**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 PETITION OF EVERGY KANSAS CENTRAL, INC., EVERGY KANSAS SOUTH, INC., AND EVERGY METRO, INC. FOR DETERMINATION OF THE RATEMAKING PRINCIPLES AND TREATMENT THAT WILL APPLY TO THE RECOVERY IN RATES OF THE COST TO BE INCURRED FOR CERTAIN ELECTRIC GENERATION FACILITIES UNDER K.S.A. 66-117.

Docket No. 25-EKCE-_____-PRE

November 6, 2024

DIRECT TESTIMONY

OF

RONALD A. KLOTE

I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address.

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

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

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

Q: On whose behalf are you testifying?

A: I am testifying on behalf of EKC and EKM (together as "Evergy" or "the Company.")

Q: What are your responsibilities?

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

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

A: In 1992, I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration

Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992, I joined Arthur Andersen, LLP holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995, I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998, I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications and cable industries. In 2002, I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("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 and I continue in that position today with Evergy.

Q: Have you previously testified in any proceedings 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: (1) to describe the rate impacts of the new generating facilities addressed in the Company's Application, (2) to discuss how the costs of construction of those assets will be included in the Company's rates, and (3) to discuss the accounting process the Company will implement for the jointly owned natural gas facilities in order to ensure costs are appropriately allocated according to each affiliate's ownership interest.

Q: Briefly summarize the new generating facilities addressed in the Company's Petition.

A: Yes. The Company is seeking predetermination of ratemaking principles related to three separate generation projects intended to assist in fulfilling the Company's capacity and energy needs through 2030. First, the Viola Generating Station is a 710 MW combined-cycle combustion turbine that would be located in Viola, Kansas, co-owned with EMW (each with a 50% ownership share) with an anticipated total project cost excluding allowance for funds used during construction ("AFUDC") of **[redacted]**. Second, the McNew Generation Station is also a 710 MW combined-cycle combustion turbine that would be located in Hutchinson, Kansas, potentially jointly owned with one of EKC's affiliate utility companies or solely owned by EKC with an anticipated total project cost excluding AFUDC of **[redacted]**. Finally, the Kansas Sky Solar Facility is a 200 MW_{DC} (159 MW_{AC})

solar farm located in Douglas County, Kansas with an anticipated total project cost excluding AFUDC of **[redacted]**. Company witnesses, Kyle Olsen and John Carlson, describe these projects in more detail.

II. RATE IMPACT FROM PROPOSED NATURAL GAS FACILITIES

Q: How will the costs of construction of the proposed natural gas plants impact customer rates for EKC?

A: Costs of the proposed natural gas plants will impact customer rates through (1) a Construction Work in Process rider ("CWIP Rider") and (2) inclusion in the rate base by way of a general rate case. In my testimony, I discuss the estimated rate impacts associated with EKC's investment in 50% of the Viola plant and 50% of the McNew plant. In the event that the second 50% of the McNew plant remains allocated to EKC after the Company submits its supplemental information in February described in Mr. Ives' Direct Testimony, I will submit supplemental testimony at that time to update the calculation of the rate impact.

Q: Please describe the CWIP Rider authorized by K.S.A. 66-1239, as amended during the 2024 legislative session by Kansas H.B. 2527.

A: The CWIP Rider is a rate mechanism that is now permitted by the recent revisions to K.S.A. 66-1239(c)(6)(A). In simple terms, the statute permits EKC to recover the return on 100%

of amounts recorded to construction work in progress on EKC's books up to the definitive cost estimate through a CWIP Rider. The statute provides that:

- The return to be applied is the weighted average cost of capital without offset, adjustment or reduction for any other issue or consideration, except that the return is in lieu of any otherwise applicable allowance for funds used during construction;
- The rate adjustment mechanism – or CWIP Rider – shall become effective not sooner than 365 days after construction of the generation facility commences and within 60 days of the filing for establishment of the mechanism**;**
- As the balance of construction work in progress grows, the Rider shall be subject to periodic increases, no more frequently than once every six months;
- EKC's customers shall be charged pursuant to the Rider until new base rates reflecting EKC's investment in the generation facility take effect; and
- When base rates reflecting the investment take effect, those base rates shall include a deferral for depreciation expense incurred and carrying costs on any unrecovered portion not included in the Company's CWIP rider of such investment at EKC's weighted average cost of capital that is determined in the proceeding setting such base rates, accumulated between the time the generation facility is placed in-service and rates reflecting the investment become effective.

Q: When does EKC plan to implement a CWIP Rider for its investment in the two proposed natural gas facilities?

A: We plan to propose the tariff that will establish the CWIP Rider in our next general rate case, expected to be filed at the end of January 2025. In that tariff, we will ask that recovery under the Rider begin 365 days after construction of each of the generating facilities commences and continue until the investments are reflected in base rates, with adjustments to the amounts being recovered in the Rider occurring every six months.

Q: Will there be benefits for customers as a result of EKC's use of the CWIP Rider?

A: Yes. Mr. Grace discusses these benefits in greater detail in his Direct Testimony. The benefits of timely recovery of costs utilizing the CWIP rider include reducing the overall project cost by minimizing the amount of allowance for funds used during construction ("AFUDC") included in rates. Reducing AFUDC in turn will also reduce the total nominal value of related revenue requirements customers pay over the life of these generating facilities.

Q: Are you able to estimate the impact on customer bills from the use of the CWIP Rider from EKC's investment in 50% of the Viola plant and 50% of the McNew plant?

A: Yes. The estimated all-in impact on customer bills from use of the CWIP Rider will vary over several years, as the CWIP Rider is updated to reflect additional investments. The range of the overall bill impacts, based on EKC's 50% investment in the Viola plant and 50% investment in the McNew plant, will vary from approximately .58% to approximately 3.82% from rates currently in effect.

This calculation was developed based on estimated project costs at this time and does not consider any other change in customer rates that might occur between now, with the current rates that are in effect, and the time when these projects are reflected in rates, after the in-service dates in 2029 and 2030. Many other intervening factors could impact this estimate over the time period between now and when the CWIP Rider becomes effective and throughout the years when the CWIP Rider is being utilized. As stated earlier, these cost estimates will be updated with supplemental direct testimony later in this proceeding if necessary, depending on the results of the allocation of the second 50% of the McNew plant and on the update to the definitive cost estimate to include final EPC costs.

Q: Can you describe how the Company plans to request to include costs of the project in the rate base through a general rate case?

A: After each of the natural gas plants are placed in-service, EKC will seek to recover the costs of those plants in base rates through a general rate case. As indicated above, those base rates shall include a deferral for depreciation expense incurred and carrying costs on any unrecovered portion not included in the Company's CWIP rider of such investment at EKC's weighted average cost of capital that is determined in the proceeding setting such base rates, accumulated between the time the generation facility is placed in-service and rates reflecting the investment become effective. As part of this predetermination request, EKC is asking that the Commission find that recovery of costs up to the definitive cost estimate to be approved by the Commission will be permitted through general rate case(s). Costs above the definitive cost estimate that EKC seeks to include in rate base in a future rate case will be subject to prudence review, based on a comparison to the costs of plants of similar vintage and design. Therefore, the process will continue to be transparent and open, and the Commission will still be able to review EKC's costs for prudence and reasonableness moving forward.

Q: What is EKC's estimate for cost of the natural gas plants addressed in this Petition?

A: The initial cost estimate for EKC's 50% interest in each of the two natural gas plants is **[redacted]** which excludes AFUDC. This estimate is discussed in more detail in Mr. Olson's Direct Testimony.

As Mr. Olson explains, EKC will submit its final definitive cost estimate to the Commission in supplemental testimony in February.

Q: What is the Company's estimate for when the natural gas plants addressed in this Application will be placed into service?

A: As Mr. Olson explains, EKC estimates the Viola plant will be placed in-service January 1, 2029 and the McNew plant will be placed in-service January 1, 2030.

Q: Given the estimated cost and timeline of the project, does the Company have an estimate for the customer rate impact related to EKC's 50% interest in each of these two natural gas generating facilities?

A: Yes. We have estimated the impact on customer rates that will occur as a result of these two investments based on current rates. As discussed previously, these new generation facilities would be placed in rates after they go in service in 2029 for the Viola plant and 2030 for the McNew plant. Based on current estimates from rates currently in effect, each plant is anticipated to cause an approximate all-in bill impact of 4.3% for EKC customers overall.

This calculation was developed based on estimated project costs at this time and does not consider any other change in customer rates that might occur between now, with the current rates that are in effect, and the time when these projects are reflected in rates, after the in-service dates in 2029 and 2030. Many other intervening factors could impact this estimate over the five-year period before base rates are set to begin to include these investments. As stated earlier, these cost estimates will be updated with supplemental direct testimony later in this proceeding, if necessary, depending on the results of the allocation of the second 50% of the McNew plant and on the update to the definitive cost estimate to include final EPC costs.

III. RATE IMPACT FROM PROPOSED SOLAR GENERATION

Q: What ratemaking treatment is EKC proposing for the Kansas Sky Solar generation facility?

A: EKC is proposing a levelized revenue requirement for Kansas Sky, much like the rate-making treatment the Commission approved for the Western Plains Wind Farm in Docket No. 18-WSEE-328-RTS and the Persimmon Creek Wind Farm in Docket No. 23-EKCE-775-RTS. Under the approach, we propose that customers will pay a stable price for this generation resource over the initial book life of the solar farm, 30 years. This approach will remove the drastic swing in revenue requirements when the production tax credits expire and the 10-year property tax exemption for the renewable resource expires.

Also, just as in previous Commission orders, in the event of changes in law or regulations, or the occurrence of events outside the control of EKC that result in a material adverse impact to EKC with respect to recovery of the Kansas Sky revenue requirement, EKC, as applicable, would request the ability to file an application with the Commission proposing methods to address the impact of the events.

Mr. Grace addresses how we calculated the levelized revenue requirement for Kansas Sky and the benefits associated with the use of a levelized revenue requirement in detail in his Direct Testimony.

Q: What is the levelized revenue requirement for Kansas Sky and when will it be included in customer rates?

A: The levelized revenue requirement developed by Mr. Grace for Kansas Sky is approximately **[redacted]**. We proposed to include this amount in EKC's revenue requirement in EKC's first general rate case following the date Kansas Sky is placed in-service.

Q: Given the estimated cost and timeline of the Kansas Sky Solar project, does the Company have an estimate for the customer rate impact related to this asset?

A: Yes. We have estimated the impact on overall customer rates based on current rates. This new generation facility would be placed in rates after it goes in service at the end of 2026. Based on current estimates from rates currently in effect, the impact on rates from the Kansas Sky solar plant is anticipated to be an approximate all-in bill increase of 0.70% for EKC customers.

This calculation was developed based on estimated project costs at this time and does not consider any other change in customer rates that might occur between now, with the current rates that are in effect, and the time when this project is reflected in rates, after the in-service date in 2026. Many other intervening factors could impact this estimate over the time period before base rates are set to begin to include these investments.

Q: Are there any other requests EKC is making in regards to the Kansas Sky solar project?

A: Yes. Since there will be a delay between the date the Kansas Sky solar project goes into service and when the levelized revenue requirement will be reflected in rates, EKC is requesting a regulatory asset deferral and recovery of the plant’s pretax rate of return, depreciation expense, and actual operating and maintenance expenses, offset by the value of the production tax credits that occur during this time period. Recovery of the regulatory asset will begin in the next general rate case after inclusion of the levelized revenue requirement in rates and recovered over the life of the plant. Mr. Ives discusses the basis for this request in additional detail in his Direct Testimony.

IV. ACCOUNTING FOR JOINTLY OWNED PLANTS

Q: How will the Company formalize its operating and accounting approach for the natural gas facilities that will be jointly owned?

A: Similar to our other jointly owned facilities, including Jeffrey Energy Center, LaCygne Energy Center, and Iatan Energy Center, Evergy will put in place a Joint Ownership and Operating Agreement ("JOA") for the Viola plant (and the McNew plant if a 50% interest is allocated to an entity other than EKC). Evergy is still in the process of developing the JOA but, because it will be an affiliate agreement, Evergy will submit the executed version of the agreement to the Commission once it is finalized and signed. We expect the structure of the JOA to be very similar to the most recent agreement executed for a dispatchable, jointly owned plant, which was for the Iatan Energy Center. Because the two combined cycle natural gas plants will be located in Kansas, EKC will be the operator for the two plants and the JOA will outline its responsibilities as operator, as well as the accounting approach for all costs to be incurred during construction and after the plants are placed in-service.

Q: How is Evergy handling the incurrence of costs related to the jointly owned natural gas plants before the JOA is finalized?

A: Evergy executed the early agreements related to the natural gas plant construction in the name of Evergy Services, Inc. and any related costs from those agreements will be allocated to the affiliate owners based on their ownership percentages. For the Reservation Agreements for each of the two Kansas plants, EKC will execute the agreements with Mitsubishi, as described by Mr. Olson, because EKC will be the operator for those two plants. The costs will then be allocated to the affiliate owners based on their ownership percentages. EKC and EMW have executed an agreement that outlines their respective responsibility for the costs incurred as a result of the Reservation Agreement for the Viola plant as 50-50 owners of that plant. That agreement between EKC and EMW will be provided along with the other workpapers in support of Mr. Olson's testimony.

Q: How will the Company account for costs related to the jointly owned natural gas plants in order to ensure they are assigned appropriately based on ownership interest?

A: We will handle the accounting for costs related to the jointly owned natural gas plants in the same manner that we handle costs for the other plants that are jointly owned by affiliates today – Iatan, LaCygne, and Jeffrey Energy Centers. For example:

- Construction costs, removal costs, and/or net salvage incurred by EKC as the operator will be accounted for in accordance with the FERC Uniform System of Accounts and Generally Accepted Accounting Principles ("GAAP").
- The Joint Owners will share all construction costs, removal costs, and/or net salvage in proportion to their ownership share.
- Cost of construction, removal and salvage will be specifically identified and EKC will record and track costs directly assignable to each of the jointly owned natural gas plants in separate and distinct projects within its accounting system, to allow for appropriate and accurate reporting and allocations to the co-owners. Allocation of costs will occur on a monthly basis when books are closed and we will use intercompany accounts to record the payables and receivables between affiliates.
- Once the jointly owned plants are in-service, EKC, as the operator, will operate the natural gas plants pursuant to the JOA and will incur expenses associated with operating and maintaining those plants. EKC will record and track labor and other

costs directly assignable to the jointly owned natural gas plants in separate and distinct projects within its accounting system to allow for appropriate and accurate reporting and allocations to the co-owners. Allocation of costs will occur on a monthly basis when books are closed and we will use intercompany accounts to record the payables and receivables between affiliates.

- Each co-owner will report to the appropriate taxing authority its ownership share, subject to real estate and personal property taxes and will make timely payment of all taxes levied thereon. Each co-owner will record its property tax expense directly on its own books.
- Each co-owner will own an interest in the inventory of materials and supplies in proportion to its ownership share. At the time of purchase, inventory items will be identified for the natural gas plant they relate to. The associated cost of inventory will be allocated to each co-owner based on the respective percentage of ownership share.

Just as we do for the other jointly owned plants, we will ensure that the accounting for any capital or expense related to a jointly owned natural gas plant will be handled in a way that ensures the appropriate allocation of the responsibility of costs to each ownership based on its ownership share.

Q: Does this conclude your testimony?

A: Yes, it does.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

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

Ronald A Klote

Ronald A Klote

Subscribed and sworn to before me this 6th day of November 2024.

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