandemic.

A. Beginning on March 16, 2020, the Commission entered three emergency orders directing all jurisdictional utilities to suspend customer disconnections for nonpayment.[4] The Commission issued the orders to address the immediate public health, safety and welfare dangers caused by the COVID-19 pandemic. Before the third order had expired, the Commission issued a fourth order directing utilities to offer residential and small commercial customers certain baseline protections through the end of 2020.[5] Approximately seven months later, by order dated December 15, 2020, the Commission extended the baseline customer protections through the duration of the pandemic.[6]

Q. What were the baseline customer protections ordered by the Commission?

A. The protections included: (1) a payment plan of up to twelve months for any delinquent account balances arising during the disconnection moratorium, and (2) waiver of all late fees during periods of delinquency and repayment.

Q. Summarize the procedural history of the COVID-19 AAO.

A. Jurisdictional utilities began filing AAO applications in mid-April 2020 seeking authority to accumulate and defer certain costs/expenses and lost revenues (along with associated

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[4] *Emergency Order Suspending Disconnects*, Docket No. 20-GIMX-393-MIS (Mar. 16, 2020); *Second Emergency Order Suspending Disconnects*, 20-393 Docket (Apr. 14, 2020); *Third Emergency Order Suspending Disconnects*, 20-393 Docket (May 5, 2020).

[5] *Order Concerning Kansas Jurisdictional Utilities Following Expiration of Prohibition of Disconnects*, 20-393 Docket (May 21, 2020).

[6] *Order Extending Consumer Protections for Customers of Kansas Jurisdictional Utilities for Duration of COVID-19 Pandemic*, 20-393 Docket (Dec. 15, 2020).

carrying charges) resulting from the COVID-19 pandemic. The Company filed its AAO application on May 6, 2020.[7] The Company's application requested accounting authority to defer into a regulatory asset extraordinary costs and lost revenues associated with the pandemic along with carrying charges at the after-tax weighted average cost of capital. The Commission granted the Company's AAO application on July 9, 2020.

Q. Did the KCC Staff ("Staff") support the utilities' AAO applications?

A. Yes. Staff filed a Report and Recommendation ("R&R") in each AAO docket supporting the utilities' requests. The R&R submitted by Staff in response to Evergy's application states:

> Staff supports Evergy's request for an AAO to defer the financial effects of COVID-19, including lost revenues, to a regulatory asset for consideration in Evergy's next general rate case. The extraordinary expenses and lost revenues that Evergy has experienced during the COVID-19 pandemic are the textbook example of the type of financial event that should be deferred to a regulatory asset in order to be considered for inclusion in rates in the next rate case. These costs/lost revenues are extraordinary, material, unusual, unforeseen, likely non-recurring, and are outside of the control of management.[8]

Q. What was the scope of the Company's deferral authority under the AAO?

A. The AAO allowed the Company to accumulate and defer into a regulatory asset net incremental costs and lost revenues associated with the pandemic for potential recovery in its next rate case. The AAO was subject to the conditions set out in Staff's R&R, which included various monthly and quarterly reporting requirements.

Q. Did the AAO reserve any matters for later determination?

[7] Evergy AAO Application (May 6, 2020), Docket No. 20-EKME-454-ACT.

[8] Staff R&R (May 20, 2020), 20-454 Docket.

A. Yes. The Commission reserved for later determination recoverability of the deferred AAO balances as well as issues related to carrying costs.[9]

Q. Is the Company seeking to recover carrying costs?

A. No. The Company did not track or defer, and is not now seeking to recover, carrying costs.

Q. Please identify the deferred costs/expenses the Company is now seeking to recover under the COVID-19 AAO.

A. The Company is seeking to recover costs related to power plant, media/advertising, IT, and facilities/securities. Such items include outlays for personal protective gear, IT for remote work, employee screening and testing, additional cleaning supplies, expenditures for power plant quarantines, and resources to implement customer relief programs. The Company also seeks recovery of incremental uncollectibles (bad debt expenses). Uncollectibles spiked during the pandemic, causing revenue shortfalls that were not offset by lower operating costs.

Q. How do the costs/expenses deferred into the AAO compare with typical costs/expenses?

A. The costs/expenses deferred into the AAO were extraordinary, material, unusual, unforeseen, likely non-recurring, and outside the control of management. The Company had to incur these costs/expenses to comply with federal, state and local government emergency directives while meeting its obligation to ensure universal customer access to essential utility service during the emergency. These costs/expenses would not have been incurred but for the pandemic and were not accounted for in pre-pandemic rates.

Q. When did the Commission discontinue the COVID-19 AAO deferrals?

[9] *Order Approving Application for Accounting Authority Order*, 20-454 Docket (July 9, 2020), p. 5.

A. The Commission discontinued the AAO deferrals for all jurisdictional utilities by order dated January 10, 2023.[10]

Q. When did the Company stop tracking and deferring incremental costs and lost revenues under the AAO?

A. The Company stopped tracking and deferring incremental costs and lost revenues in September 2022. We are not seeking recovery for any COVID-19 related impacts beyond September 2022.

Q. Please describe the method the Company used to identify and track incremental costs/expenses resulting from the COVID-19 health emergency.

A. Uncollectibles/bad debt expenses were identified and tracked using information obtained from receivables companies recorded to Evergy Account # 904000. This account is used to track the expense for uncollectable accounts, including all write-offs, collection of previously written-off amounts, and the adjustment to the reserve. The Company reviewed its reserve account (Account # 144001) for uncollectable customer accounts and adjusted the reserve, which was then expensed through Account # 904000. This monthly accrual was compared with the baseline bad-debt amount collected in rates and converted to a monthly amount. The other costs were tracked through a specific COVID-19 work ID tracking code according to cost category and subcategory.

Q. Please explain the Company's request to recover foregone late fees.

A. The Company is requesting recovery of foregone late fees resulting from the Commission's emergency orders requiring utilities to use expanded payment arrangements and to waive

[10] *Order Discontinuing Additional Consumer Protections for Customers of Kansas Jurisdictional Utilities from COVID-19 Pandemic*, Docket Nos. 20-GIMX-393-MIS, 20-GIMG-423-ACT, 20-EPDE-427-ACT, and 20-EKME-454-ACT (Jan. 10, 2023)

all late fees during periods of delinquency and repayment. Late fees are typically collected and accounted for as revenue. Staff explicitly recommended that utilities be allowed to defer foregone fee revenues arising from the customer protections mandated by the Commission.[11]

Q. Please describe the method the Company used to identify and track foregone late fees.

A. The foregone late fees were identified and measured by taking the late fees collected in 2019 (recorded in Account # 450001) and dividing that sum by the balance in the account receivable 30-60 day aging bucket for each month. The percentage generated from this calculation was then used to estimate lost late fee revenues.

Q. Were foregone late fees inadvertently left out of the CS-29 adjustment?

A. Yes. The Company discovered that after completion of the revenue requirement model in this case for both EKC and EKM, the foregone late fees line item had been inadvertently left out of the accumulation of the regulatory asset deferral. The amount of foregone late fees will be included in the true-up adjustments provided in this case. The amount of foregone late fees were $8,195,100 for EKC and $4,021,459 for EKM. We are requesting these amounts be amortized over a 4-year period.

Q. Were there any savings realized by the Company during the pandemic?

A. Yes. The company realized savings during the pandemic because of the stay-at-home orders and because a substantial portion of the Evergy workforce worked from home. Queries were run on a monthly basis to capture current costs coded to specific resources for travel

[11] *See Notice of Filing of Commission Staff's Report and Recommendation*, Docket No. 20-GIMX-393-MIS (May 6, 2020), pp. 1 and 7.

expenses, conferences, and utilities. These costs were compared to a baseline of like costs collected in rates and were converted to monthly amounts.

Q. What amount of incremental costs/expenses and lost late-fee revenue (net of savings) is the Company seeking to recover under the COVID-19 AAO?

A. The amounts requested for both EKC and EKM are set out in Table 1 below.

COVID AAO Foregone Late Fees and Incremental Costs (CS-29)

EKM	$2,072,059
EKC	$11,371,172

Q. What amortization period is the Company proposing for the cost/expense and late-fee components of the deferred COVID-19 AAO balances?

A. The Company is requesting the deferred COVID-19 AAO balances be amortized over a period of four years.

<u>R-67 KGE COLI</u>
EKC

Q. Please provide a brief explanation of the purpose and terms of the Corporate Owned Life Insurance Program ("COLI").

A. I should note first that this adjustment applies only to EKC. John Grace provides a comprehensive discussion of the COLI program in his direct testimony. In summary, however, the program was proposed by Kansas Gas & Electric ("KG&E"), now a part of EKC, and was a significant component of a multi-part plan to address the financial challenges KG&E was confronting as a result of the commercial operation of the Wolf Creek generating station and the subsequent general rate case order issued by the KCC. The COLI program involved the purchase by shareholders of corporate owned life insurance policies on 82 key executives. KG&E proposed to combine an assumed income stream attributable to the COLI program with utility operating revenue to cover KG&E's Kansas jurisdictional cost of service for the then anticipated life of the plant. At that time, the nuclear operating license issued by the NRC terminated in March 2025, and the term of the license defined the operating life of the plant.

Q. Have the assumed COLI benefits attributed to EKC's jurisdictional cost of service been established by the Commission?

A. Yes. The assumed amount of the COLI income stream used in setting EKC's rates has been determined in general rate cases since the program's approval. Once established, that amount remained unchanged until the next general rate case, at which point the assumed amount was adjusted to the level indicated in the actuarial table as of the date when new rates would become effective. Since the program's inception EKC has reflected the Commission-determined amount in its jurisdictional cost of service in all subsequent rate cases.

Q. What is the level of assumed COLI benefits now reflected in EKC's cost of service.

A. The assumed COLI income stream now incorporated in EKC's jurisdictional cost of service is $34.4 million. Because of the tax gross-up effect, the reduction currently in rates is actually $43.5 million. Using the same methodology to quantify the current benefits to customers as has historically been done in past case, the imputed COLI income stream would be $40.0 million with the tax gross effect in this case.

Q. When is the COLI program scheduled to terminate?

A. As noted above, the program will terminate in March 2025. At that time, the assumed COLI income stream should be removed from the calculation of EKC's jurisdictional cost of service.

Q. What is the Company's proposal for mitigating the sudden and full impact of the program's termination on EKC's jurisdictional cost of service and resulting customer rates?

A. As discussed in the testimony of John Grace, the Company is proposing taking the remaining benefits that would begin to be reflected at the effective date of rates in this rate case associated with the COLI income stream of approximately $57.8 million and amortizing this amount over a period of four years.

Q. Once the credit benefit to customers is fully amortized in customer rates what is the Company proposing?

A. The Company proposes that once the credit benefit to customers is fully amortized that a regulatory asset be established to track the annual amount of the credit included in rates. Using a four-year amortization, this credit would expire approximately December 2027. From this point forward, the Company will track in a regulatory asset the monthly amount of the credit benefit that is being proposed to be included in rates until the effective date of rates set in a subsequently filed rate case. At the Company's next filed general rate case, this regulatory asset will be amortized into rates over a reasonable period of time.

CS-27 Wolf Creek Water Contract
EKM and EKC

Q. Please explain adjustment CS-27.

A. This adjustment applies to EKM and EKC. The Company annualized costs for a water purchase contract at the Wolf Creek nuclear power plant ("Wolf Creek"). The plant has an agreement for rights to use water from the lake adjacent to the plant to ensure proper lake levels for cooling purposes. The agreement includes a minimum of 4,684,000,000 gallons of water billed annually. Beginning in January 2023, the rate per 1,000 gallons will increase from $0.454 to $0.473. The adjustment includes the new contract amount that will be in place at the update period for both EKM and EKC.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is $48,464 total company Metro. For EKC it is $48,464.

<u>CS-36 Wolf Creek Refueling Outage Amortization</u>
EKM and EKC

Q. Please explain adjustment CS-36.

A. This adjustment applies to EKM and EKC. The Wolf Creek nuclear generating station refueling cycle is normally about 18 months. The Company defers the O&M outage costs and amortizes the costs over the 18 months leading up to the next refueling. This adjustment annualizes the Wolf Creek refueling expense.

Q. Why is a refueling annualization adjustment necessary in this case?

A. The test period includes the amortization period for refueling outage number 24. Annualized expense that is included in this case reflects the total estimated cost of the most recently completed refueling outage in the fall of 2022, refueling outage number 25. As such, costs associated with refueling outage number 25 were used to determine the monthly amortization expense. This annualization adjustment results in a full year's amortization expense for refueling outage number 25.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is $3,417,098 total company Metro. For EKC it is $3,417,098.

Q. Will this adjustment be updated?

A. Yes. If there are updates to the costs associated with refueling outage number 25 that occur before June 2023, then updates to the refueling outage costs will be provided in the true-up.

CS-37 Nuclear Decommissioning
EKM and EKC

Q. Please explain adjustment CS-37.

A. This adjustment applies to both EKM and EKC. It annualizes the expense associated with decommissioning the Wolf Creek nuclear generating station.

Q. What is the annualized nuclear decommissioning expense the Company seeks in this this case?

A. The Company seeks to continue its annualized amount of $2.0 million (Kansas jurisdictional) for EKM and $5.8 million for EKC. Since the test year cost of service reflects this amortization, net operating income is properly stated and requires no adjustment.

Q. What is the amount based on?

A. The annual/expense/accrual level is based on a cost study conducted every three years. The most recent study, conducted by TLG Services, Inc., was filed with the Commission on September 1, 2020 in Docket No. 21-WCNE-103-GIE along with an analysis prepared for the funding levels necessary to defray the decommissioning cost estimated in the study.[12] In the application Evergy requested that the Commission approve the continuation of the annual accrual at the current level.

Q. Is there another cost study being conducted associated with the decommissioning trust?

A. Yes. The cost study that is required to be conducted every three years is expected to be filed in September 2023. The results of this study will not be available to be used in this rate case proceeding and any required funding level change will be handled in a subsequent proceeding.

[12] *Joint Pleading Regarding Decommissioning Financing Plan*, Triennial Wolf Creek Decommissioning Cost Study, Attachment 2, Docket No. 21-WCNE-103-GIE (Sept. 1, 2020).

CS-39 IT Software Maintenance
EKM and EKC

Q. Please explain adjustment CS-39.

A. This adjustment applies to EKM and EKC. Adjustment CS-39 was made to include an annualized level of contracted software maintenance costs in this case. Evergy included an annualized 2023 budgeted amount in account 935000 with resources 15xx to reflect an annual level of expense. The types of maintenance contracts that were annualized include: Cisco SmartNet, Oracle support, Microsoft Enterprise Management, Nokia maintenance, Maximo, ServiceNow, IAG Identity Access Governance, and various other hardware and software maintenance contracts.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is $1,730,520 total company Metro. For EKC it is $2,276,152.

Q. Will this adjustment be updated?

A. Yes. Actual contracted software maintenance costs at the update date will be included at that time.

CS-50 Payroll
EKM and EKC

Q. Please explain adjustment CS-50.

A. This adjustment is necessary to annualize the level of payroll expense included in EKM and EKC's revenue requirement calculation. EKM and EKC payroll expense is based on the adjusted employee headcount and base salaries as of September 30, 2022 multiplied by salary and wage rates expected to be in effect as of June 30, 2023. Base salaries were also adjusted for labor impacts of the Evergy Missouri Metro jurisdiction's energy efficiency rider implementation, and labor reductions due to the Enhanced Retirement Program ("ERP") netted with expected ERP positions to be filled by the update date.

Q. How were salary and wage rates determined?

A. Salary rates for non-bargaining employees were based on annual salary adjustments expected to be in effect as of June 30, 2023. Wage rates for bargaining (union) employees were based on contractual agreements. Currently, we are in negotiations with all local unions. Any changes finalized from those negotiations are expected to be reflected at the true-up date of June 30, 2023 in this rate case.

Q. Were amounts over and above base pay, such as overtime and Premium pay, included in the payroll annualization?

A. Yes. Overtime costs were annualized at an average of overtime costs incurred for the 12-month periods ending December 2020, December 2021 and September 2022. The resulting average was then escalated to equivalent 2023 cost levels using average annual merit increase percentages. Wolf Creek overtime costs were also annualized at an amount equal to the average overtime amounts incurred for the same 12-month periods, also escalated to equivalent 2023 costs levels. Temporary and summer employees O&M labor were annualized at an average of these same 12-month periods. Amounts were included for other categories at test year levels.

Q. Does annualized payroll include payroll EKM and EKC billed to Evergy MO West and other affiliates?

A. The annualization process includes all payroll since all employees are either EKM or EKC employees. However, annualized payroll included in this rate proceeding was reduced by the amount that would be billed out to these affiliated companies.

Q. Was payroll expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A. Yes, it was.

Q. Does the payroll annualization adjustment take into consideration payroll billed to joint venture partners and payroll charged to capital?

A. Yes. The payroll annualization adjustment takes these factors into consideration.

Q. How was the payroll capitalization factor determined?

A. Evergy used a three-year average for its payroll capitalization factor, as being representative of payroll capitalization going forward. The periods included in the three-year average capitalization factor included the 12-months ending December 2020, December 2021 and September 2022. Since the capitalization of payroll can vary over time, a three-year average was appropriately used.

Q. What are the amounts of the payroll adjustments from test year levels for both EKM and EKC?

A. For EKM the adjustment is ($3,497,107) total company Metro. For EKC it is $2,113,457.

Q. Will this adjustment be updated?

A. Yes. Actual headcount and base salaries at the true-up date will be included at that time.

<u>CS-51 Incentive Compensation</u>
EKM and EKC

Q. Please explain adjustment CS-51.

A. This adjustment is necessary to annualize the amount of incentive compensation cost that is incurred by both EKM and EKC. Evergy annualized incentive compensation based on a three-year average of actual payouts for the 2020 and 2021 plan years and an estimate of the 2022 Plan Years. Adjustments were made to the annualized amount to remove all incentive compensation that was associated with metrics tied to earnings per share for the Annual Incentive Plan ("AIP") (executives only), and also earnings per share portion included in the Variable Compensation Plan ("VCP") (non-union management personnel) and Wolf Creek PAR Plan (Wolf Creek union employees).

Q. Does this adjustment take into consideration incentive compensation billed to joint venture partners, billed to affiliated companies, and charged to capital?

A. Yes, it does, consistent with the data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is ($1,051,744) total company Metro. For EKC it is ($5,331,840).

Q. Will this adjustment be updated?

A. Yes. Actual payouts for the 2022 plan year which were paid out in March 2023 will be included in the three-year average discussed above at the true-up date in this case.

CS-53 Payroll Taxes – FICA
EKM and EKC

Q. Please explain adjustment CS-53.

A. This adjustment is necessary to annualize the amount of payroll tax cost associated with annualized payroll and incentive costs incurred by EKM and EKC. Evergy annualized Federal Insurance Contributions Act ("FICA"), Medicare, and Federal Unemployment Tax Act ("FUTA") payroll tax expense by applying the tax rate (with consideration of the FICA, FUTA and State Unemployment Tax Act ["SUTA"] ceiling) to the annualized O&M portions of base salary plus, VCP, executive incentive compensation, overtime, premium, and temporary wages for EKM and EKC.

Q. Does this adjustment take into consideration payroll tax expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A. Yes, based on data from the payroll adjustment discussed earlier in this testimony adjustment CS-50.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is ($276,504) total company Metro. For EKC it is ($976,632).

Q. Will this adjustment be updated?

A. Yes. Any adjustments to payroll or incentive compensation will be applied to the payroll taxes adjustment.

<u>CS-60 Other Benefits - Including Medical, Dental, Vision</u>
EKM and EKC

Q. Please explain adjustment CS-60.

A. This adjustment is necessary in order to include the proper level of other benefits (including medical, dental and vision) costs in both EKM and EKC's revenue requirement calculation. The Company annualized other benefit costs based on the projected annualized other benefits costs included in the 2023 Budget.

Q. What types of benefits are included in this category?

A. The most significant benefit is medical expense. In addition, dental, Company 401k match, various insurance and other miscellaneous benefits are included within the other benefits adjustment.

Q. Does this adjustment take into consideration benefits expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A. Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q. Was other benefits expense associated with the Company's interest in the Wolf Creek generating station annualized in a similar manner?

A. Yes, it was.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is ($2,582,763) total company Metro. For EKC it is $2,927,770.

Q. Will this adjustment be updated?

A. Yes. Actual annualized other benefits costs at the true-up date will be included at that time.

<u>CS-61/RB-61 Other Post-Employment Benefits (SFAS) 106 Employer Share</u>
EKM and EKC

Q. Please explain the basis of adjustment CS-61.

A. This adjustment is necessary in order to properly include an annualized level of Other Post-Employment Benefits ("OPEB") costs in both EKM and EKC's revenue requirement. This adjustment consists of two components for both EKM and EKC. The first component provides the level of annualized OPEB expense as provided by the Company's actuary, Willis Towers Watson, which is requested to be included in cost of service in this case. The second component includes the amount of the tracker to be included in cost of service through amortization of the respective regulatory liability projected as of June 30, 2023. Also, I will discuss the application of the OPEB-related tracker related to contributions made to the OPEB trusts.

Q. How did you determine the first component?

A. In the first component, we annualized OPEB expense based on 2023 actuarial projections from Willis Towers Watson, our actuary. This annualization will be updated as part of the June 30, 2023 true-up with revised projections from the actuary. OPEB expense primarily results from the provisions of Accounting Standards Codification 715, "Compensation –

Retirement Benefits, Defined Benefit Plans – Other Postretirement" ("ASC 715-60") (previously referred to as Statement of Financial Accounting Standard No. 106). This amount, calculated by our actuary, establishes a base amount to include in rates and will be used to track future actual OPEB expenses against.

Q. How did you determine the second component?

A. Effective December 1, 2010, EKM initiated a new tracker, Tracker 1, for OPEB expense as authorized in the S&A reached in Docket No. 07-GIMX-1041-GIV ("07-1041 Docket") and approved by the Commission on August 17, 2011. This treatment was continued in the 15-KCPE-116-RTS and 18-KCPE-480-RTS dockets. Tracker 1 reflects the difference between current period OPEB expense being recorded and expense included in rates, with the cumulative difference being amortized in the next rate case. OPEB expense has been decreasing and has resulted in a regulatory liability for EKM. The amortization expense is reflected as a reduction in cost of service.

As a result of the Commission's Order in Docket No. 10-WSEE-135-ACT ("10-135 Docket"), EKC was required to defer as a regulatory asset or liability, as the case may be, the difference between the level of pension, post-retirement, and post-employment costs incurred under Generally Accepted Accounting Principles ("GAAP") and the amount of such expenses recovered through base rates with no carrying costs permitted. These deferrals were identified as "Tracker 1" deferrals in the Commission's Order. Booking these deferrals was to be effective starting January 1, 2009. In this rate proceeding, the Tracker 1 balance for EKC as of June 30, 2023, is projected to be a regulatory asset and will be amortized to expense.

Q. What special termination benefits are included in the regulatory liability amortization in this case associated with OPEB Tracker 1?

A. For EKM the following special termination benefits are included:

- the 2022 special termination benefits related to EKM's Non-Union OPEB plan,
- the 2022 special termination benefits related to EKM's Joint Trusteed OPEB plan.

For EKC the following special termination benefit is included:

- the 2022 special termination benefits related to EKC's OPEB plan.

Q. What amortization period was used for this regulatory liability?

A. A five-year amortization period was used for both EKM and EKC.

Q. Does this adjustment take into consideration OPEB expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A. Yes, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q. Was OPEB expense associated with Evergy's interest in the Wolf Creek generating station annualized in a similar manner?

A. Yes, for Evergy Metro it was. Wolf Creek was not included in the EKC OPEB tracker.

Q. Please explain the tracker related to cash contributions.

A. The S&A in the 07-1041 and 10-135 dockets authorized the establishment of an OPEB-related Tracker 2, which was continued in this docket. Tracker 2 recognizes that the Company's share of actual contributions to its OPEB Trust could be greater than its required funding contribution for ratemaking purposes. This tracker is similar to the pension-related Tracker 2, which I discuss more fully later in this testimony (adjustment CS-65).

Q. Is there any specific request the Company is making regarding OPEB costs?

A. Yes. The Company requests that the balances at June 30, 2023, for Tracker 1 and Tracker 2 be specifically identified so as to establish the beginning amount to be used in the next rate proceeding. Additionally, the Company requests that the OPEB expense built in rates in this case (the first component above) be established.

Q. Does the Company request to continue the regulatory treatment of OPEB costs?

A. Evergy would like to propose a change to the method used for regulatory accounting purposes for OPEB expense for EKM. Evergy is currently maintaining OPEB expense calculations on different accounting methods to meet its various reporting requirements which creates a complicated series of calculations and accounting entries to maintain. Evergy would like to continue the trend of delivering customer savings by simplifying prospective OPEB expense calculations and utilizing the GAAP accounting method for regulatory purposes which is currently utilized by the EKC jurisdiction. Simplifying the OPEB expense calculation would create efficiencies by reducing actuarial and accounting complications and costs for the plan. In order to maintain rate neutrality, the difference in unrecognized losses between the regulatory method and the Evergy GAAP method would need to be amortized as a fixed adjustment for regulatory purposes. See my discussion below included in the "CS-65 Pension Costs" section, which explains this request more fully.

Q. What are the amounts of the adjustments to test year levels for each utility?

A. For EKM the adjustment is ($1,882,080) total company Metro. For EKC it is $2,009,935.

Q. Will this adjustment be updated?

A. Yes. Any changes in the actual annualized OPEB costs for calendar year 2023 at the true-up date will be included at that time.

Q. Is the Company requesting a change in the treatment of Tracker 2 associated with their OPEB request in this rate case?

A. Yes. Consistent with the treatment of Tracker 2 associated with pension expense the Company is requesting rate base treatment for contributions that are in excess of annual amounts included in rates. In the next section of my testimony in adjustment CS-65, I discuss the reason for making the request to include OPEB Tracker 2 balances in rate base.

<u>CS-65/RB-65 Annualized Pension Expense (EKM includes SERP)</u>
EKM and EKC

Q. Please explain adjustment CS-65.

A. This adjustment is necessary to include a proper level of annualized pension expense in both EKM and EKC's revenue requirement. This adjustment consists of two components. The first component relates to the base level of annualized pension expense recognized in both Company's cost of service in this case. The second component includes the amount to be recovered through the amortization of the regulatory asset/liability projected as of June 30, 2023. The adjustment relates to adjusting pension expense as recorded under Accounting Standards Codification No. 715-30, Compensation-Retirement Benefits, Defined Benefit Plans – Pension, previously referred to as Statement of Financial Accounting Standard No. 87 "Employers' Accounting for Pensions" ("FAS 87") and No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans" ("FAS 88") to an annualized level for ratemaking purposes. Specifically, the components of the pension annualization include: (a) Annualization of both companies' share of pension expense relating to recurring pension costs, net of amounts capitalized, as identified by the companies' actuaries and (b) amortization of Tracker 1, consisting of rolling forward the FAS 87 and FAS 88 regulatory assets included in Tracker 1 to the projected true-up period balance at June 30, 2023, and amortizing them over a five-year period as previously authorized by the Commission. Additionally, I will discuss the roll forward of the Tracker 2 balance to the projected true-up of June 30, 2023, and the Company's request in this case regarding Tracker 2.

Q. Do these pension adjustments take into consideration pension expense billed to joint venture partners, billed to affiliated companies, and charged to capital?

A. Yes, they do, based on data from the payroll adjustment discussed earlier in this testimony (adjustment CS-50).

Q. Do these pension adjustments include the effects of the Company's interest in the Wolf Creek generating station pension plans?

A. Yes, they do.

Q. Was the annualized pension expense determined in accordance with established regulatory practice?

A. Yes. For EKC the calculation was made in accordance with the methodology documented in the 10-135 docket. For EKM the Company is proposing a methodology consistent with EKC's pension calculation methodology which proposes to develop the annualized pension expense based on the Evergy GAAP method for EKM in order to create more efficiencies in the accounting of pension costs across jurisdictions. I provide a more detailed explanation later in my testimony.

Q. How is the total Evergy consolidated FAS 87 expense allocated to EKM and EKC to ensure Kansas ratepayers are not paying for Missouri West costs?

A. The consolidated expense is allocated to each jurisdiction based on a labor allocation factor, consistent with the payroll annualization allocation discussed earlier in this testimony (adjustment CS-50).

Q. Please explain the second component of the annualized pension expense.

A. This adjustment was made to amortize the balance in the Tracker 1 regulatory asset, projected as of June 30, 2023. In accordance with the terms of the S&As in the 07-1041 and 10-135 dockets, and continued in the 2018 rate case docket, Tracker 1 represents the cumulative unamortized difference in FAS 87 and FAS 88 pension expense for ratemaking purposes and pension expense built into rates during the corresponding periods.

Q. What were the beginning points for accumulating this difference in FAS 87 and FAS 88 pension expense for ratemaking purposes and FAS 87 and FAS 88 pension expense built into rates?

A. The accumulation for EKM was to begin on December 1, 2010, and for EKC it was to begin on January 1, 2009.[13]

Q. How was the Tracker 1 regulatory asset rolled forward to June 30, 2023?

A. The Tracker 1 pension regulatory asset/liability was adjusted by the difference between actual pension expense costs recorded, as provided by Willis Towers Watson, and pension expense included in rates through the June 30, 2023 update period in this case. In addition, any FAS 88 settlement charges recorded during the periods and regulatory asset amortizations determined in the previous rate cases were recorded and projected through June 30, 2023.

Q. What is FAS 88?

A. FAS 88 is a previous financial accounting standard that addresses, among other issues, accounting for settlement of defined benefit plan obligations and curtailments of defined

[13] *See* S&A in 07-1041 docket (EKM) and S&A in 10-135 docket (EKC).

benefit plans. FAS 88 was codified within ASC 715 when FASB converted to its current numbering conventions in 2009.

Q. How is FAS 88 expense determined?

A. FAS 88 expense is based on information provided by the Company's actuary, Willis Towers Watson. The Company's allocated share of such expense is determined in the same manner as its share of FAS 87 expense is determined.

Q. What is the nature of the FAS 88 regulatory asset amortization in this case?

A. This case includes multiple settlements and/or special termination benefits:

EKM

- the 2019 settlement related to EKM's Non-Union pension plan,
- the 2019 settlement related to EKM's Joint Trusteed pension plan,
- the 2020 settlement related to EKM's Joint Trusteed pension plan,
- the 2021 settlement related to EKM's Non-Union pension plan,
- the 2021 settlement related to EKM's Joint Trusteed pension plan,
- the 2021 settlements related to EKM' share of the Wolf Creek's pension plan,
- the 2022 special termination benefits related to EKM's Non-Union pension plan,
- the 2022 special termination benefits related to EKM's Joint Trusteed pension plan,
- the 2022 special termination benefits related to EKM' share of Wolf Creek's pension plan.

EKC

- The 2021 settlement related to EKC's pension plan,
- The 2021 settlements related to EKC' share of the Wolf Creek's pension plan,

- The 2022 special termination benefits related to EKC' share of Wolf Creek's pension plan,
- 2022 special termination benefits related to EKC's pension plan .

Q. Is the Tracker 1 regulatory asset properly includable in rate base?

A. No. The Commission did not authorize rate base inclusion in the 07-1041 docket.

Q. Please explain Tracker 2.

A. The S&A in the 07-1041 docket authorized establishment of Tracker 2 to recognize that the Company's share of actual contributions to its pension Trusts required by law may be greater than its required funding contribution for ratemaking purposes. When the Company's share of actual contributions exceeds its required funding level the Company reflects the excess in an off-book schedule that tracks the amount that the Company has prepaid for ratemaking purposes. The Company may use this prepayment to offset or partially offset cash contributions in future years that would be required for ratemaking purposes but would not be necessary to meet contributions required by law. Although Tracker 2 is not included in pension expense included in cost of service, the schedule must be rolled forward in each case to establish the amount that is available in future periods.

Q. Is there any specific request that the Company is making regarding pension costs?

A. Yes. The Company requests that the balances as of June 30, 2023 for Tracker 1 and Tracker 2 be specifically identified so as to establish the beginning amount to be used in the next rate proceeding. Additionally, the Company requests that the establishment of pension expense built into rates in this case be established. Also, as discussed later in my testimony, the Company is requesting that Tracker 2 be considered for rate base treatment.

Q. Is the Company requesting continuation of the regulatory treatment of Pension costs?

A. Yes. However, as stated previously, to create efficiencies in the accounting of pension and OPEB costs, EKM is proposing a change to the method used for regulatory accounting purposes for EKM expense. Evergy is currently maintaining pension expense calculations on different accounting methods to meet its various reporting requirements, which creates a complicated series of calculations to track and report pension expenses. These different pension expense calculations are referred to by the following: Evergy GAAP – This is GAAP accounting used for Evergy corporate accounting and reflects acquisition accounting. GPE GAAP – This is GAAP accounting used for legacy GPE legal entity reporting and does not reflect acquisition accounting. GPE Regulatory – This is regulatory accounting used for regulatory purposes for the legacy GPE entities and does not reflect acquisition accounting. These different pension and OPEB accounting methodologies create a complex set of assumptions and calculations that must be maintained annually. Evergy would like to continue the trend of delivering customer savings by simplifying prospective pension and OPEB expense calculations and utilize the Evergy GAAP accounting method for regulatory purposes for EKM. The Evergy GAAP method is currently utilized in EKC for regulatory accounting purposes. Simplifying the pension and OPEB expense calculations would reduce actuarial and accounting costs over time for the pension and OPEB plans resulting in annual customer savings.

Q. Why is Evergy required to maintain different accounting methods for both pension and OPEB accounting?

A. There are various reporting requirements impacting both pension and OPEB accounting which include both SEC and regulatory accounting reporting. For SEC reporting purposes, EKC was considered the acquiring entity in the company merger and GAAP required Evergy to adopt acquisition accounting for the EKM portion of pension and OPEB costs. This accounting methodology is referred to as Evergy GAAP. In addition, for regulatory purposes, EKM has a separate method of accounting (GPE Regulatory) which continues to maintain the unrecognized losses that were included in acquisition accounting in Evergy GAAP.

Q. Why does it make sense to make the transition and consolidate pension accounting methodologies from a GPE Regulatory method to an Evergy GAAP methodology for EKM?

A. It will reduce complexity and create efficiencies between two pension accounting calculations that are closely aligned on key pension accounting methodologies such as asset smoothing periods and gain/loss amortization periods. For instance, asset gains/losses are smoothed over a four-year period for Evergy GAAP. For GPE Regulatory these asset gains/losses are smoothed over a five-year period. Another example is that net unrecognized gains/losses are amortized over the average remaining service period, which currently equates to 11.7 years for Evergy GAAP. For GPE Regulatory net unrecognized gains/losses are amortized over a period of 10 years. Therefore, you can see the two pension accounting calculations are quite similar in these approaches.

Q. What is the impact of transitioning to the Evergy GAAP accounting method for regulatory accounting purposes?

A. Pension expense, as measured under both the Evergy GAAP accounting method and the GPE Regulatory accounting methodology, are expected to result in a declining trend of pension expense over time. Evergy is proposing to create a one-time adjustment to transition from the GPE Regulatory accounting method to the Evergy GAAP accounting method. This one-time adjustment results in the amortization of unrecognized losses that have already been recognized in Evergy GAAP methodology utilized by EKC due to the impacts of acquisition accounting but have not been amortized into pension expense for GPE Regulatory accounting. By making this one-time adjustment and amortizing it over an extended period of time, the GPE Regulatory methodology can be transitioned to Evergy GAAP, and benefits can be realized for both customers and the Company.

Q. What benefits will customers and the Company see by making this transition?

A. As mentioned earlier, simplifying and consolidating ongoing pension and OPEB accounting calculations will reduce long term actuarial and accounting costs for the pension plan through efficiencies gained. In addition, it should simplify Commission Staff and intervenor review of our pension expense. In addition, by amortizing the unrecognized losses over an extended period of time, customers will be kept neutral over the period.

Q. Does the Company have to make a change in pension accounting methodologies and move to Evergy GAAP?

A. No. It is important for this Commission to know that the Company does not have to make the change to simplify pension accounting methodologies and can continue to have its actuary and internal accountants maintain different sets of pension accounting calculations and methodologies leaving the complexity that exists today. But the Company believes this transition is in the best interest of the Company and customers and requests the Commission approve the transition to Evergy GAAP for EKM.

Q. Have adjustments CS-61 and CS-65 been prepared using the Evergy GAAP transition to calculate its annualized level of pension and OPEB expense?

A. Yes.

Q. What are the amounts of the CS-65 adjustments for each utility?

A. For EKM the adjustment is a decrease of $39,366,934 total company Metro. For EKC it is a decrease of $36,403,569.

Q. Will this adjustment be updated?

A. Yes. This annualization adjustment will be updated as part of the June 30, 2023 update in this case based on more current 2023 information from the Company's actuary.

Q. As previously mentioned in the adjustment CS-61 OPEB expense, is the Company requesting a change associated with the pension expense Tracker 2 balance?

A. Yes. The Company is requesting in this case that Tracker 2 balances associated with pension and OPEB expenses be included in rate base in this case and in subsequent rate cases.

Q. Why has the Company not included pension and OPEB Tracker 2 balances in rate base previously?

A. In the 07-1041 Docket, both EKM (previously KCP&L) and EKC (previously Westar) entered into an S&A under which the parties agreed not to request rate base treatment associated with the amounts contained in the Pension and OPEB Tracker 2 balances, with two exceptions.[14]

Q. What are those two exceptions?

A. The first exception is that temporary relief may be requested and granted in instances where extraordinary circumstances arise. The second exception is that relief may be requested and granted in the event of a material change affecting the terms of the S&A. The S&A defines "material change" to include, without limitation, "a change in GAAP, tax, or

[14] *See, generally, Stipulation and Agreement*, Docket No. 07-GIMX-1041-GIV (April 15, 2011).

pension law affecting the deductibility of contributions to Pension Trust or OPEB trusts or affecting the contribution requirements of the companies."[15]

Q. Why does the Company have to request that amounts included in Tracker 2 balances for both OPEB and Pension be included in rate base where applicable?

A. Tracker 2 was established to recognize the ratemaking effect of the timing differences between pension expense recognized for accounting purposes and the minimum required cash contributions to the plan under ERISA. This allows the company to reduce future cash contributions if pension expense exceeds the minimum funding requirement in the future. When this was established, the dramatic interest rate increases caused by actions from the Federal Reserve in 2022 and 2023 were not envisioned. During 2022, the interest rate used to determine pension expense rose 260 basis points driving down accounting liabilities and expense. As a result of numerous changes to the pension funding requirements over the past several years—including the Infrastructure Investment and Jobs Act and the American Rescue Plan Act—this interest rate change does not result in a corresponding reduction in the minimum required contributions. As a result, the company's actual cash contributions over the next 10 years are expected to significantly exceed the pension expense (over $300M total Evergy by 2032). As such, the Company is making the request for rate base treatment of Tracker 2 at this time.

Q. How do cash contributions benefit customers?

A. There are two ways that contributions in excess of pension expense directly benefit customers. First, because the company is able to invest the contributions immediately, there is a reduction in pension expense in the next year due to an increase of the expected return

[15] *Id.* at pp. 11-12.

on plan asset component of expense. This reduction in expense reduces customer rates in the next rate case through Tracker 1. For example, Evergy assumes that plan assets return 6.8% under GAAP expense, so for every $10,000,000 of excess contributions, the next year's pension expense will be reduced by $680,000 due to the application of the expected return on plan assets. The second way that cash benefits customers is through reductions in the insurance premiums charged to the plan by the Pension Benefit Guarantee Corporation (PBGC). These premiums are paid by the plan and included in the annual service cost component of expense. Any reduction in PBGC premiums is a direct reduction in next year's pension expense which reduces customer rates in the next rate case through Tracker 1.

Q. How do accelerated cash contributions impact the Company?

A. Since the Company's recovery through rates is based on the pension expense determined under ASC 715, it must finance any cash contribution made to the pension plan in excess of that amount. Without rate base treatment of Tracker 2, it does not recover the cost to finance the contributions, while customers receive the corresponding benefit mentioned above. This interferes with the Company's ability to earn its allowed return on equity and contributes to the overall need for rate relief.

Q. What are the amounts proposed for inclusion in rate base in this case in adjustment RB-61 and RB-65?

A. For EKC the OPEB's balance for Tracker 2 included as a rate case item in this case is $5,471,055. For EKM OPEB's and both EKC and EKM pension Tracker 2, balances are negligible and thus a balance was not included in this case. However, these balances are expected to increase significantly over the next 10 years, as described above, thus warranting rate base treatment.

CS-67 EKC COLI Reclassification
EKC

Q. What additional adjustment is necessary associated with COLI benefits?

A. Adjustment CS-67 is an adjustment that increases EKC's pre-tax operating income. This adjustment is necessary to reclassify amounts that were reclassified out of 926 accounts pursuant to a FERC audit back into 926 accounts for rate review purposes as provided for in the June 1993 rate order Docket No. 184,735 U.

CS-71 Injuries and Damages
EKM and EKC

Q. Please explain adjustment CS-71.

A. This adjustment normalizes an annual cost level for injuries and damages expense for both EKM and EKC. Evergy normalized injuries and damages costs based on an average payout history during the 12-month periods of October 2019 through September 2020, October 2020 through September 2021, and October 2021 through September 2022, as reflected by the amount relieved from FERC account 228.2 Accumulate Provision for Injuries and Damages ("I&D"). This account captures all accrued claims for general liability, worker's compensation, property damage, and auto liability costs. The expenses are included in FERC account 925 as the costs are accrued. The liability reserve is relieved when claims within these categories are actually paid.

Q. Does FERC account 925 also include actual costs charged directly to that account and not accrued?

A. Yes. Smaller dollar claims are recorded directly to expense for the EKM jurisdiction. The Company averaged these expenses over the same three-year period.

Q. Why were multi-year averages chosen?

A. I&D claims and settlements of these claims can vary significantly from year to year. A period of three years was used to establish an appropriate ongoing level of expense by leveling out fluctuations in the payouts that can exist from one year to the next depending on claims activity and settlements.

Q. Does the Company currently have a reserve set up for these I&D claims for EKC?

A. Yes. EKC has had a reserve balance for these types of I&D claims for the past several years. Due to the unpredictability of expenses associated with the above-mentioned reserves, the Commission has historically allowed EKC to maintain reserves on its financial statements based on historic experience, rather than trying to predict precisely when and in what amount these costs will be incurred. The cost to build up these reserves is recorded as an expense and included in rates, and in so doing reduces the risk that we charge customers differently from our experience. Because a positive reserve balance reflects money we have collected from customers that we have not yet spent, we offset rate base accordingly.

Q. Please explain your adjustment for the injuries and damages reserve for EKC.

A. I am proposing an adjustment to the injuries and damages reserve for EKC due to higher-than-normal levels of charges that have been made to the reserve. The reserve for EKC was substantially depleted as of the end of the test year. To annualize injuries and damages costs to a level needed to adequately cover an average annual claims level, I propose making an adjustment to increase test year operating expense equal to the excess of the three-year average of costs charged to the reserve over the amount in the test period. In addition, I am proposing another adjustment to replenish the reserve by increasing operating expense equal to the sum of the three-year average of charges to the reserve and expenses that were incurred during the last three years that were in excess of the reserve divided by three years.

Q. Does the Company currently have a reserve set up for these I&D claims for EKM?

A. No. EKM does not currently have an I&D reserve; however, the Company is proposing to establish a reserve similar to EKC's in this case.

Q. Why does EKM propose establishing an I&D reserve?

A. As part of the Company's jurisdictional alignment initiatives in order to provide consistency across the Kansas operating jurisdictions, EKM, as part of adjustment CS-71, is proposing to establish an I&D reserve similar to EKC in order to smooth out the unpredictable cost nature associated with I&D expense. This reserve, once established, will provide a smoothing of annual expenses associated with I&D claims. In addition, it will provide accounting consistency between the EKC and EKM jurisdictions.

Q. Once an I&D reserve is established, will EKM use any collected funds not used to cover claims to offset rate base?

A. Yes. Once a reserve balance is established any unspent reserve balances will be used as an offset to rate base consistent with the EKC jurisdiction.

Q. What are the amounts of the adjustments for each utility?

A. For EKM the adjustment is $917,942, which is the difference between the three-year average of claims paid over the test year expense amounts. Also, for EKM the adjustment to establish a reserve is $1,291,907. For EKC the adjustment is $19,207 for the amount of three-year average claims over the test year expense amounts. Also, for EKC the Company is proposing to replenish the depleted reserve balance for an amount of $637,930.

Q. Will these adjustments be updated?

A. Yes. I&D claims experience will be re-evaluated at the time of the true-up at June 30, 2023.

<u>CS-72 Storm Reserve</u>
EKM and EKC

Q. Please explain adjustment CS-72.

A. As discussed in the direct testimony of Company witness Ryan Mulvany, the KCC established a storm reserve for EKC a number of years ago. The reserve provides a systematic method to collect revenues to be used for extraordinary storm Operating and Maintenance expenses. The adequacy of the reserve is reviewed at each general rate proceeding, and over the years the reserve has worked well for the benefit of our customers and EKC. In this proceeding we are requesting the establishment of an identical reserve for EKM.

Q. How does the storm reserve benefit both customers and the utility?

A. The reserve reduces rate volatility and stabilizes costs included in customer rates by smoothing recovery of major storm expenses year-over-year. It also smooths storm-related expenses and reduces earnings volatility for the utility.

Q. Please describe the structure and terms of the storm reserve proposed for EKM.

A. The Company is proposing to set a reserve level based on a three-year average of storm costs (2019, 2020, and 2021) where the costs related to individual storms were greater than $250,000. This amount will accumulate annually. Implementation of this reserve will be used to cover intermediate to large storms by using a $250,000 minimum storm level. But in the event a storm is very significant and impactful to Company operations, this request does not preclude Evergy from requesting an AAO if the magnitude of the storm warrants the request, as has been done historically.

Q. Are the provisions of the proposed EKM storm reserve identical to those that previously have been approved for EKC?

A. Yes. The proposed EKM storm reserve is modeled identical to the EKC reserve.

Q. Is there any change in the storm reserve annual accrual amount for EKC?

A. No. There is no change requested in this case for the annual accrual amount for EKC's storm reserve.

Q. What is the amount of the adjustment for EKM and EKC?

A. The amount of the adjustment for EKM is $1,565,633. As stated previously, there is no adjustment in the annual accrual rate for EKC.

<u>CS-73 Environmental Reserve</u>
EKC

Q. Please explain adjustment CS-73.

A. This adjustment applies only to EKC. Due to the unpredictability of expenses associated with environmental costs, the Commission has historically allowed EKC to utilize and maintain reserves on its financial statements based on historic experience, rather than trying to predict precisely when and in what amount these costs will be incurred. The cost to build up these reserves is recorded as an expense and included in rates, and in so doing reduces the risk that we charge customers differently from our experience. Because a positive reserve balance reflects money we have collected from customers that we have not yet spent, we offset rate base accordingly. The environmental reserve is used to pay for periodic costs for environmental work.

Q. Please explain how the environmental reserve is calculated for EKC.

A. This reserve was established several years ago using a three-year average of environmental costs. The adequacy of the reserve is reviewed at each general rate proceeding to determine an appropriate level to cover these periodic costs.

Q. Was an adjustment made to the environmental reserve in this case for EKC?

A. No. A current three-year period of environmental costs were reviewed and it was determined that the current level in the reserve is enough to cover those periodic costs.

<u>CS-88 Critical Infrastructure Protection - "CIPS"/Cyber Security O&M</u>
EKM and EKC

Q. Please explain adjustment CS-88.

A. In Docket Nos. 15-KCPE-116-RTS and 15-WSEE-115-RTS, the Commission approved CIPS/Cyber Trackers for EKM and EKC. The trackers were established to permit recovery of incremental non-labor O&M costs incurred to meet regulatory requirements for protection of critical infrastructure. The trackers include sunset provisions contemplating their termination upon completion of the first full general rate proceeding filed on or after January 1, 2020, which is this case. Absent further action by the Commission, the trackers will expire upon implementation of new general rate tariffs. However, the agreements and orders establishing the CIPS/Cyber trackers also permitted the Company to request the Tracker mechanisms be reauthorized and continued. The burden of showing the extension of the Trackers is in the public interest and will result in just and reasonable rates rests with the Company. For the reasons discussed below, Evergy is requesting that the CIPS/Cyber Trackers be reauthorized.

Q. What was the level of the regulatory asset/liability for EKM and EKC that is being amortized in adjustment CS-88?

A. Adjustment CS-88 for EKM includes an estimated regulatory liability in the amount of $7,680,399, proposed to be amortized over four years. This amount will be updated at the time of the true-up in this case with the actual balance as of June 30, 2023. For EKC, adjustment CS-88 includes an estimated regulatory asset in the amount of $8,593,346, proposed to be amortized over four years. In addition, this amount will be updated at the time of the true-up in this case with the actual balance as of June 30, 2023.

Q. Has the CIPS/Cybersecurity Tracker worked effectively since the last rate case?

A. Yes, it has. As can be seen by the results above, there have been different results by jurisdiction. The main driver of this request concerns the base level amounts that were included in the prior rate cases revenue requirement. Yet the costs attributable to the Tracker have been effectively tracked and will be amortized either back to customers in EKM's case or recovered in EKC's case.

Q. Why is the Company requesting continuation of the Tracker?

A. The Company fully anticipates this expense 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 the ability, as was demonstrated in the past with the experiences at EKM and EKC, that costs in this area are unpredictable and can vary from amounts established in base rates. Additionally, the Company is including the addition of a security component to the Tracker because security threat costs are expected to have an increasing impact on the Company.

Q. Please explain.

A. The security threat landscape continues to increase and evolve. Critical infrastructure—the electric grid at all voltage levels—is a rich target for United States' adversaries. In addition, there have been increases in violent domestic attacks on the nation's critical infrastructure. While Evergy has been responsive to compliance with regulations, reporting and risk-based prudent security measures, the ever-changing attack surface requires the Company to be flexible and expeditiously deploy prudent security response measures to protect the assets that serve Evergy's customers.

Q. What are some of the considerations beyond compliance regulations?

A. Physical security of widely dispersed unmanned assets is a challenge. While regulations may speak to the risk and protection of these assets, the current threat landscape reinforces the need for additional reasoned and prudent investments, and additional security measures. In addition to this, the electric industry is experiencing increased risk through supply chain sources, such as embedded cyber technology (chips, malware, backdoors, etc.) in electrical equipment installed by nation-state adversaries. While regulations exist to address each of these issues, compliance is representative of the security baseline or floor. Reasonable layered security controls represent the most effective way to protect assets that serve Evergy's customers. Another risk that continues to promulgate across all industries and entities is ransomware attacks, such as the one with Colonial Pipeline in May 2021 that disrupted oil supply for five days primarily in the southeastern United States. These types of attacks are very costly and disruptive to businesses and customers.

Q. How do these investments benefit customers?

A. To ensure reliability of systems and electrical service, Evergy needs to anticipate service disruptions and have processes in place to anticipate issues, root cause analysis tools and response tools for recovery/restoration of service. Similar to service disruptions by weather, Evergy has been working to anticipate disruptions from threat actors whether that is a local threat hacking into networks for personal gain or a nation state with intent to harm the United States infrastructure. Evergy's ability to deploy security measures in an efficient and reasonable manner is critical to keeping the lights on. In addition, because of the pandemic and the slowing of global supply chains, certain equipment has much longer lead times than historical experience. Destruction of equipment by bad actors, coupled with the inability to respond quickly with new equipment, could extend restoration times significantly. The Company has spare equipment and response plans to prepare for outage restoration. Whether required by storms or breaches of security measures, Evergy has the same goal – ensure customer service is restored promptly.

Q. Broadly stated, what is the impact to the Company with respect to security?

A. Security continues to be a top priority for the Company. Evergy is committed and required to comply with standards set out to establish a baseline and floor for protection of the electric grid and Evergy's assets. In addition to compliance with regulations, Evergy takes additional steps to ensure a layered defense posture or "defense in depth" and prudent mitigation of risk to manage exposure to the evolving security threat landscape. The security measures are necessary to ensure Evergy is positioned to reliably provide services to customers given the evolving and increasing threats to the United States and its critical infrastructure. The costs of compliance with regulations and being responsive to prudent security measures are constantly changing but are expected to be substantial. The Company has already committed significant resources to ensuring the security of the assets, customers, and personnel. Going forward, the dedication of resources and efforts will continue and will be increasing.

Q. What is the Company requesting regarding the security portion of the tracker in this case?

A. Previously, EKC, for example, had requested a Tracker specifically for readiness to adhere to the North American Electric Reliability Corporation's ("NERC") Critical Infrastructure Protection Standards Version 5 compliance requirements and increasing needs specific to cybersecurity posture. Since that time, with the escalating threat landscape, the attack surface continues to expand, and concurrently, the Company's focus has expanded. We deploy resources to both physical and cyber security programs beyond the floor of compliance adherence. Evergy requests the Commission authorize the continuation of the CIPS/Cybersecurity Tracker and, in addition, add a security component to ensure recovery of the costs necessary to respond to evolving threats, new reporting requirements that are expected to be mandated in the near term, and additional government-mandated regulations regarding security of assets—both physical and cyber—essential to the safe and reliable operation of Evergy's assets. These requirements are expected to affect all Evergy's infrastructure regardless of voltage.

Q. What is the cost for security to the Company?

A. The costs to secure Evergy's assets and comply with existing regulations and increasing requirements have the potential to be substantial. Evergy has a cost plan for security spend as it exists today. However, we will need the ability to be agile and responsive to emerging threats as well as new requirements and regulations.

Q. Why are these costs in addition to the Company's costs to comply with regulations?

A. There are security events that require Evergy to respond with third party evaluations or additional security measures to protect Evergy assets and people. These responses are above and beyond compliance with baseline regulations and are necessary to meet our service obligations to our customers. The associated costs are prudently incurred and would be appropriately recovered through the proposed Tracker.

Q. Is this request asking for unlimited spending for security costs?

A. No. Evergy has discussed compliance requirements of Department of Energy ("DOE"), the FERC and NERC that are targeted at security. As indicated previously, government-mandated requirements and government partnership have a cost to them. The mandates for reporting and partnerships continue to grow and are coming from other federal agencies. In addition to FERC and NERC compliance mandates, Evergy has increasing security requirements coming from numerous federal agencies and departments that are in the process of taking shape. The Company is asking the Commission to authorize it to add these categories to the existing Tracker for these type of costs. The costs will include the addition of personnel, substantial physical security measures, computer software enhancements and support, and the development of new programs to address the hardening of the Company's infrastructure. The Company will use specific accounting treatment through specific general ledger codes, as it has in the past, to track all costs associated with each specific effort responsive to appropriate security measures for reporting, partnerships, and Company asset protection. The Company will track these costs for consideration for recovery in the next rate proceeding when the costs would be reviewed by Commission Staff.

Q. Does the requested security tracker include internal labor costs?

A. It does not include internal labor costs for current employees. It does accommodate a need for additional personnel with enhanced security skills to work on emerging security technologies and to interface with state and federal government agencies to promote partnerships for the security of Kansas and Kansas customers.

Q. This request includes capital investments as well as expenses. Please explain.

A. The additional needed security measures specifically related to physical security of widely dispersed unmanned assets require capital investments. Evergy is requesting a return on and of the capital spend between rate cases for Tracker treatment in addition to the expense projections.

Q. If the Commission approves the continuation of the CIPS/Cybersecurity Tracker what are the base level of costs included in the revenue requirement in this case?

A. The base level included in the revenue requirement for EKM is $4,184,570 (total company). The base level included in the revenue requirement for EKC is $3,592,525.

<u>CS-117 Common Use Billings – Common Plant Adds</u>
EKM and EKC

Q. Please describe the common use billing process and explain how this system (approach, methodology) has been implemented by the Company.

A. Common use billings represent the monthly billing of common use plant maintained by EKM and EKC. Common assets belonging to and recorded on the books and records of one utility are used to serve all the Evergy jurisdictional utilities. This property, referred to as common use plant, is primarily service facilities, telecommunications equipment, network systems and software. To ensure that EKM and EKC entities do not subsidize other Evergy companies or jurisdictions, EKM and EKC bill other Evergy jurisdictional utilities for the use of their respective common use assets. Monthly common use billings are created and are based on the depreciation and/or amortization expense of the underlying asset and a rate of return is applied to the common asset net plant basis and billed to the jurisdiction using the asset.

Q. Please explain adjustment CS-117.

A. This adjustment applies to both EKM and EKC. The Common Use Billing adjustment is completed in 2 steps. First, the actual Common Use Billing that occurred in September 2022 was annualized to include all current common assets that are currently being billed for both EKM billings and EKC billings. Second, included in plant adjustment RB-20 are plant additions that are expected to be placed into service after the test year and prior to the true-up period in this rate case proceeding for both EKM and EKC. The forecasted capital additions associated with common assets such as network systems and software will become a part of the Common Use Billing Process. Since these common use plant additions are expected to occur after the test year, the portion of the common use assets that are used by and billable to other Evergy jurisdictional utilities are accumulated and charged to the appropriate jurisdictions.

Q. What are the amounts of the Common Use Billing adjustments for both EKM and EKC?

A. For EKM the adjustment is ($9,386,606) total company Metro. For EKC it is $4,655,878.

Q. Will this adjustment be updated?

A. Yes. Actual Common Use Billings at June 30, 2023 will be included in the true-up adjustment associated with adjustment CS-117.

CS-120 Depreciation Expense
EKM and EKC

Q. Please explain adjustment CS-120.

A. We calculated annualized depreciation expense by applying jurisdictional depreciation rates to adjusted Plant in Service balances for both EKM and EKC. The jurisdictional rates that should be used in the annualization are those included in the depreciation study sponsored and described in the direct testimony of Company witness Dr. Ron White.

Q. Why was a depreciation study completed for this rate case?

A. In Docket No. 08-GIMX-1142-GIV ("08-1142 Docket"), the Commission ordered utilities in the state of Kansas to file depreciation studies every five to seven years, concurrent with or just before a rate case. As such, the last time EKM (previously KCP&L) and EKC (previously Westar) filed a full depreciation study was in Docket No. 18-KCPE-480-RTS (EKM) and 18-WSEE-328-RTS (EKC) which covered the plant balance period of December 31, 2016, in both studies. In this case, EKM and EKC are filing a depreciation study covering the plant balance period of December 31, 2021, to be in compliance with the 08-1142 Docket mandate. This study is described fully in the direct testimony of Dr. White.

Q. Are decommissioning costs included as a component of the depreciation study filed in this case?

A. Yes.

Q. Please explain what is included in decommissioning costs.

A. Decommissioning is described as the planned and orderly retirement of a generating unit and the dismantlement and reclamation of the site. Decommissioning costs can be separated into two distinct buckets which I will refer to as "Retirement Costs" and "Dismantlement Costs." Retirement costs are defined as costs associated with the shutdown or closure and removal from service of a generating unit and includes the disconnection, de-energization, cleanout, and securing of the generating units to render them safe. Dismantlement costs are associated with the orderly demolition of the generating unit in a controlled and safe manner so as to preserve the scrap value of reclaimed materials.

Q. Who conducted the decommissioning study used in the depreciation study?

A. Evergy engaged 1898 & Co., a division of Burns & McDonnell Engineering Company, Inc., to perform a decommissioning study to examine the costs of retirement and dismantlement on all EKM and EKC generating stations except for the Wolf Creek Nuclear Generating Facility. A copy of this study is attached to the direct testimony of Company witness Jeff Kopp. Mr. White used the results of the decommissioning study in his depreciation study.

Q. Why should the results of the Company's decommissioning study be included as a part of the depreciation study?

A. Decommissioning costs of generating units should be included as a component cost of the generating unit and should be considered as part of the depreciation rate analysis as a matter of intergenerational equity to ensure the customers receiving the benefit of electricity from a generating unit are the same customers who pay for that generating unit's total cost. For this to happen, the depreciation rates associated with each generating unit should include the cost of retirement and dismantlement.

Q. What specific action does the Company request in regard to depreciation expense?

A. The Company requests the Commission authorize the use of depreciation rates proposed by Dr. White, which are used to compute total depreciation expense in this rate case.

Q. Where there any corrections to depreciation rates included in Dr. White's depreciation study?

A. Yes. After completion of the Company's revenue requirement calculation, it was determined that for plants that have joint owners, the entire amount of decommissioning costs were included in the depreciation rates used in the revenue requirement calculation. As such, Dr. White updated the Depreciation Study and included the corrected depreciation rates in his study. This adjustment impacted the EKM model by decreasing it by

$1,778,970. The EKC model decreased by $3,936,746. The corrected rates will be included in the true-up amounts supplied in this rate case.

Q. Are there new plant accounts for which an authorized depreciation rate is needed that is not included in the Depreciation Study?

A. Yes. EKC will have two new plant accounts by the June 30, 2023 true-up. The first is for plant account 37101 for Charging Station assets that went in-service December 2022. The Company is proposing a ten-year life which is the same life as used by EKM's Charging Stations plant account 37101. Therefore, the company proposes a 10% depreciation rate for Charging Stations.

The second is for plant account 34800 for a Production Energy Storage Battery that also went in-service in December 2022. The Company is proposing a fifteen-year life which is the same life as used by EKM's Distribution Storage Battery (Missouri situs). Therefore, the Company proposes a 6.67% depreciation rate for the Storage Battery.

<u>CS-121 Amortization Expense</u>
EKM and EKC

Q. Please explain adjustment CS-121.

A. Evergy annualized amortization expense applicable to certain plant for EKM and EKC which includes computer software, land rights, leasehold improvements and other intangible plant, by multiplying September 2022 amortization expense by twelve months. For EKC the adjustment also includes the amortization of the LaCygne 2 Lease. In addition, for plant additions forecasted from October 2022 to June 2023, an annual amount of amortization expense was calculated associated with the forecasted assets. This amount will be trued-up using activity as of June 2023. The amortization adjustment for EKM Kansas Jurisdictional is $8,782,809 and for EKC is $7,337,825.

Q. What amortization periods were used to amortize intangible assets?

A. Computer software is amortized over either a five-, ten- or fifteen-year amortization period, depending on the nature of the asset, consistent with the Company's past practice. Cost of land rights is amortized using rates that vary by function, consistent with the Company's past practice. Amortization of individual Leasehold Improvements and the LaCygne 2 lease are based on the length of the lease. Accumulated amortization is maintained by each individual intangible asset, other than land rights which is maintained in total by account, and amortization stops when the net book value reaches zero.

<u>CS-139 Amortization of Excess Off-System Sales from Storm Uri Regulatory Asset</u>
EKM

Q. Please explain adjustment CS-139.

A. Adjustment CS-139 is the result of net excess off system sales margins that did not exist that were provided to customers during the 2021 Winter Storm Uri due to the differences in allocation methodologies between the Evergy Metro Missouri and Kansas jurisdictions. Adjustment CS-139 captures EKM's calculated share of the net excess off system sales margin allocation. This amount is being amortized over two years and is included in the Company's revenue requirement as an increase to cost of service of $2,341,099.

Q. How was this issue, originally presented in Docket No. 21-EKME-329-GIE ("21-329 Docket"), resolved?

A. In the 21-329 Docket, the parties entered into a Non-Unanimous S&A under which they agreed not to offset the excess off system sales margin amount against the regulatory liability to be returned to customers as a result of that case. Instead, the parties agreed to permit the Company to defer as a regulatory asset the amount of under-recovery attributable to Kansas customers in the amount of $4.7 million and to consider that amount for recovery in this rate proceeding.

Q: Explain the background behind the establishment of the regulatory asset?

A: This issue is also discussed in the testimony of Company witness Darrin Ives. Evergy Metro provides electrical operations in two states, Kansas and Missouri, and has tariffs unique to both states. As such, to separate costs and revenues between each state, allocations must be made associated with total Evergy Metro revenue and expenses. If Evergy Metro operated only in Kansas or only in Missouri, then an allocation of revenue and costs would not be necessary. Allocation methodologies between the two states exist that provide a separation of the revenue and expenses. As explained in the testimony of both Mr. Ives and John Wolfram, these allocation methodologies are currently different, and historically have been different, between Kansas and Missouri based on Commission approved and ordered allocation methods and factors. The different methodologies create an under-recovery or over-recovery situation that is inconsistent with the objective of the rate setting process (*i.e.,* recovery of all prudently incurred costs). Adjustment CS-139 provides the accumulation of excess off-system sales that never existed due to the differences in the allocation methodologies between the two states during the Winter Storm Uri event.

Q: How did you determine the amount deferred to the regulatory asset which is the portion of the under-recovery that should be attributed to Kansas customers?

A: The portion of under-recovery attributable to EKM customers was calculated using the following steps:

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

2. Total Evergy Metro revenues and costs that actually occurred for the month of February 2021 in each category were identified. This is the actual amount of either a credit to customers for revenue or cost charged to customers that was recorded on the income statement for Evergy Metro for the month of February 2021.
3. Total Evergy Metro revenues and costs that will be actually credited or charged to customers through their respective fuel recovery mechanisms were identified using the current allocation methodology and accounting processes in place.
4. The actual total revenue and costs identified in section 2 compared to the actual total revenue and costs to be charged as identified in section 3 were compared, which identified a total resulting amount of under- or over-recovery that was caused by the extraordinary events in the month of February 2021 surrounding Winter Storm Uri for the three categories. The three categories resulted in an ultimate under-recovery for Evergy Metro.
5. In order to allocate the total under- or over-recovery for each revenue and cost category for Evergy Metro, a ratio was established which used the sum of each state's allocation methodology as the denominator and the actual allocator for each state as the numerator. The resulting ratio for EKM was applied to the total under- or over-recovery amount identified in step 4 above to obtain the total under- or over-recovery for each revenue and cost category assigned to EKM. The total net amount identified from the three categories of revenue and costs in step 5 resulted in an under-recovery from customers. This under-recovery was deferred to a regulatory asset, as discussed above, which resulted from the cold weather event.

Q. Does this conclude your testimony?

A. Yes, it does.

Evergy
2023 RATE CASE - KS METRO - DIRECT
TY 9/30/22; True-Up 6/30/23

Revenue Requirement

Line No.	Description	7.4282% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 2,607,255,130
2	Rate of Return	7.4282%
3	Net Operating Income Requirement	$ 193,672,126
4	Net Income Available (Sch 9)	173,864,667
5	Additional NOIBT Needed	19,807,459
6	Additional Current Tax Required	5,265,219
7	Gross Revenue Requirement	$ 25,072,678

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2023 RATE CASE - KS METRO - DIRECT
TY 9/30/22; True-Up 6/30/23

Rate Base

Line No.	Description	Amount	Witness	Adj. No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	5,373,804,745	Klote	RB-20
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	2,263,479,953	Klote	RB-30
5	Net (Plant in Service)	3,110,324,793		
6	Add to Net Plant:			
7	Materials and Supplies - Schedule 12	76,732,884	Nunn	RB-72
8	Prepayments - Schedule 12	8,049,866	Nunn	RB-50
9	Fuel Inventory - Oil - Schedule 12	6,498,435	Tucker	RB-74
10	Fuel Inventory - Coal - Schedule 12	27,571,845	Tucker	RB-74
11	Fuel Inventory - Additives - Schedule 12	455,250	Tucker	RB-74
12	Fuel Inventory - Nuclear - Schedule 12	34,727,722	Nunn	RB-75
13	Regulatory Asset - Iatan 1 and Com-KS	2,574,722	Nunn	RB-25
14	Regulatory Asset - La Cygne Environ-KS	2,040,427	Nunn	RB-27
15	CWIP	33,661,726	Klote	RB-21
16	Subtract from Net Plant:			
17	Cust Advances for Construction-KS	736,230	Nunn	RB-71
18	Customer Deposits-KS	844,397	Nunn	RB-70
19	Deferred Income Taxes - Schedule 13	675,082,456	Hardesty	RB-125
20	Def Gain on SO2 Emissions Allowances-KS	15,810,094	Nunn	RB-55
21	Def Gain (Loss) Emissions Allow-Allocated	20,667	Nunn	RB-55
22	Cost Free - Acct 242 - Accrued Vacation - Sch 14	2,888,695	Klote	RB-68
23	Cost Free - Acct 228 - Operating Reserves - Sch 14	0	Klote	RB-79
24	Total Rate Base	2,607,255,130		

Evergy
2023 RATE CASE - KS METRO - DIRECT
TY 9/30/22; True-Up 6/30/23

Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Comany	Adjusted Jurisdictional
	A	B	C	D	F
1	Operating Revenue	1,953,350,580	(91,191,880)	1,862,158,700	804,755,986
2	Operating & Maintenance Expenses:				
3	Production	707,380,663	(14,716,649)	692,664,014	307,269,753
4	Transmission	64,312,204	(61,771,604)	2,540,600	1,170,485
5	Distribution	50,369,048	(2,508,983)	47,860,065	19,979,179
6	Customer Accounting	(5,869,774)	3,083,486	(2,786,288)	(2,906,538)
7	Customer Services	34,219,327	100,355	34,319,682	2,695,137
8	Sales	459,003	(8,763)	450,240	215,806
9	A & G Expenses	97,291,071	(28,438,134)	68,852,937	32,969,045
10	Total O & M Expenses	948,161,542	(104,260,292)	843,901,250	361,392,867
11	Depreciation Expense	292,408,845	25,212,565	317,621,410	143,158,600
12	Amortization Expense	78,263,623	17,517,810	95,781,433	44,670,252
13	Amortization Regulatory Debits & Credits	(81,888,523)	52,304,257	(29,584,266)	3,494,674
14	Taxes other than Income Tax	133,517,452	1,565,789	135,083,241	62,136,974
15	Net Operating Income before Tax	582,887,641	(83,532,010)	499,355,631	189,902,618
16	Income Taxes Current	814,808	69,303,064	70,117,872	23,761,960
17	Income Taxes Deferred	82,877,213	(96,796,582)	(13,919,369)	(5,991,294)
18	Investment Tax Credit	(1,832,970)	(1,928,637)	(3,761,607)	(1,732,714)
19	Total Taxes	81,859,051	(29,422,155)	52,436,896	16,037,952
20	Total Net Operating Income	501,028,590	(54,109,855)	446,918,735	173,864,667

Evergy
2023 RATE CASE - KS METRO - DIRECT
TY 9/30/22; True-Up 6/30/23

Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 6-30-23 - Update Date			
				Total Adjustments	Allocated Adjs	100% MO & Whsl Adjs (2)	100% KS Adjs
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
1	**JURISDICTIONAL COST OF SERVICE**						
2							
3	**OPERATING REVENUE**						
4	R-20	Normalize KS Retail revenues (KS only)	Bass / Miller	(65,551,140)			(65,551,140)
5	R-21a	Adjust KS forfeited discounts LPC for R-20 (KS Only)	Nunn	1,852,589			1,852,589
6	R-21b	Adjust KS forfeited discounts LPC - ASK (KS only)	Nunn	54,342			54,342
7	CS-23	Remove FAC Under Recovery	Nunn	(3,608,979)			(3,608,979)
8	R-29	COVID AAO Lost Revenues	Grace	(1,922,995)			(1,922,995)
9	R-82	Transmission Delivery Charge Adjustment	Nunn	(18,663,797)	(18,663,797)		
10	R-84	Remove Misc Over/Under	Nunn	(3,351,900)			(3,351,900)
11				(91,191,880)	(18,663,797)	0	(72,528,083)
12	**OPERATING EXPENSES**						
13	CS-4	Reflect KCREC test year bad debt expense in KCP&L's COS	Nunn	7,138,180		5,358,654	1,779,526
14	CS-9	Reflect KCREC test year bank commitment fees in KCP&L's COS	Nunn	2,295,906	2,295,906		
15	CS-10	Reflect test year interest on customer deposits in COS	Nunn	73,259		71,503	1,756
16	CS-11	Reverse prior period and non-recurring test year amounts.	Nunn	5,058,237	(1,868,784)		6,927,021
17	CS-20a	Normalize bad debt expense related to test year revenue	Nunn	143,599			143,599
18	CS-20b	Normalize bad debt expense related to jurisdictional "Ask" (KS only)	Nunn	56,334			56,334
19	CS-23	Remove ECA Under Collection	Nunn	(13,178,425)			(13,178,425)
20	CS-26	ECA costs	n/a	0			
21	CS-27	Wolf Creek Water Contract	Klote	48,464	48,464		
22	CS-36	Annualize Wolf Creek refueling outage amortization	Klote	(3,417,098)	(3,417,098)	0	
23	CS-37	Adjust Nuclear decommissioning expense	Klote	0	0	0	0
24	CS-39	IT Software Maintenance	Klote	1,730,520	1,730,520		
25	CS-40	Transmission Maintenance	Nunn	0	0		
26	CS-41	Distribution Maintenance	Nunn	(2,065,073)	(2,065,073)		
27	CS-42	Generation Maintenance	Nunn	0	0		
28	CS-43	Wolf Creek Maintenance	Nunn	0	0		
29	CS-50	Annualize salary and wage expense for changes in staffing levels and base pay rates	Klote	(3,497,107)	(3,497,107)	0	0
30	CS-51	Normalize incentive compensation costs	Klote	(1,051,745)	(1,051,745)		
31	CS-60	Annualize other benefit costs	Klote	(2,582,763)	(2,582,763)		
32	CS-61	Annualize OPEB expense	Klote	1,381,464	1,381,464		
33	CS-65	Annualize Pension expense (includes SERP)	Klote	(25,834,937)	(25,834,937)		
34	CS-70	Annualize Insurance premiums	Nunn	796,713	796,713		
35	CS-71	Normalize injuries and damages expense	Klote	2,209,849	2,209,849		
36	CS-76	Annualize interest on customer deposits	Nunn	85,133		46,527	38,606
37	CS-77	Annualize Customer Accounts expense for credit card payment costs	Nunn	342,512	342,512		
38	CS-78	Annualize KCREC bank fees related to sale of receivables	Nunn	2,662,312	2,662,312		
39	CS-80	Amortize Rate Case expenses	Nunn	325,933			325,933
40	CS-82	Transmission Delivery Charge Adjustment	Nunn	(65,682,446)	(65,703,963)	0	21,517
41	CS-85	Annualize regulatory assessments	Nunn	(553,217)	(40,344)	(265,385)	(247,488)
42	CS-88	CIPS/Cyber Security O&M	Klote	0	0		0
43	CS-89	Meter Replacement O&M	Nunn	(111,116)	(111,116)		
44	CS-90	Advertising	Nunn	(5,857)	(5,857)		
45	CS-92	Adjust dues, donations and contributions	Nunn	(47,759)	(47,759)		
46	CS-95	Amortize Merger Transition Costs (Westar)	Nunn	0			0
47	CS-103	EE Amortization	Nunn	173,685			173,685
48	CS-110	Flood AAO Amortization	Nunn	(92,493)			(92,493)
49	CS-115	Amortize Legal fee reimbursement	Nunn	14,458			14,458
50	CS-117	Common-use Billings	Klote	(9,386,606)	(9,386,606)		
51	CS-120	Annualize depr exp based on jurisdictional depr rates applied to jurisdictional plant-in-service at indicated period - unit trains & transportation equipment	Klote	(1,290,208)	(1,290,208)		

Line No.	Adj No.	Description	Witness	Increase (Decrease)			
	A	B		D	E	F	G
				Adjust to 6-30-23 - Update Date			
				Total Adjustments	Allocated Adjs	100% MO & Whsl Adjs (2)	100% KS Adjs
				Incr (Decr)	Incr (Decr)	Incr (Decr)	Incr (Decr)
52				(104,260,292)	(105,435,620)	5,211,299	(4,035,971)
53	**Depreciation Expense**						
54	CS-11	Out-of-period-items - Cost of Service	Nunn	(4,797,219)			(4,797,219)
55	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote	30,009,785	30,008,581		1,204
56				25,212,565	30,008,581	0	(4,796,015)
57	**Amortization Expense**						
58	CS-82	Transmission Delivery Charge Adjustment	Nunn	(1,965,263)	(1,965,263)		
59	CS-111	Amortize Iatan 1 & Cmn Reg Asset	Nunn	0			0
60	CS-113	Amortize La Cygne Reg Asset - Depr Deferral	Nunn	0			0
61	CS-118	Amortize Meter Replacement Unrecovered Reserve	Nunn	0			0
62	CS-121	Annualize plant amortization expense based on jurisdictional amortization	Klote	19,066,897	19,066,897		
63	CS-131	Amortize La Cygne BUD Plant Reg Liability	Nunn	397,173			397,173
64	CS-132	Amortize La Cygne BUD Deferred Depreciation	Nunn	2,333			2,333
65	CS-133	Amortize Wolf Creek BUD Plant Reg Liability	Nunn	16,670			16,670
66				17,517,810	19,066,897	0	416,176
67	**Regulatory Debits & Credits - Schedule 9, line 373**						
68	CS-11	Out-of-period-items - Cost of Service	Nunn	63,334,349			63,334,349
69	CS-61	Annualize OPEB expense	Klote	(3,263,544)	(3,263,544)		
70	CS-65	Annualize Pension expense (includes SERP)	Klote	(13,531,997)	(13,531,997)		
71	CS-72	Storms Reserve	Klote	1,565,633			1,565,633
72	CS-88	CIPS/Cyber Security O&M	Klote	(1,483,627)			(1,483,627)
73	CS-126	Adjust property tax expense	Hardesty	3,417,569	(6,642,224)	0	10,059,793
74	CS-130	Amortize Customer Migration	Nunn	(38,225)			(38,225)
66	CS-134	Amort Lost Revenues - TOU & RD	Nunn	26,462			26,462
67	CS-135	Amort TOU, RD & Res DG Deferral	Nunn	370,198			370,198
68	CS-137	Amort Environmental Insurance Settlements RL	Nunn	(771,193)			(771,193)
69	CS-138	Amort Electrification RA	Nunn	337,534			337,534
70	CS-139	Amort Excess Off-System Sales RA fr Storm URI	Klote	2,341,099			2,341,099
71				52,304,257	(23,437,765)	0	75,742,022
72	**Taxes Other than Income**						
73	CS-53	Payroll Taxes - FICA	Klote	(276,504)	(276,504)		
74	CS-82	Transmission Delivery Charge Adjustment	Nunn	(208,114)	(208,114)		
75	CS-126	Adjust property tax expense	Hardesty	2,050,407	2,050,407		
76				1,565,789	1,565,789	0	0
77	**Income Tax Expense**						
78	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Hardesty	(29,422,155)	(29,776,593)	354,438	
79				(29,422,155)	(29,776,593)	354,438	0
80	**Adjts to Op**	**Total Electric Oper. Expenses**		(37,082,025)	(108,008,711)	5,565,737	67,326,212
81	**Adjts to Ne**	**Net Electric Operating Income**		(54,109,855)	89,344,914	(5,565,737)	(139,854,295)

(1) All amounts are total company; if an adjustment is applicable to only KS or MO it is so indicated

(2) These adjustments affect Missouri and Wholesale jurisdictions and are not discussed in testimony supporting the Missouri rate case.

Evergy
2023 RATE CASE - KS METRO - DIRECT
TY 9/30/22; True-Up 6/30/23

Allocation Factors

Line No.	Jurisdiction Factors	Kansas	MO & Wholesale	Total
	A	B	C	D
1	**Jurisdiction Factors**			
2	Missouri Jurisdictional	0.0000%	100.0000%	100.0000%
3	Kansas Jurisdictional	100.0000%	0.0000%	100.0000%
4	Non Jurisdictional/Wholesale	0.0000%	100.0000%	100.0000%
5	D1 - Demand (Capacity) Factor	47.7206%	52.2794%	100.0000%
6	E1 - Energy Factor with Losses (E1)	43.3081%	56.6919%	100.0000%
7	C1 - Customer - Elec (Retail only) (C1)	47.9313%	52.0687%	100.0000%
8	**Blended Factors (See Calculation Below)**			
9	Sal & Wg - Salaries & Wages w/o A&G	46.7239%	53.2761%	100.0000%
10	PTD - Prod/Trsm/Dist Plant (excl Gen)	46.0631%	53.9369%	100.0000%
11	Dist Plt - Weighted Situs Basis	42.9061%	57.0939%	100.0000%
12	Total Plant without Wolf Creek	45.8811%	54.1189%	100.0000%
13	Wolf Creek Plant	47.7206%	52.2794%	100.0000%
14	**Situs Basis Plant used for Dist Depr Reserve**			
15	360 - Dist Land	55.7055%	44.2945%	100.0000%
16	360 - Dist Land Rights	40.3215%	59.6785%	100.0000%
17	361 - Dist Structures & Improvements	42.5042%	57.4958%	100.0000%
18	362 - Distr Station Equipment	33.0645%	66.9355%	100.0000%
19	362 - Distr Station Equip-Communication	44.7521%	55.2479%	100.0000%
20	363 - Distr Energy Storage Equipment	0.0000%	100.0000%	100.0000%
21	364 - Dist Poles, Towers & Fixtures	44.1471%	55.8529%	100.0000%
22	365 - Dist Overhead Conductor	40.7199%	59.2801%	100.0000%
23	366 - Dist Underground Circuits	41.9305%	58.0695%	100.0000%
24	367 - Dist Underground Conduct & Devices	46.7411%	53.2589%	100.0000%
25	368 - Dist Line Transformers	43.1694%	56.8306%	100.0000%
26	369 - Dist Services	45.6846%	54.3154%	100.0000%
27	370 - Dist Meters	43.1623%	56.8377%	100.0000%
28	370 - Dist AMI Meters	47.1300%	52.8700%	100.0000%
29	371 - Dist Customer Premise Installations	31.2999%	68.7001%	100.0000%
30	371 - Dist Electric Vehicle Charging Stations	44.0712%	55.9288%	100.0000%
31	373 - Dist Street Lights & Traffic Signals	49.6531%	50.3469%	100.0000%

Evergy Kansas Metro
Description of Allocators

OVERVIEW

Evergy Metro does not have separate operating systems for its Kansas, Missouri and firm wholesale jurisdictions. It operates a single production and transmission system that is used to provide service to retail customers in Kansas and Missouri as well as the full-requirements firm wholesale customers.

The method of allocation is critical first to ensure that the rates charged to each jurisdiction of customers reflect the full cost of serving those customers but not the cost of serving customers in other jurisdictions. Secondly, the method of allocation must allow the Company the opportunity to recover fully its prudent costs of serving those customers. If the sum of the allocation factors allowed in each jurisdiction is less than 100%, then the Company is unable to recover its prudent cost of service and return on rate base.

The allocators that were utilized can be classified as “Primary” allocators or “Derived” allocators. The Primary allocators are based on the weather-normalized demand, energy, and customer information. The Derived allocators are, at their root, based on the Demand, Energy, and Customer allocators. The Derived allocators are, however, calculated within the Revenue Requirement Model. They are often calculated as combinations of amounts that have previously been allocated using one or more of the Primary allocators.

DESCRIPTION OF PRIMARY ALLOCATORS

The Demand allocator is a 4-month weather normalized average of the coincident peak demands for the Missouri and Kansas retail jurisdictional customers and the firm wholesale FERC jurisdictional customers.

The Energy allocator is based on the total weather normalized kilowatt-hour usage by the Kansas and Missouri retail customers and the firm wholesale jurisdiction.

The Customer allocator is based on the average number of customers in the Kansas, Missouri, and the firm wholesale jurisdiction.

APPLICATION OF ALLOCATORS
NET ELECTRIC OPERATING INCOME

Revenues
Retail revenues are the revenues received from retail customers in Kansas and Missouri. Retail revenues are not allocated; rather, they are recorded by jurisdiction.

Miscellaneous revenues include forfeited discounts, miscellaneous services, rent from electric property, transmission service for others, and other electric revenues. These miscellaneous revenues are subdivided and, where possible, assigned directly to the jurisdiction where they are recorded. The miscellaneous revenues that are not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category.

Non-firm off-system cost of sales and firm bulk sales revenue are allocated based on the Energy allocator.

Sales for resale revenue is revenue from the full-requirements firm wholesale customers under FERC jurisdiction. This revenue is assigned totally to the FERC jurisdiction.

Fuel & Purchased Power Costs
Fuel & Purchased Power costs are primarily allocated based on the Energy allocator. The exceptions are the amortization of SO2 Allowances, sale of RECs, Solar credits, Fuel Rider and RECA recovery which are assigned directly to the applicable jurisdiction.

Non-Fuel Operations and Maintenance Costs
Production O&M costs are allocated consistent with the allocation of production plant.

Transmission O&M costs associated with company owned transmission plant are allocated consistent with the allocation of transmission plant. Transmission Operation Load expense, Transmission of electricity by others and costs associated with participation in SPP are allocated based upon the Energy allocator.

Distribution O&M costs are allocated consistent with the allocation of distribution plant.

Customer accounts expenses are primarily allocated using the Customer allocator. The exception is that the uncollectible accounts expense and interest on Customer Deposits are assigned directly to the applicable jurisdiction.

Customer services and information expenses are primarily allocated using the Customer allocator. The exception is that the MEEIA and KEEIA expense as well as the amortization of Customer Programs are assigned directly to the applicable jurisdiction.

Sales expenses are primarily allocated using the Customer allocator.

A&G expenses are allocated using a number of methods depending on the cause of the cost. Salaries, employee benefits, and injuries and damages expenses are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously. Regulatory expenses are assigned directly to the applicable jurisdiction, with the exception of the FERC regulatory expense, which is allocated based on the Energy allocator. Amortization of other jurisdictional costs deferred as a result of prior regulatory orders are assigned directly to the applicable jurisdiction. Property insurance and General plant maintenance are allocated based on the composite allocation of production, distribution and transmission plant. Fleet expense is allocated based on the allocation of distribution plant. General advertising expense is allocated using the Customer allocator. The remaining A&G expenses are allocated using the Energy allocator.

Depreciation and Amortization Expenses
Depreciation expense is allocated based on the allocation of the corresponding plant. Amortization expense is allocated based on the composite allocation of production, transmission and distribution plant, with the exception of amortizations resulting from a prior regulatory order. These are assigned directly to the applicable jurisdiction.

Regulatory Debits and Credits
Regulatory Debits and Credits are assigned directly to the applicable jurisdiction with the exception of Pension and OPEB trackers that are allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously.

Taxes
Non-Wolf Creek property tax is allocated based on Total Plant without Nuclear Plant and Wolf Creek property tax is allocated based on Nuclear plant only. Payroll tax is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses. Other miscellaneous taxes are allocated based on the composite allocation of production, transmission and distribution plant.

Currently payable income tax is not allocated. Instead, currently payable income tax is calculated in the Revenue Requirement Model using the statutory tax rates for the appropriate jurisdiction and applying those rates to jurisdictional taxable income calculated in the Revenue Requirement Model. Tax Credits such as R&D, Solar and Fuels are allocated based on the Energy Allocator. Deferred tax expense related to depreciation is calculated using the statutory federal and state tax rates for the appropriate jurisdiction and applying a composite tax rate to the jurisdictional difference between tax return depreciation and book depreciation reflected in the Revenue Requirement Model. Other deferred income tax expenses are allocated based on the composite allocation of production, transmission and distribution plant, with the exception of amortizations resulting from a prior regulatory order. These are assigned directly to the applicable jurisdiction.

RATE BASE

Plant-in-Service and Reserve for Depreciation and Amortization

The Demand allocator is used to allocate production plant. The exception is for plant items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include the Iatan 1 and Iatan 2 plant disallowances. These items are assigned directly to the applicable jurisdiction.

Transmission plant is allocated using the Demand allocator.

Distribution plant is assigned based on physical location.

General plant is allocated based on the composite allocation of production, transmission, and distribution plant.

Intangible plant consisting primarily of capitalized software is allocated based on the allocation factor considered most appropriate for the function of the software. For example, the customer information system is allocated based on the Customer allocation factor, whereas transmission-related software is allocated consistent with the allocation of Transmission plant.

The reserves for accumulated depreciation and amortization are allocated based on the allocation of the plant with which they are associated. The exception is for reserve items that have been afforded different jurisdictional accounting treatment through past commission orders. Examples include Additional Credit Ratio Amortizations which were assigned to specific reserve plant accounts in each jurisdiction differently and therefore are assigned directly to the applicable jurisdiction. In addition, Kansas unrecovered reserve amounts are allocated directly to Kansas.

Working Capital

Fuel inventory is allocated using the Energy allocator. Materials and supplies ("M&S") and prepayments are grouped by function and allocated based on allocations appropriate for the function of the M&S and prepayments.

Regulatory assets and Regulatory Liabilities

Regulatory assets and regulatory liabilities are assigned directly to the applicable jurisdiction. There is one exception, S02 Emission Allowances for EPA auction proceeds, which are allocated based on the Energy Allocator.

CWIP in Rate Base

CWIP included in Rate Base is allocated based on the composite allocation of production, transmission and distribution plant.

Accumulated Reserve for Deferred Taxes

Plant related reserve is primarily allocated based on the allocation of plant with which it is associated. Non-Plant related reserve not directly assignable to a jurisdiction are grouped by functional categories and allocated on a basis consistent with that functional category. Deferred tax reserve amounts that are associated with regulatory assets and liabilities are assigned directly to the applicable jurisdiction.

Customer Advances for Construction and Customer Deposits
Customer advances for construction and customer deposits are assigned directly to the applicable jurisdiction.

Cost Free
Cost Free Accrued Vacation is allocated based on the allocated sum of the labor portion of the production, transmission, distribution, customer accounts, customer services and information, and sales expenses described previously.

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Revenue Requirement

Line No.	Description	7.419% Return
	A	B
1	Net Orig Cost of Rate Base (Sch 2)	$ 6,002,137,257
2	Rate of Return	**7.4189%**
3	Net Operating Income Requirement	$ 445,292,561
4	Net Income Available (Sch 9)	224,905,259
5	Additional NOIBT Needed	220,387,302
6	Additional Current Tax Required	58,583,353
7	Gross Revenue Requirement	$ 278,970,655

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Rate Base

Line No.	Description	Amount	Witness	Adj No.
	A	B	C	D
1	Total Plant :			
2	Total Plant in Service - Schedule 3	11,188,551,576	Klote	RB-20, RB-28
			Nunn	RB-84
3	Subtract from Total Plant:			
4	Depreciation Reserve - Schedule 6	4,252,546,249	Klote	RB-30, RB-28
			Nunn	RB-84
5	Net (Plant in Service)	6,936,005,328		
6	Add to Net Plant:			
7	Materials and Supplies - Schedule 12	222,848,278	Nunn	RB-72
8	Prepayments - Schedule 12	14,568,303	Nunn	RB-50
9	Fuel Inventory - Oil - Schedule 12	11,730,825	Tucker	RB-74
10	Fuel Inventory - Coal - Schedule 12	93,853,697	Tucker	RB-74
11	Fuel Inventory - Additives - Schedule 12	2,712,217	Tucker	RB-74
12	Fuel Inventory - Nuclear - Schedule 12	79,066,991	Nunn	RB-75
13	Regulatory Asset - LaCynge AAO	7,377,818	Nunn	RB-100
14	Regulatory Asset - Diff in Depr Rates	6,339,846	Nunn	RB-25
15	Regulatory Asset - Pensions	0	Klote	RB-65
16	Regulatory Asset - OPEB	5,471,055	Klote	RB-61
17	CWIP	94,834,371	Klote	RB-26
18	Subtract from Net Plant:			
19	Cust Advances for Construction	6,401,831	Nunn	RB-71
20	Customer Deposits	6,569,706	Nunn	RB-70
21	ILOC Deposits	3,400,838	Nunn	RB-69
22	Deferred Income Taxes - Schedule 13	1,406,624,146	Hardesty	RB-124-125
23	Regulatory Liability - Aquila Consent Fee	1,776,516	Nunn	RB-55
24	Cost Free - Acct 242 Accrued Vacation - Sch 14	8,128,815	Klote	RB-68
25	Cost Free - Acct 228 Operating Reserves - Sch 14	37,229,606	Klote	RB-79
26	Cost Free - Acct 254 State Line WGEN PPA - Sch 14	2,540,015	Nunn	RB-81
27	Total Rate Base	6,002,137,257		

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Income Statement

Line No.	Description	Total Company	Adjustment	Adjusted Total Company
	A	B	C	D
1	Operating Revenue	2,845,105,884	(787,690,767)	2,057,415,117
2	Operating & Maintenance Expenses:			
3	Production	845,567,568	(13,879,333)	831,688,235
4	.	321,387,299	(321,387,299)	-
5	Distribution	15,619,673	78,163	15,697,836
6	Customer Accounting	38,152,352	20,367,219	58,519,571
7	Customer Services	5,412,097	(17,021)	5,395,076
8	Sales	1,965,011	24,075	1,989,086
9	A & G Expenses	332,583,163	(6,552,449)	326,030,714
10	Total O & M Expenses	1,560,687,163	(321,366,644)	1,239,320,519
11	Depreciation Expense	383,231,815	(35,358,550)	347,873,265
12	Amortization Expense	74,539,562	14,194,769	88,734,331
13	Amortization Regulatory Debits & Credits	(11,914,947)	6,166,764	(5,748,183)
14	Taxes other than Income Tax	212,207,446	(44,168,073)	168,039,373
15	Net Operating Income before Tax	626,354,845	(407,159,034)	219,195,811
16	Income Taxes Current	86,035,587	(57,778,612)	28,256,975
17	Income Taxes Deferred	(32,477,061)	1,232,987	(31,244,074)
18	Investment Tax Credit	(4,041,673)	1,319,324	(2,722,349)
19	Total Taxes	49,516,853	(55,226,300)	(5,709,447)
20	Total Net Operating Income	576,837,992	(351,932,733)	224,905,259

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)
	A	B		D
				Adjust to 06-30-23 - True Up Date
	JURISDICTIONAL COST OF SERVICE			**Total Adjustments Incr (Decr)**
1	**OPERATING REVENUE**			
2	**Retail Sales - Schedule 9, line 49**			
3	R-11	Out-of-period-items - Revenue		0
4	R-20	Revenue Normalization	Bass/Miller	(441,586,185)
5	R-21a	Forfeited Discounts	Nunn	3,950,109
6	R-21b	Forfeited Discounts Ask	Nunn	523,654
7	CS-23	Remove FAC Under Recovery	Nunn	39,402,138
12	R-24	Amort Aquila Consent Fee RL	Nunn	0
8	R-29	COVID AAO Lost Revenues	Grace	(4,520,966)
9	R-31	Occidental Revenue Loss	Nunn	(153,240)
10	R-32	Amort State Line Recovery RL	Nunn	(916,614)
11	R-33	Amort Spirit Contract RA	Nunn	(3,973,698)
13	R-67	KGE COLI	Klote	14,443,671
14	R-82	Transmission Revenue Elimination	Nunn	(353,056,073)
15	R-83	Wholesale Contracts	Nunn	(12,394,178)
16	CS-84	JEC 8%	Nunn	12,857
17	R-84	Remove Misc Over/Under	Nunn	(29,422,241)
18		**Operating Revenue - Schedule 9, line 40**		**(787,690,767)**
19				
20	**OPERATING EXPENSES - Schedule 9, line 297**			
21	CS-4	EKCR Bad Debt	Nunn	14,241,926
22	CS-9	EKCR Bank Fees	Nunn	3,417,179
23	CS-10	Customer Deposits - Interest	Nunn	14,253
24	CS-11	Out-of-period-items - Cost of Service	Nunn	(2,918,435)
25	CS-20a	Bad Debt	Nunn	(3,735,110)
26	CS-20b	Bad Debt - ASK	Nunn	1,391,996
27	CS-23	Remove RECA Over/Under Collection	Nunn	(16,182,620)
28	CS-25	State Line Capacity Costs	Nunn	1,971,621
29	CS-26	RECA Costs	Nunn	0
30	CS-27	WC Water Contract	Klote	48,464
31	CS-28	WPWF Levelized Rev Req	Klote	13,759,368
32	CS-29	COVID AAO Expenses	Klote	0
33	CS-30	Environmental Assessments	Nunn	(5,406)
34	CS-31	Capacity Contracts	Nunn	1,457,649
35	CS-36	WC Refueling Outage Amort	Klote	(3,417,098)
36	CS-37	Nuclear Decommissioning	Klote	0
37	CS-39	IT Software Maintenance	Klote	2,276,152
38	CS-40	Transmission Maintenance	Nunn	0
39	CS-41	Distribution Maintenance	Nunn	0
40	CS-42	Generation Maintenance	Nunn	0
41	CS-43	Wolf Creek Maintenance	Nunn	0
42	CS-50	Payroll	Klote	2,113,460
43	CS-51	Incentive	Klote	(5,331,840)
44	CS-53	Payroll Taxes - FICA	Klote	0
45	CS-60	Other Benefits	Klote	2,927,770
46	CS-61	OPEB	Klote	(785,522)

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)
	A	B		D
				Adjust to 06-30-23 - True Up Date
	JURISDICTIONAL COST OF SERVICE			Total Adjustments Incr (Decr)
47	CS-65	Annualized Pension Expense	Klote	(11,352,657)
48	CS-67	EKC COLI Reclassification	Klote	(271,378)
49	CS-70	Insurance	Nunn	2,878,339
50	CS-71	Injuries & Damages	Klote	657,136
51	CS-72	Storm Reserve	Klote	0
52	CS-73	Environmental Reserve	Klote	0
53	CS-76	Customer Deposits - Interest	Nunn	299,779
54	CS-77	Credit Card & Electronic Check	Nunn	335,096
55	CS-78	EKRC Bank Fees	Nunn	4,210,849

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Summary of Adjustments

Line No.	Adj No. A	Description B	Witness	Increase (Decrease) D
				Adjust to 06-30-23 - True Up Date
	JURISDICTIONAL COST OF SERVICE			Total Adjustments Incr (Decr)
56	CS-80	Rate Case Expense Regulatory Assets	Nunn	0
57	CS-82	TDC	Nunn	(339,455,577)
58	CS-84	JEC 8%	Nunn/Messamore	5,986,919
59	CS-85	Regulatory Assessments	Nunn	78,460
60	CS-88	CIPS/Cyber Security O&M	Klote	0
61	CS-90	Advertising	Nunn	(8,015)
62	CS-92	Dues/Donations	Nunn	(451,123)
63	CS-95	Amortization of Merger Transition Costs	Nunn	0
64	CS-99	Annualize Smartstar	Nunn	(73,324)
65	CS-101	Amort Analog Meter Retirements	Nunn	0
66	CS-102	Amort Prepay Program Reg Asset	Nunn	(31,185)
67	CS-113	Amort LaCygne Reg Asset	Nunn	0
68	CS-114	Amort Deferred Liab - KS Inc Tax	Nunn	0
69	CS-117	Common Use Billings	Klote	4,655,878
70	CS-120	Depreciation Expense	Klote	(69,648)
71	CS-121	Amortization Expense	Klote	0
72	CS-124	KGE Merger Savings Amortiz	Nunn	0
73	CS-125	Income Taxes	Hardesty	0
74	CS-126	Property Taxes	Hardesty	0
75	CS-128	Amort Gain on Sale Leaseback RL	Nunn	0
76	CS-129	Amort Gain on Sale Building RL	Nunn	0
77	CS-138	Amort Electrification Def Asset	Nunn	0
78	CS-140	Amort Lost Rev-RPER Rate Switcher	Nunn	0
79	CS-141	Amort Lost Rev-REV Rate Switcher	Nunn	0
80				**(321,366,644)**
81	**Depreciation Expense - Schedule 9, line 308**			
82	CS-11	Out-of-period-items - Cost of Service	Nunn	(6,089,392)
83	CS-101	Amort Analog Meter Retirements	Nunn	(4,144,400)
84	CS-120	Annualize depreciation expense based on jurisdictional depreciation rates applied to jurisdictional plant-in-service at indicated period	Klote	(25,124,757)
85				**(35,358,550)**
86	**Amortization Expense - Schedule 9, line 321**			
87	CS-82	TDC	Nunn	(2,836,243)
88	CS-121	Annualize plant amortization expense based on jurisdictional amortization rates applied to unamortized jurisdictional plant-in-Service at indicated period	Klote	7,337,825
89	CS-124	KGE Merger Savings Amortiz	Nunn	9,693,187
90				**14,194,769**
91	**Regulatory Debits & Credits - Schedule 9, line 337**			
92	CS-11	Out-of-period-items - Cost of Service	Nunn	40,620,289
93	CS-28	WPWF Levelized Rev Req	Klote	(8,307,760)
94	CS-29	COVID AAO Expenses	Klote	794,018
95	CS-61	OPEB	Klote	2,795,458
96	CS-65	Annualized Pension Expense	Klote	(25,050,912)
97	CS-80	Rate Case Expense Regulatory Assets	Nunn	62,241

Evergy
2023 RATE CASE - KS Central - DIRECT
TY 9/30/22; True-Up 6/30/23

Summary of Adjustments

Line No.	Adj No.	Description	Witness	Increase (Decrease)
	A	B		D
				Adjust to 06-30-23 - True Up Date
	JURISDICTIONAL COST OF SERVICE			Total Adjustments Incr (Decr)
98	CS-84	JEC 8%	Nunn	28,228
99	CS-88	CIPS/Cyber Security O&M	Klote	1,638,744
100	CS-112	Amort LaCygne AAO RL	Nunn	0
101	CS-114	Amort Deferred Liab - KS Inc Tax	Nunn	(6,315,095)
102	CS-129	Amort Gain on Sale Building RL	Nunn	(423,268)
103	CS-138	Amort Electrification Def Asset	Nunn	298,421
104	CS-140	Amort Lost Rev-RPER Rate Switcher	Nunn	21,808
105	CS-141	Amort Lost Rev-REV Rate Switcher	Nunn	4,592
106				**6,166,764**
107	**Taxes Other than Income - Schedule, line 352**			
108	CS-28	WPWF Levelized Rev Req	Klote	(1,202,670)
109	CS-53	Payroll Taxes - FICA	Klote	(976,632)
110	CS-82	TDC	Nunn	(45,900,022)
111	CS-84	JEC 8%	Nunn	131,640
112	CS-126	Adjust property tax expense	Hardesty	3,779,611
113				**(44,168,073)**
114	**Income Tax Expense- Schedule 9, line 373**			
115	CS-125	Reflect adjustments to Schedule 9, Allocation of Current and Deferred Income Taxes	Hardesty	(55,226,300)
116				**(55,226,300)**
117				
118		**Total Electric Oper. Expenses**		**(435,758,034)**
119				
120		**Net Electric Operating Income - Schedule 9, line 375**		**(351,932,733)**
				0

(1) All amounts are total company; if an adjustment is applicable to only KS or MO, it is so indicated

(2) These adjustments affect Kansas or Wholesale jurisdictions and are not discussed in testimony supporting the Missouri rate case.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

Ron Klote, being duly sworn upon his oath deposes and states that he is the Director, Regulatory Affairs, for Evergy, Inc., that he has read and is familiar with the foregoing Direct Testimony, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.

Ronald A Klote

Ron Klote

Subscribed and sworn to before me this 24 day of April, 2023.

Leslie R. Wines

Notary Public

My Appointment Expires: May 30, 2026

NOTARY PUBLIC - State of Kansas
LESLIE R. WINES
MY APPT. EXPIRES 5/30/2026