BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

REBUTTAL TESTIMONY OF

JENNIFER E. NELSON

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

IN THE MATTER OF THE APPLICATION OF 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. 25-EKCE-294-RTS

July 3, 2025

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Jennifer E. Nelson. My business address is 293 Boston Post Road West, Suite 500, Marlborough, MA 01752.

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

A. I am a Vice President of Concentric Energy Advisors, Inc. ("Concentric"). Concentric is a management consulting firm specializing in financial and economic services to the energy industry.

Q. Please describe your educational and professional background and experience.

A. I have more than fifteen years of experience in the energy industry, having served as a consultant and energy/regulatory economist for state government agencies. Since 2013, I have provided consulting services on a range of financial and regulatory issues including the cost of capital, ratemaking policy, and regulatory strategy issues. Prior to consulting, I was a staff economist at the Massachusetts Department of Public Utilities, and a petroleum economist for the State of Alaska. I completed utility regulatory training offered by New Mexico State University's Center for Public Utilities and have earned the Certified Rate of Return Analyst designation from the Society of Utility and Regulatory Financial Analysts. I hold a Bachelor's degree in Business Economics from Bentley University and a Master's degree in Resource and Applied Economics from the University of Alaska. A summary of my professional and educational background, including a list of my testimony filed before regulatory commissions, is included in **Exhibit JEN-1.**

Q. Have you previously testified in proceedings before the Kansas Corporation Commission ("KCC" or the "Commission")?

A. No, I have not. However, I have filed testimony regarding utility ratemaking issues, including the cost of capital, before 21 state regulatory commissions. **Exhibit JEN-1** contains my résumé and a list of testimonies I have previously sponsored.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Evergy Kansas Central and Evergy Kansas South, Inc. (referred to together as "EKC" or the "Company").

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of the following witnesses: (i) Adam H. Gatewood on behalf of the Kansas Corporation Commission Staff ("Staff"); (ii) Dr. J. Randall Woolridge on behalf of Citizens' Utility Ratepayer Board ("CURB"); and (iii) Michael P. Gorman on behalf of Commercial Intervenors (collectively, "Staff and Intervenor Witnesses") concerning the appropriate capital structure to be used to establish EKC's allowed rate of return. Company Witnesses Geoffrey Ley, Darrin Ives, and Ann E. Bulkley also respond to these witnesses on this topic.

Q. Please briefly summarize your response to the Staff and Intervenor Witnesses.

A. Each of the capital structure proposals made by Staff and Intervenor Witnesses violates established regulatory standards that prevail in regulatory jurisdictions across the United States. Abandoning the use of EKC's actual capital structure as proposed by Staff and Intervenor Witnesses would ignore Commission precedent as well as long standing and widely recognized regulatory and utility financing principles.

Investors are first and foremost concerned with the financial, business, and regulatory risks that face the specific entity, in this case the utility, they are considering for the placement of investment. In that respect, investors' analysis of the Company's risk focuses on EKC, not its parent company. Imputing Evergy, Inc. debt to EKC would result in EKC's rates being based on a capital structure that does not reflect its actual costs and would be dramatically inconsistent with its industry peers, creating greater financial risk and higher capital costs that ultimately would be borne by customers. Importantly, imputing Evergy, Inc. parent debt to EKC would hinder EKC's ability to attract capital at reasonable rates, which would impair EKC's ability to make the infrastructure investments needed to maintain a reliable and resilient power supply and distribution system for customers' benefit. As noted by Mr. Ley, the investment community has expressed serious concern for Staff's atypical capital structure recommendation, stating that "if rates can't be raised and ROEs/equity ratios are weaker than peers, we struggle to see investor sponsorship for the jurisdiction."[1] In other words, the investment community has noted that uncompetitive returns will limit Kansas utilities' ability to attract sufficient capital on reasonable terms. If the regulatory environment fails to enable a reasonable opportunity to provide a return commensurate with those available to other utilities of similar risk, Kansas utilities would have to offer meaningfully higher returns in order to attract investor capital.

In his direct and rebuttal testimonies, Mr. Ley has established key facts about EKC's financial history and profile that are important to consider when determining capital structure for ratemaking and that are largely disregarded by the Staff and Intervener witnesses:

[1] Ley Direct, at 30.

1. Evergy, Inc. and EKC have maintained separate capital structures since the merger that created the companies in 2018.

2. EKC is separately rated by the major credit rating agencies.

3. The Company has issued approximately $4.98 billion of long-term debt[2] to fund its operations and capital investments, and that debt is non-recourse to Evergy, Inc.

4. The investment community has reacted adversely to recommendations that impute parent company debt to EKC.

In addition, Ms. Bulkley has demonstrated that EKC's proposed capital structure is consistent with the companies represented in her proxy group.[3] I present a similar finding using a broader set of industry peers throughout the United States. Together, these facts establish that EKC meets widely applied standards for using the Company's actual capital structure for ratemaking purposes.

As explained below, I reviewed over one hundred recent regulatory proceedings that Mr. Ley discusses in his direct testimony. My review found no evidence to indicate that a regulatory commission in the United States has explicitly imputed parent company debt on an investor-owned utility with similar facts and circumstances as EKC. To do so in this case would result in a capital structure for EKC that does not reflect EKC's actual financing of its operations and is more leveraged than the capital structures for other utilities across the United States. EKC's proposed equity capital structure of 52.05% is just and reasonable and clearly within the range of capital structures used by peer utilities with similar risks. Further, Moody's notes that it has "not seen evidence" of regulators imputing parent company debt to the regulated utility's capital structure, which

[2] *See*, Company response to DR 193, March update.
[3] Bulkley Direct, at 58; Exhibit AEB-11.

demonstrates that doing so would be highly atypical and inconsistent with regulatory practice.

In the end, none of the Staff and Intervenor Witnesses have demonstrated that EKC's actual capital structure deviates from sound utility practice and that an alternative or hypothetical capital structure is necessary or appropriate. EKC's capital structure is consistent with regulatory principles and industry practice, as outlined by guidelines from the National Association of Regulatory Utility Commissioners ("NARUC") and other industry texts. Therefore, I recommend that the Commission use the Companies' actual test year capital structure in this case to establish a fair return for EKC.

Q. How is the remainder of your rebuttal testimony organized?

A. My rebuttal testimony is organized as follows: Section II responds to the Staff and Intervenor Witnesses' capital structure recommendations and addresses their arguments within the context of widely recognized utility regulatory and financing principles. Section III provides a broad overview of electric utility capital structure and demonstrates that EKC's requested capital structure is highly consistent with industry standards and sound utility practice. In Section IV, I provide my conclusions.

II. RESPONSE TO THE INTERVENOR WITNESSES

Q. Please summarize the Staff and Intervenor Witnesses' specific capital structure recommendations for EKC.

A. While the specific recommendation of each of the witnesses I respond to differs, they all recommend abandoning the Company's actual capital structure. As I discuss later in my

rebuttal testimony, these recommendations ignore the realities of utility finance and violate well-accepted regulatory principles.

Mr. Gatewood imputes parent company debt to EKC to arrive at his recommendation of a capital structure consisting of 48.70% common equity and 51.30% long-term debt. For the long-term debt component, Mr. Gatewood proposes allocating 6.36% of debt from Evergy, Inc. to EKC, combined with EKC's actual proportion of long-term debt of 44.94%.[4] Mr. Gatewood asserts his recommendation is reasonable because "ratepayers should share in the benefits of the Evergy Debt along with Evergy's shareholders."[5] However, by allocating a portion of Evergy's debt, Mr. Gatewood would also require customers to bear the cost of Evergy's debt, including taking on higher debt costs and higher risk. It is also important to note that Evergy, Inc. debt is non-recourse to EKC.

In his direct testimony, Dr. Woolridge recommends a capital structure consisting of 50.00% common equity and 50.00%.[6] Although Dr. Woolridge develops a capital structure that allocates 50.00% of parent Evergy Inc.'s debt to EKC with a blended cost rate of 4.65%, he initially declines to adopt that capital structure concluding "such a capital structure could cause credit rating issues for EKC."[7] In his cross-answering testimony, Dr. Woolridge reverses that opinion and instead accepts Mr. Gatewood's approach and revises his capital structure recommendation to include 48.70% common equity, 44.94% long-term debt, and 6.36% long-term debt allocated from parent Evergy, Inc.[8]

4 Gatewood Direct, at 20.
5 Gatewood Direct, at 17.
6 Woolridge Direct, at 31 and JRW-1, page 1.
7 Woolridge Direct, at 31.
8 Woolridge Cross-Answering Testimony, at 2-3.

Mr. Gorman recommends the 51.25% common equity and 48.75% long-term debt capital structure agreed to in the Company's Settlement Agreement approved by the Commission in Docket No. 18-WSEE-328-RTS.[9] He testifies that a 51.25% common equity ratio is consistent with industry averages. Mr. Gorman ignores the fact that EKC's 52.05% common equity ratio is also consistent with industry averages.

Q. Are the Staff and Intervenor Witnesses' capital structure recommendations consistent with accepted regulatory principles and utility financing practices?

A. No, they are not. Simply put, Staff and Intervenor Witnesses' capital structure recommendations are not based on EKC's specific risks and financing requirements and are contrary to widely recognized regulatory principles and utility financing practices. As explained in more detail later in my rebuttal testimony, utility capital structures vary widely based on the unique needs of each company and the assets being financed. Reviewing the actual and authorized capital structures in place at other electric utilities informs the reasonableness of a utility's capital structure and may be used as a broad indicator of industry practice. However, it is inconsistent with regulatory principles to impute a hypothetical capital structure for ratemaking purposes unless the actual capital structure deviates substantially from sound utility practice.

EKC's capital structure reflects the actual capital that finances its utility operations and is consistent with industry practice and should be approved.

[9] Gorman Direct, at 6.

Q. As a preliminary matter, what standards did you review with respect to the determination of a utility's capital structure for ratemaking purposes?

A. There are three standards that apply. First and foremost are the principles from two seminal U.S. Supreme Court cases, known as *Hope* and *Bluefield*. Second is the standalone principle widely recognized in finance and utility ratemaking as discussed more fully later in my Rebuttal Testimony. Finally, I reviewed the Commission's prior orders and its established policy of selecting a capital structure that will "result in the lowest overall cost of capital *that is representative of utility operations.*" Mr. Ives describes the Commission's precedent in more detail in his direct and rebuttal testimonies, and responds to Mr. Gatewood's reliance on three specific Commission cases.

Q. Please explain how the *Hope* and *Bluefield* standards apply to capital structure.

A. The Supreme Court's *Hope* and *Bluefield* cases establish widely accepted standards for determining the appropriate rate of return for regulated utilities. The first of these is a "comparable return" standard, which stipulates that the regulated return must be comparable to returns available from investments in enterprises with corresponding risks, including in EKC's case, the operation of nuclear generation. The "financial integrity" standard requires that the regulated return provide sufficient means to establish financial integrity and sustainability. Finally, the "capital attraction" standard instructs that the regulated return must be sufficient to enable the utility to attract capital on reasonable terms.

A company's capital structure affects both its financial risk and its financial integrity. A capital structure that contains more debt increases a company's financial risk, diminishes its financial integrity, and raises the return required by investors, all else equal.

I discuss these concepts below. Mr. Ley, Mr. Ives, and Ms. Bulkley describe these Supreme Court decisions and their implications in their direct and rebuttal testimonies.

Q. Do the Staff and Intervenor Witnesses agree with the applicability of the *Hope* & *Bluefield* standards in this case?

A. Yes, all three of the Staff and Intervenor Witnesses reference the hallmark *Hope* and *Bluefield* decisions regarding the determination of the rate of return for a public utility and none recommend that the Commission depart from these long-held standards.[10]

Q. Turning to Mr. Gatewood's testimony, do you agree with the recommendation to allocate a portion of Evergy, Inc. debt to EKC's ratemaking capital structure?

A. No, I do not. As explained below, under the standalone ratemaking principle, only the revenues and costs — including capital costs — specific to the operating utility are considered in the revenue requirement and rate setting process. The rate of return is based on the utility company capital structure that finances the rate base to which the rate of return applies. By allocating debt from EKC's parent, Evergy, Inc., Mr. Gatewood's recommendation violates the standalone principle embedded in the cost-of-service ratemaking construct. As discussed by EKC Witnesses Ives and Ley, Mr. Gatewood's recommendation is inconsistent with the Commission's order in Docket No. 16-KCPE-593-ACQ (the "16-593 Docket").

Q. Please describe the standalone principle.

A. The standalone principle specifies that a utility's rates, including the cost of capital, should be determined based on the revenues, costs, and risks of the operating utility, not those of

[10] *See*: Gatewood Direct, at 42; Woolridge Direct, at 2-3; and Gorman Direct, at 45-46.

either the holding company within which a utility is held or the utility's affiliates. In other words, the utility is treated as a standalone entity for ratemaking purposes. For example, the Alberta Energy and Utilities Board described the standalone principle as follows:

> This first application of the stand-alone principle is designed to remove the effects of diversification by utilities into non-regulated activities. Using the stand-alone principle in this case, a utility is regulated as if the provision of the regulated service were the only activity in which the company is engaged. This application of the principle ensures that the revenue requirement of regulated utility operations is not influenced up or down by the operations of a parent or "sister" company. Thus, the cost (or revenue requirement) of providing utility service reflects only the expenses, capital costs, risks and required returns associated with the provision of the regulated service.[11]

The Regulatory Commission of Alaska explained that "[a] 'stand-alone' enterprise is one that can attract capital on its own. It provides a good lens for determining what investors would require for a return in light of [Trans Alaska Pipeline Systems'] business risks. We prefer the stand-alone model because it is more likely to reflect the reasonable costs of capital."[12] The Regulatory Commission of Alaska further stated, "[i]n determining capital structure for ratemaking, regulators should set a capital structure that reflects the riskiness of the project and allows the company to attract new investors. 'The capital structure ratios employed should be consistent with the prospective level of business risk of the enterprise and with similar risk companies whose capital structure ratios have found acceptance in the marketplace.'"[13]

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[11] Alberta Energy and Utilities Board, Decision 2001-92, December 12, 2001, at 25.

[12] Regulatory Commission of Alaska, Order No. 151; Docket No. P-97-4, *In the Matter of the Correct Calculation and Use of Acceptable Input Data to Calculate the 1997, 1998, 1999, 2000, 2001, and 2002 Tariff Rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System*, November 27, 2002 ("the TAPS Proceeding").

[13] Regulatory Commission of Alaska, Order No. 151; the TAPS Proceeding, at 66.

The standalone principle is applied by regulators on a nearly universal basis. Because EKC issues its own debt and has its own credit rating, it interfaces directly with the market when raising debt. Therefore, the debt of Evergy, Inc. should not be included in the ratemaking capital structure of EKC.

Q. How have regulators applied the standalone principle with respect to the determination of an appropriate capital structure for ratemaking purposes?

A. Consistent with the standalone principle, regulators use the operating utility's actual standalone capital structure for ratemaking purposes if three criteria are met: (1) the utility issues its own debt, (2) it has its own credit rating, and (3) its actual capital structure is within industry standards and practice. This three-prong standard is discussed in regulatory publications such as NARUC's *Cost of Capital and Capital Markets: A Primer for Utility Regulators*[14] and the *Cost of Capital Manual* prepared by the Society of Utility Regulatory and Financial Analysts ("SURFA").[15] Additionally, the Federal Energy Regulatory Commission ("FERC") uses a company's actual capital structure so long as it (1) issues its own debt without guarantees; (2) has its own bond rating; and (3) has a capital structure within the range of capital structures approved by the FERC. Provided that these three conditions are met, an operating utility's actual capital structure is used on a "standalone" basis for ratemaking purposes.

Mr. Gatewood asserts that the FERC's policy is inconsistent with the Commission's policy.[16] However, the FERC adheres to the *Hope* and *Bluefield* standards and, like the

[14] NARUC, *A Cost of Capital and Capital Markets Primer for Utility Regulators* (April 2020), at 10-11.
[15] Parcell, D.C. (2020). *The Cost of Capital: A Practitioner's Guide.* Society of Utility and Regulatory Financial Analysts, at 45-47.
[16] Gatewood Direct, at 27-28.

Commission, its responsibility under the Federal Power Act in governing wholesale electricity markets and transmission is to ensure just and reasonable rates and practices that are not unduly discriminatory or preferential.[17] FERC carries out these responsibilities by balancing the interest of protecting consumers against excessive rates and providing an opportunity for regulated entities to recover their costs and earn a reasonable return on their investments.[18] Applying these guiding principles that have been adopted by regulators across the country, including this Commission, is not an abandonment of the Commission's policies.

Q. Does EKC's capital structure proposal meet the three criteria for the use of a utility's actual capital structure for ratemaking purposes?

A. Yes. Mr. Ley, Mr. Ives, and Ms. Bulkley address how the Company's proposal meets the objectives of the *Hope* and *Bluefield* cases. EKC issues its own debt that is non-recourse to Evergy, Inc. and has its own bond rating. Ms. Bulkley demonstrates in her Exhibit AEB-11 that EKC's capital structure proposal is consistent with its peers in her proxy group. As discussed in Section III below, I provide additional evidence based on operating utility companies throughout the country. Together, this evidence demonstrates that EKC's proposed capital structure is consistent with industry standards and is therefore reasonable and appropriate.

In his Direct Testimony, Mr. Ley noted that he reviewed the authorized capital structure in 109 utility rate case decisions for operating companies within 29 holding

[17] 16 U.S.C. 824s.

[18] See, e.g., Federal Energy Regulatory Commission, FY 2022 Congressional Justification, at 11 (May 28, 2021). https://www.ferc.gov/sites/default/files/2021-05/FERC_FY%2022%20Congressional%20Justification_Final%205-28-2021.pdf

companies. I reviewed these cases and agree with Mr. Ley's conclusion that not a single regulatory commission order for a utility that met the three-prong standard described above explicitly imputed a utility's parent company debt for rate making purposes. The only cases I am aware of in which a parent company's capital structure is considered for ratemaking purposes is in the rare circumstance in which a utility is financed as part of a consolidated entity and does not issue its own debt or have its own credit rating. Imputing parent company debt in EKC's case would be highly irregular and a clear violation of the standalone principle that would hamper the Company's ability to attract capital on reasonable terms.

Q. Would you please explain the term "double leverage" as used by Mr. Gatewood and Dr. Woolridge?

A. Yes. The concept of "double leverage" refers to the financial practice in which a parent company borrows money to invest in the equity of its subsidiary. Mr. Gatewood and Dr. Woolridge suggest that Evergy Inc. is engaging in double leverage to the benefit of Evergy Inc.'s shareholders and, therefore, recommend EKC's capital structure should reflect the higher leverage at the parent company level.

Q. Are Mr. Gatewood's and Dr. Woolridge's "double leverage" arguments consistent with financial theory regarding how investors develop their return requirements?

A. No, they are not. Financial theory provides that it is the risk inherent in an investment that determines the cost of capital, not the source of the funds used to make an investment. For example, a utility's cost of debt is based on the risk of the utility, not on the risk of the debt investor supplying the capital. The same is true for equity.

From an external investor's perspective, the consolidated parent company must provide a return reflecting the risks of its constituent parts. As such, investors value the consolidated entity on a "sum-of-the-parts" basis, expecting each operating segment to provide its appropriate, risk-adjusted return. This is consistent with the standalone regulatory principle I describe above. Under both financial and regulatory principles, it is the subsidiary utility's operating risk (i.e., the *use* of funds) that defines the capital structure and cost of capital, not the parent company or *source* of funds. Mr. Gatewood and Dr. Woolridge's double leverage arguments, however, would require every affiliate within the corporate family to have the same cost of capital, regardless of differences in risk. As Dr. Roger Morin notes in his text New Regulatory Finance:

> Just as individual investors require different returns from different assets in managing their personal affairs, why should regulation cause parent companies making investment decisions on behalf of their shareholders to act any differently? A parent company normally invests money in many operating companies of varying sizes and varying risks. These operating subsidiaries pay different rates for the use of investor capital, such as long-term debt capital, because investors recognize the differences in capital structure, risk, and prospects between the subsidiaries. Yet, the double leverage calculation would assign the same return to each activity, based on the parent's cost of capital. Investors recognize that different subsidiaries are exposed to different risks, as evidenced by the different bond ratings and cost rates of operating subsidiaries. The same argument carries over to common equity. If the cost rate for debt is different because the risk is different, the cost rate for common equity is also different, and the double leverage adjustment shouldn't obscure this fact.[19]

Several financial texts support these principles. For example, in Principles of Corporate Finance, Brealey, Myers, and Allen state:

> In principle, each project should be evaluated at its own opportunity cost of capital; the true cost of capital depends on the use to which the capital

[19] Roger A. Morin, New Regulatory Finance, Public Utility Reports, Inc., at 524-525 (2006).

> is put. If we wish to estimate the cost of capital for a particular project, it is project risk that counts.[20]

Mr. Gatewood's and Dr. Woolridge's positions imply that one investor who buys shares in an electric utility using cash (*i.e.*, equity) has a different return requirement than an investor who buys shares funded by a bank loan or using margin in a brokerage account. That is simply illogical. In an efficient market, identical assets have the same price, or value. Assets that are not identical will be priced according to each asset's risks and returns. As Dr. Roger Morin explains in New Regulatory Finance, "[e]quity is equity, irrespective of its source, and the cost of equity is governed by its use, by the risk to which it is exposed."[21]

Q. Has the investment community raised concerns with recommendations to impute parent company debt to EKC?

A. Yes. In his direct testimony, Mr. Ley provided excerpts of equity analyst reports that commented on Staff's recommendation in the last rate case to impute parent company debt to EKC.[22] The equity analysts noted that Staff's double leverage capital structure recommendation raised investors' concerns and cautioned that Kansas could "struggle to see investor sponsorship" if ROEs and equity ratios "are weaker than peers." This commentary provides direct evidence that investors view these recommendations to be uncompetitive with regulatory outcomes for the companies with which Kansas utilities compete for capital. Further, these comments are clear indications that investors are

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[20] Richard A. Brealey, Stewart C. Myers, Franklin Allen, Principles of Corporate Finance, McGraw-Hill Irwin, 8th Ed., 2006, at 234.

[21] Morin, Roger A., New Regulatory Finance, Public Utilities Reports, Inc., 2006.

[22] Ley Direct, at 30.

foremost concerned with the financial, business, and regulatory risks that face the specific entity they are considering for the placement of investment, as noted earlier.

Q. Dr. Woolridge cites a 2015 report from Moody's Investor Service in his discussion regarding the potential risks for operating utilities as a result of double leverage.[23] Does Moody's explicitly acknowledge the risks associated with imputing parent company debt to utility subsidiaries?

A. Yes. As Dr. Woolridge points out, Moody's explicitly acknowledges the potential risks "if regulators were to ascribe the debt at the parent level to the subsidiaries or adjust the authorized return on capital", which is precisely Mr. Gatewood's and Dr. Woolridge's recommendation. Moody's states that if regulators impute holding company debt to subsidiaries, "it could hurt credit quality *across an issuer's family*."[24] In other words, Moody's recognizes the risks and costs inherent in the Staff and Intervenor Witnesses' recommendations. Moody's also notes that it has "not seen evidence" of regulators imputing parent company debt to the regulated utility's capital structure,[25] demonstrating that Mr. Gatewood's and Dr. Woolridge's recommendation is atypical and outside regulatory practice.

Q. Have other regulators considered and rejected the concept of double leverage?

A. Yes. For example, the Maryland Public Service Commission came to a similar conclusion about the imputation of parent company debt or double leverage in a 2007 rate proceeding, stating:

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[23] Woolridge Direct, at 28-29.

[24] Moody's Investors' Service, "*High Leverage at the Parent Often Hurts the Whole Family,"* at 4 (May 11, 2015). *Emphasis added*.

[25] *Id*., at 5.

> We reject People's Counsel's proposed capital structure [reflecting a double leverage adjustment] because it suffers from numerous flaws. First, it assumes that the rate of return depends on the source of capital rather than the risks faced by the capital.[26]

Similarly, the Tennessee Public Utility Commission also rejected double leverage arguments in a 2019 order, while emphasizing the comparability standard:

> The Consumer Advocate's witness recommends a rate of return that is over 120 basis points beneath the average return for gas utilities and almost 100 basis points beneath the average rate of return set for electric utilities. Given the large difference between Consumer Advocate witness Dr. Klein recommended double-leverage based rate of return of 5.93% and the average recent rates of return decisions for other companies, the panel found that adopting the Consumer Advocate's methodology would run counter to the comparability requirement of the *Hope* and *Bluefield* decisions. As such, the panel rejected the double leverage capital structure and rate of return proposed by the Consumer Advocate.[27]

Rejecting double leverage arguments, FERC emphasized that the relevant analysis is the three-prong test for an operating company's actual capital structure described earlier and that double leverage arguments are irrelevant:

> The Commission has previously addressed double leveraging issues and found that the motivations of a parent company are irrelevant, assuming the operating company can meet the Commission's three-part test. In evaluating the Transco financial model, and the impact that double leveraging may have on rates, the Commission's policy is to use an operating company's actual capital structure where the operating company: (1) issues its own debt without guarantees; (2) has its own bond rating; and (3) has a capital structure within the range of capital structures approved by the Commission.[28]

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[26] Maryland Public Service Commission, Order No. 81517; Case No. 9092, In the Matter of the Application of Potomac Electric Power Company for Authority to Revise its Rate and Charges for Electric Service and for Certain Rate Design Changes, July 19, 2007. Clarification added.

[27] Tennessee Public Utility Commission, Amended Order, Docket No. 18-00017, In re: Petition of Chattanooga Gas Company for Approval of an Adjustment in Rates and Tariff; The Termination of the AUA Mechanism and the Related Tariff Changes and Revenue Deficiency Recovery; and an Annual Rate Review Mechanism, January 15, 2019 [citation from Amended Order omitted].

[28] 154 FERC ¶ 61,004, Order on Compliance, Clarification, and Rehearing, Docket Nos. ER15-945-001, ER15-945-002, issued January 6, 2016, p. 35 [citing, e.g., Opinion No. 414-A, 84 FERC at 61,413-15; *ITC Midwest, LLC*, 121 FERC ¶ 61,229 at P 49].

Therefore, because the source of an investor's funds is not relevant to the equity investment made by that investor, Mr. Gatewood's analysis of the debt that is held at Evergy, Inc. and the amount of debt held by Evergy, Inc. and its other affiliates are irrelevant. As discussed earlier, the relevant test is whether the operating company provides its own financing by issuing its own debt, and whether the actual capital structure is within industry standards. Both are true for EKC.

Q. Do you agree with Mr. Gatewood's assertion that the capital structure proposed by the Company departs from the KCC's established policies?[29]

A. No, I do not. Mr. Gatewood cites the 16-593 Order, which states that a revenue requirement should be based on the "…capital structure that will result in the lowest overall cost of capital *that is representative of utility operations*," but Mr. Gatewood's recommendation is representative of a consolidated company's operations, not utility operations. Mr. Ives discusses the Commission's established ratemaking policies in detail in his direct and rebuttal testimony.

Q. What is the significance of the Companies' ratemaking capital structure being "representative of utility operations"?

A. Consistent with the standalone principle, all EKC's costs that are used in determining the rates set in this case represent EKC's specific cost of utility operations. The capital structure determined in this case should be no different. Evergy, like nearly all utility holding companies, has other costs, risks and investment opportunities that are not included in the utilities' costs used to set rates. Parent-company securities, just like parent-company

[29] Gatewood Direct, at 17.

investments and other revenues, relate to parent-company operations, not utility operations. Regulators rely on the standalone principle to set utility rates that reflect only costs and revenues related to utility operations.

Moreover, Ms. Bulkley has demonstrated that the Company's proposed capital structure is consistent with the operating utilities within her proxy group.[30] I discuss this further with additional evidence in Section III. It is therefore the case that EKC's proposed capital structure is representative of utility operations more broadly.

Q. What is your response to Dr. Woolridge's position that a regulated electric company can carry relatively more debt in its capital structure than can most unregulated companies?

A. Dr. Woolridge observes that due to regulation, a utility has less business risk than unregulated companies. However, he fails to consider that the obligation to serve places constraints on utility financing practices that reduce utilities' financial flexibility.

Companies (including subsidiary companies) are financed considering the specific risks and funding requirements associated with their unique individual operations. Capital structure management is dynamic and complex because it must satisfy multiple objectives subject to multiple constraints. In many respects, the nature of regulation determines the nature of utility assets, and how they are financed. In exchange for the obligation to serve, equity investors expect utilities to have a reasonable opportunity to earn a commensurate return on investments over the life of those investments. It is the nature of regulation, therefore, that enables utilities to finance large, essentially irreversible, investments that are recovered over decades. Moreover, because the obligation to serve must be fulfilled

[30] Bulkley Direct, at 58, and Exhibit AEB-11.

regardless of capital market conditions, utility capital structures (and the financial strength they support) are established to ensure capital access not only during normal markets, but when markets are constrained as well. When markets are constrained, only those utilities with sufficient financial strength can attract capital at reasonable terms to customers' benefit. That financial strength provides utilities with critical financial flexibility. Relying more heavily on debt as the Staff and Intervenor Witnesses recommend increases the risk of refinancing maturing obligations during less accommodating market environments at potentially higher costs. Financial flexibility, therefore, has a cost. As Moody's explains:

> Liquidity and access to financing are of particular importance in this sector. Utility assets can often have a very long useful life – 30, 40 or even 60 years is not uncommon, as well as high costs…Utilities are among the largest debt issuers in the corporate universe and typically require consistent access to the capital markets to assure adequate sources of funding and to maintain financial flexibility.[31]

The requirement to access capital markets in all market conditions contrasts with the financial needs of other entities without the legal obligation to serve. Unregulated companies have the flexibility to adjust the timing and amount of major capital expenditures to align with economic cycles and defer investments to better match market conditions, whereas utilities have limited options to do so. Reduced financial flexibility, therefore, must be compensated for by ensuring utilities have sufficient financial strength to provide safe and reliable service to customers at all times.

[31] Moody's Investor Service, *Rating Methodology: Regulated Electric and Gas Utilities*, at 18 (August 6, 2024).

Q. Is Mr. Gorman's recommendation that the commission adopt the capital structure that it authorized for EKC in Docket No. 18-WSEE-328-RTS reasonable?

A. No, it is not. First, capital structure authorized in Docket No. 18-WSEE-328-RTS was part of a comprehensive settlement. Settlements reflect the give and take among the settling parties across a broad range of contentious issues. Reaching a negotiated settlement among the settling parties is inevitably the product of mutual concessions. When reviewing a negotiated settlement, individual components like the capital structure and the rate of return should not be viewed in isolation. Second, and significantly, to the extent that the settled capital structure reflected the Company's actual capital structure at the time, that capital structure is approximately seven years old and no longer reflects how the Company is currently financed. I note that there has been a major merger and a major rate case for EKC since 2018.

Q. What is your response to Mr. Gorman's recommendation that "[t]he ratemaking capital structure common equity ratio should be competitive with the observed utility industry average ratemaking common equity ratio"?[32]

A. I agree that EKC's return (including its capital structure and cost of equity) must be competitive and commensurate with those offered by other utilities in order to attract capital at favorable terms, as required by the *Hope* and *Bluefield* decisions. However, Mr. Gorman's recommendation to reduce EKC's equity ratio would make the Company less competitive and attractive to investors, as would Mr. Gatewood's and Dr. Woolridge's recommendations. Although annual average equity ratios may be used as a broad indicator of industry practice that informs the reasonableness of a utility's capital structure, I

[32] Gorman Direct, at 39.

disagree that "the average ratemaking common equity ratio" should be determinative of the appropriate ratemaking capital structure for EKC or any utility. Mr. Gorman's recommendation presumes that EKC should be financed with the same proportions of equity and debt as an "average" electric utility and that all utilities face the same risks and have the same financing needs and thus should be financed the same. Mr. Gorman's presumptions ignore the fact that each operating company is unique, and therefore, the financing requirements for each operating company are also unique. The fact that EKC's equity ratio differs from an historical average at a particular point in time does not mean that it is unreasonable.

In his direct testimony, Mr. Gorman reviews annual average authorized equity ratios between 2013 and March 31, 2024 reported by S&P's Regulatory Research Associates ("RRA")[33] and concludes that "EKC's proposed ratemaking capital structure with a 52.05% [*sic*] is not competitive and more expensive than the industry authorized ratemaking capital structure." However, Mr. Gorman's annual average and median authorized equity ratios understate the proportions of common equity that finances a vertically integrated electric utility like EKC for two reasons. First, Mr. Gorman includes transmission and distribution-only electric utilities in his analysis, which may have lower authorized equity ratios than vertically integrated electric utilities like EKC. Second, RRA's reported authorized equity ratios reflect the percentage of equity to *total capital* included in the ratemaking capital structure. Although Mr. Gorman correctly removes decisions from states that include non-investor supplied capital in the ratemaking capital structure, the authorized equity ratios may still include short-term debt in the capital

[33] Gorman Direct, at 40 (Table 6).

structure, whereas EKC's ratemaking capital structure does not include short-term debt. Therefore, the inclusion of short-term debt will lower the authorized equity ratio as a percentage of total capital. Even with its understated equity ratios for vertically integrated electric utilities, Mr. Gorman's analysis does not demonstrate that an equity ratio of 52.05% is unreasonable since the median authorized equity ratios he reports in 2021, 2023, and 2024 are consistent with EKC's requested capital structure.

What Mr. Gorman's analysis does demonstrate, however, is that EKC's equity ratio of 52.05% is very reasonable, and that Mr. Gatewood's and Dr. Woolridge's recommendation of 48.70% is out of step with the average.

Q. Do you agree with Dr. Woolridge's assertion that it is appropriate to compare EKC's proposed capital structure to the capital structures of the consolidated holding companies rather than the subsidiary operating utilities?[34]

A. No, I do not. Consolidated holding companies are financed differently than their regulated operating subsidiaries because capital at the holding company level finances a variety of business segments (both regulated and unregulated) each with different risk profiles and return requirements. Dr. Woolridge's position suggests that the Commission should ignore relevant data that properly reflect the financial risk profiles and financing practices at the regulated utility operating company level. Because capital at the consolidated holding company level may finance operations with a different risk profile from EKC (such as natural gas or water utility operations), comparisons to the consolidated holding company capital structure may lead to faulty conclusions. As explained earlier, regulated utilities' obligation to serve presents a unique set of constraints that affect their financing practices

[34] Woolridge Direct, at 26.

compared to unregulated operations, which reduces financing flexibility that is critical for utilities. Because we are setting rates for EKC, an operating company, the proper comparison is to compare EKC's capital structure to other operating utilities, not consolidated holding companies.

Q. Have other regulatory commissions rejected the comparison to holding company capital structures when assessing the reasonableness of an operating utility's capital structure?

A. Yes. For example, in a December 2023 order for Duke Energy Carolinas ("DEC"), the North Carolina Utilities Commission reiterated that it has "repeatedly rejected the use of holding company capital structures."[35] As another example, the Massachusetts Department of Public Utilities' ("MA DPU") practice is to accept a company's test-year-end capital structure, adjusted for known and measurable changes, so long as the capital structure is consistent with those approved by the MA DPU in recent years and does not deviate substantially from sound utility practice.[36] Additionally, in Atmos Energy Corporation's 2019 rate case for its Kansas gas operations the Commission approved using the company's actual capital structure, consistent with Mr. Gatewood's testimony in that case.[37]

[35] Docket No. E-7, Sub 1276, Order Accepting Stipulations, Granting Partial Rate Increase, Requiring Public Notice, and Modifying Lincoln CT CPCN Conditions, at 224 (December 18, 2023).
[36] Massachusetts Department of Public Utilities Docket D.P.U. 22-22, Order, at 357-359 (November 30, 2022).
[37] State Corporation Commission of the State of Kansas, Docket No. 19-ATMG-525-RTS, Order on Atmos Energy Corporation's Application for a Rate Increase, at 8-10.

Q. Has Mr. Gatewood argued against relying on the holding company capital structure in setting a utility's ratemaking capital structure?

A. Yes, he has. In KCP&L 2018 Rate Case, Docket No. 18-KCPE-480-RTS, Mr. Gatewood rejected the use of a holding company equity ratio because it was not within industry norms. Specifically, Mr. Gatewood testified:

> Q. Is this capitalization ratio consistent with the current capitalization of Evergy, Inc. in the new merged company?
>
> A. No, immediately post-merger, the holding company for KCP&L has an equity ratio in excess of 61%. Evergy management has stated that it intends to reduce the equity ratio to a level close to 50% during the next few years. Regardless of that proposal, I would not recommend using the current holding company equity ratio to establish KCP&L's revenue requirement. It is not the lowest cost capitalization for the utility and it is not within the industry norms.[38]

Q. Do you agree with Staff and Intervenor Witnesses that utility and customer interests are not aligned with respect to capital structure?

A. No, I do not. Specifically, Mr. Gatewood, Dr. Woolridge, and Mr. Gorman observe that equity has a higher cost than debt and conclude that customers benefit from lower equity ratios.[39] This is a shortsighted view that ignores the interrelationship between the capital structure and the costs of both debt and equity. A balance must be established when determining the capital structure. However, I disagree with the position that the utility and customers have divergent goals in this respect. The Staff and Intervenor Witnesses' perspective presumes that customers only value short-term rate impacts and do not value longer-term benefits such as continuous, safe, and reliable service, and lower overall cost of capital.

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[38] Commission, Direct Testimony of Adam H. Gatewood, Docket No. 18-KCPE-480-RTS, *Application for Kansas City Power & Light Company Rate Case*, September 12, 2018.

[39] Woolridge Direct, at 27-28; Gorman Direct, at 44-45; Gatewood Direct, at 17.

EKC is a public utility with an obligation to serve its customers. To meet its obligation to provide safe, reliable service, EKC must maintain a strong financial profile so that it can access capital in all market environments to fund maintenance and safety investments for its customers' best interests. Capital structures are managed to not only withstand the current financial conditions but also to maintain sufficient financial strength to attract capital at cost effective terms for customers' benefit as conditions shift. In the long run, customers' interests are best served by a utility with a strong financial profile.

Q. Do Staff and the Intervenor Witnesses consider the effect that their more leveraged capital structure recommendations would have on the company's risk and cost of equity?

A. No, they do not. As noted earlier, the capital structure and the costs of both debt and equity are interrelated. As the proportion of debt in the capital structure increases, so does the financial risk of the utility, increasing the costs of both debt *and* equity. Higher leverage raises pressure on cash flows to meet higher debt service obligations, increasing the cost of debt. Equity investors have a lower priority claim on an entity's cash flows, meaning that the risk to equity owners increases as debt leverage increases. Thus, the Staff and Intervenor Witnesses ignore the higher return that debt and equity investors would require with a more leveraged capital structure. Their recommendations would significantly diminish EKC's financial strength, its credit ratings calculations, and its ability to attract capital. Rather than lower the cost of capital, the Staff and Intervenor Witnesses' recommendations would raise it.

Q. What are the implications if the Commission departs from the standalone principle and adopts a capital structure consistent with Staff and the Intervenor Witnesses' recommendations?

A. EKC competes to attract capital with other issuers of securities of similar risk, including other utilities. If investors see that higher returns are available for other investments of comparable risk, or that comparable returns are available for other investments of lower risk, that can inhibit the utility's ability to attract capital for investment in Kansas. If the stand-alone principle is abandoned, and the costs, revenues or securities of the parent company are opportunistically imputed to utility ratemaking to reduce the return achievable by the utility, then EKC will not be able to effectively attract capital on reasonable terms. Kansas's utilities need to compete for capital against other investment opportunities across North America and beyond. That is exactly why the Commission must be aware of, and direct ratemaking that is commensurate with, the investment opportunities and ratemaking practices of other jurisdictions. Not doing so is contrary to the *Hope* and *Bluefield* standard requiring that a return be allowed that is commensurate with returns being earned on investments in enterprises having comparable risks. The commentary from equity analysts provided in Mr. Ley's direct testimony is clear evidence that investors are closely monitoring the Commission's decisions and will view more favorable jurisdictions as more attractive investment opportunities if the returns opportunities available to Kansas utilities are inadequate on a relative basis.

III. REVIEW OF ELECTRIC INDUSTRY CAPITAL STRUCTURES

Q. The Staff and Intervenor Witnesses assert that EKC's requested capital structure contains more equity than other electric utilities and recommend the Commission instead impute a hypothetical capital structure that contains more debt. What is your response?

A. As discussed earlier, the Staff and Intervenor Witnesses' conclusions are based on flawed comparisons that do not appropriately reflect how vertically integrated electric companies like EKC are capitalized.

Q. What is the purpose of your electric utility capital structure analyses?

A. As I discuss above, regulators commonly consider three criteria when determining whether to use a utility's actual capital structure or to impute a hypothetical capital structure: (1) the utility issues its own debt, (2) it has its own credit rating, and (3) its actual capital structure is within industry standards and practice. Regulators typically impute a hypothetical capital structure only when the utility is financed as part of a diversified organization whose overall capital structure reflects its diversified nature rather than utility operations only, or if the utility's actual capital structure is deemed to be "substantially different" from the typical utility capital structure.[40] Since EKC issues its own debt and has its own credit rating, the only question is whether EKC's capital structure is "substantially different" from the typical electric utility. Thus, I reviewed long-term debt and common equity ratios across the electric utility industry nationally to supplement Ms. Bulkley's proxy group analysis.

[40] Parcell, D.C. (2020). *The Cost of Capital: A Practitioner's Guide.* Society of Utility and Regulatory Financial Analysts, at 47.

Reviewing the actual and authorized capital structures in place at other electric utilities informs the reasonableness of a utility's capital structure and may be used as a broad indicator of industry practice. However, as noted earlier, utility capital structures vary widely based on the unique needs of each company and the assets being financed. In other words, there is a broad range of capital structures that reflect sound utility practice, much broader than the 40-50% range of equity ratios that Dr. Woolridge asserts is typical.[41]

As discussed below, EKC's actual capital structure is consistent with sound utility practice and the Staff and Intervenor Witnesses' recommendations to impute a hypothetical capital structure should be rejected.

Q. Please describe your analysis.

A. To develop an apples-to-apples comparison to EKC's requested capital structure, I evaluated actual book equity ratios reported for investor-owned vertically integrated electric operating companies covered by S&P Capital IQ using common equity and long-term debt from 2015-2024. I excluded companies that reported more than 80 percent common equity. Unlike Dr. Woolridge's and Mr. Gorman's analyses, Figure 1 shows that EKC's requested equity ratio is well within the range of how vertically integrated electric operating companies are capitalized, and in fact is below the median.

[41] Woolridge Direct, at 28.

Figure 1: Average Book Equity Ratios among Vertically Integrated Electric Operating Companies (2015-2024)[42]

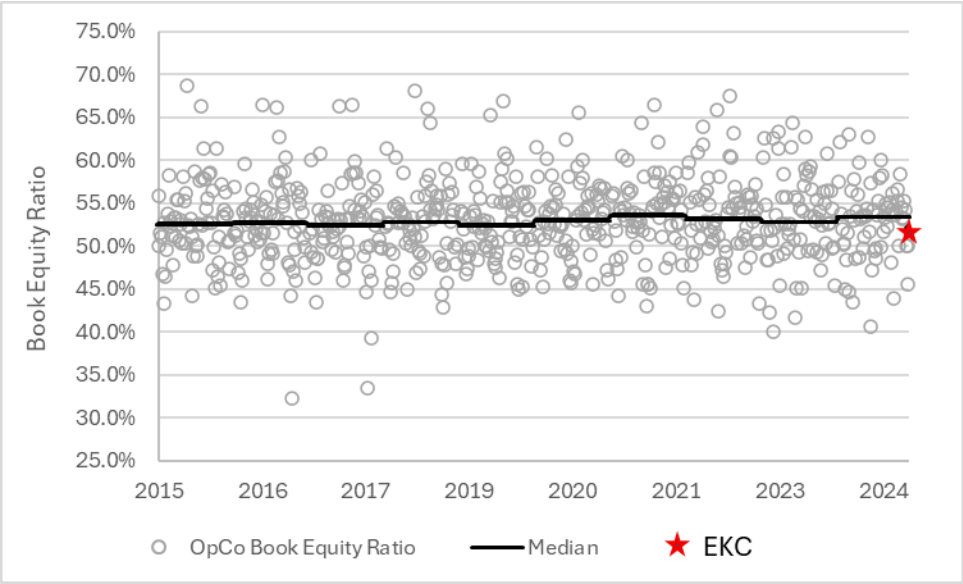


Figure 2, below, shows the average and median actual equity ratios for the vertically integrated electric operating companies between 2015 to 2024. As Figure 2 demonstrates, the measure of central tendency is between approximately 52.4% to 53.7%. EKC's equity ratio is consistent with, but slightly below the average and median.

Figure 2: Average and Median Book Equity Ratios for Vertically Integrated Electric Operating Companies[43]

	Average	Median
2015	52.89%	52.61%
2016	52.56%	52.78%
2017	52.28%	52.46%
2018	52.80%	52.81%
2019	52.79%	52.44%
2020	53.18%	53.01%
2021	53.35%	53.65%
2022	53.54%	53.21%
2023	53.24%	52.80%
2024	52.88%	53.44%

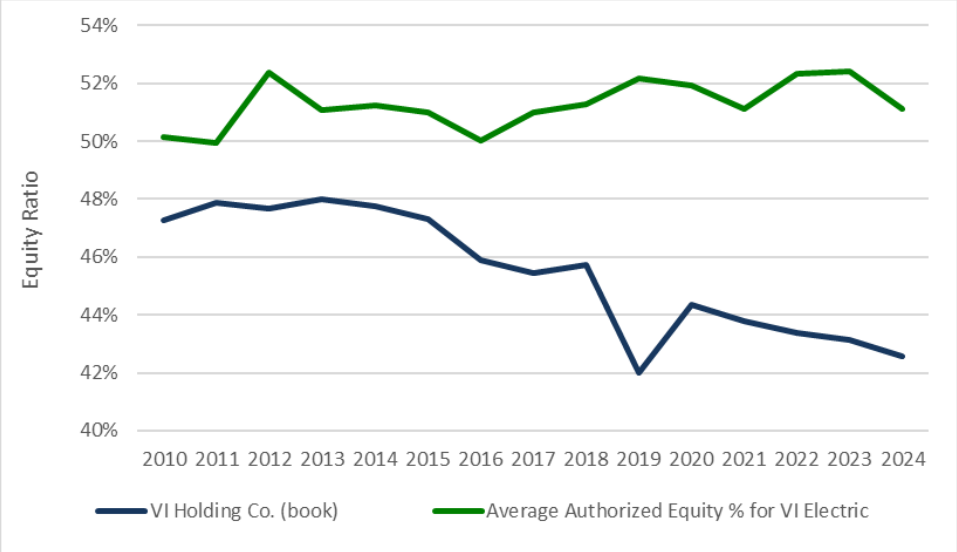
[42] S&P Capital IQ. Vertically integrated electric operating company reported book equity ratios calculated using common equity and long-term debt for the years 2015 – 2024.

[43] S&P Capital IQ. Vertically integrated electric operating company reported book equity ratios calculated using common equity and long-term debt for the years 2015 – 2024.

Q. In his direct testimony, Mr. Ley compared authorized equity ratios for vertically integrated electric utilities to the actual equity ratios at the holding company level.[44] Have you reviewed that analysis?

A. Yes, I reviewed that analysis and updated it to include actual equity ratios at the holding company level through 2024 as well as authorized equity ratios for vertically integrated electric utilities through 2024. As shown in Figure 3, below, the divergence between authorized equity ratios for vertically integrated electric utilities and the actual capital structures at the holding company level is an indication that regulators do not appear to rely on holding company capital structures to determine the ratemaking capital structure at the operating company level. This supports Mr. Ley's conclusion and further illustrates the unreasonableness of Mr. Gatewood's and Dr. Woolridge's recommendations.

Figure 3: Average Authorized Equity Ratios of Vertically Integrated Electric Operating Companies vs. Book Equity Ratios of Electric Utility Holding Companies (2010-2024)[45]



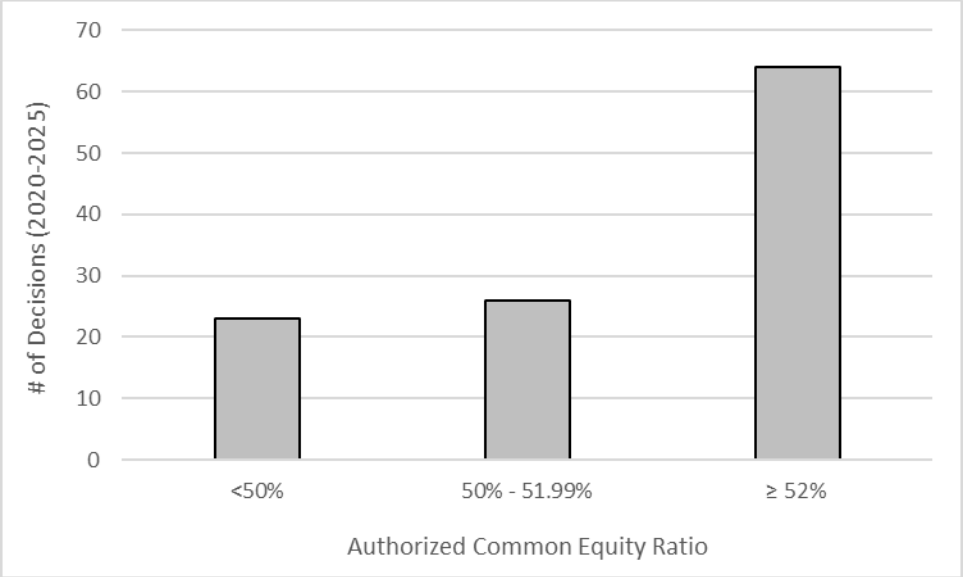
[44] Ley Direct, at 24.

[45] Sources: S&P Capital IQ and Regulatory Research Associates. Excludes decisions from Arkansas, Florida, Indiana, and Michigan that include non-investor supplied capital in the ratemaking capital structure.

Figure 3 offers additional evidence that holding companies generally have different risk profiles from operating utilities and thus are capitalized differenly. This comparison provides additional confirmation that Mr. Gatewood's and Dr. Woolridge's recommendations are far removed from industry practice.

It is important to note that annual average authorized equity ratios can be influenced by the number and timing of rate cases over the course of the year or by jurisdictions that may decide a greater proportion of rate cases over a calendar year. Therefore, I also reviewed the distribution of authorized equity ratios over the last five years for vertically integrated electric utilities to assess how frequently the equity ratio recommendations in this case have occurred. As shown in Figure 4 below, between 2020-2025, nearly 57% (64 of 113 decisions) of authorized common equity ratios for vertically integrated electric utilities have been 52% or higher, whereas only 20% (23 of 113 decisions) have been below 50%. It is clear that EKC's 52.05% equity ratio is consistent with the majority of authorized equity ratios and the Staff and Intervenor Witnesses' recommendations are in the minority.

Figure 4: Distribution of Authorized Equity Ratios (2020-2025)[46]



Q. What do your analyses indicate with respect to EKC's capital structure?

A. Utilities serving different types of markets face distinct financial and business risks, which are reflected in the capital structure determinations made by regulators. My analyses indicates that electric operating utilities have average and median book equity ratios of between 52.4% to 53.7%. over the last ten years. EKC's requested equity ratio of 52.05% is reasonable and consistent with industry practice.

Q. What is your conclusion regarding EKC's requested capital structure relative to industry practice?

A. EKC's capital structure is consistent with sound utility practice, thus satisfying the third criterion of the three-prong standard regarding the use of an operating company's actual capital structure for ratemaking purposes.

[46] Source: Regulatory Research Associates. Vertically integrated electric utility rate cases. Excludes decisions from Arkansas, Florida, Indiana, and Michigan that include non-investor supplied capital in the ratemaking capital structure.

IV. CONCLUSION

Q. What is your conclusion regarding the Intervenor Witnesses capital structure recommendations?

A. None of the Staff and Intervenor Witnesses have demonstrated that EKC's actual capital structure deviates from industry standards such that a hypothetical capital structure should be imputed. EKC's capital structure meets the three-prong regulatory standard: the Company issues its own debt, has its own credit rating, is consistent with sound industry practice and is representative of utility operations. I recommend that the Commission approve the Company's proposed capital structure and reject Staff and Intervenor Witnesses' proposals to impute debt from the holding company to EKC.

The allocation of any portion of holding company debt to the EKC capital structure would demonstrably fail the "comparable returns" and "capital attraction" standards of Hope and Bluefield and cause significant harm to EKC's ability to attract capital at reasonable rates, capital which is needed for infrastructure investment in the state of Kansas.

Recommendations by the Staff and Intervenor Witnesses to impute debt to EKC's capital structure based on greater debt leverage at the parent company is both a departure from sound ratemaking principles and is entirely inconsistent with Commission standards and the Commission-approved financial protections that were implemented as part of the Westar/Great Plains merger. Such recommendations would harm customers by increasing EKC's financial and business risks. This would increase the Company's cost of capital.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

CONCENTRIC ENERGY ADVISORS

JENNIFER E. NELSON
VICE PRESIDENT

Ms. Nelson is a Certified Rate of Return Analyst with more than fifteen years of experience in the energy industry. As an expert witness, she has testified to the cost of capital and alternative ratemaking proposals for electric, natural gas, and water utilities. In her time as a consultant, Ms. Nelson has provided consulting services on a variety of utility regulatory matters including ratemaking and regulatory policy, cost of service and revenue requirements, integrated resource planning, renewable power contracts, natural gas pipeline development, utility supply planning issues, and merger and acquisition transactions. Ms. Nelson has extensive experience performing statistical analyses, developing economic and financial models, and providing policy analyses and recommendations.

Prior to joining Concentric, Ms. Nelson was a Director at ScottMadden, Inc., and a managing consultant at Sussex Economic Advisors, LLC. Prior to consulting, she was a staff economist at the Massachusetts Department of Public Utilities and a petroleum economist for the State of Alaska. Ms. Nelson holds a Master of Science degree in Resource and Applied Economics from the University of Alaska and a Bachelor of Science degree in Business Economics from Bentley University.

AREAS OF EXPERTISE

Cost of Capital

- Submitted expert testimony on behalf of electric utilities before regulatory commissions in Arkansas, Michigan, New Hampshire, New Mexico, North Carolina, South Carolina, Texas and Virginia regarding the cost of capital.
- Submitted expert testimony on behalf of natural gas utilities before regulatory commissions in Alaska, Florida, North Carolina, Ohio, Oregon, South Carolina, Utah, West Virginia, and Wyoming regarding the cost of capital.
- Submitted expert testimony on behalf of a water utility before the Kentucky Public Service Commission regarding the appropriate capital structure and cost of debt.
- Supported expert testimony regarding the cost of capital before numerous state utility regulatory commissions and the FERC on behalf of electric and natural gas utilities through research, financial analysis and modeling, and testimony development.

Alternative Ratemaking Mechanisms

- Submitted expert testimony on behalf of electric utilities and a water utility before the Arkansas Public Service Commission regarding the utilities' proposed Formula Rate Plans.
- Submitted expert testimony on behalf of an electric utility before the Oklahoma Corporation Commission regarding the utility's proposed Formula Rate Plan.
- Submitted expert testimony on behalf of an electric and natural gas utility before the Delaware Public Service Commission regarding the utility's proposed performance-based rate plan.

- Submitted expert testimony on behalf of an electric and natural gas utility before the Montana Public Service Commission regarding the utility's proposed alternative rate mechanisms.
- Co-sponsored expert testimony on behalf of a natural gas utility before the Maine Public Utilities Commission regarding the utility's proposed capital investment cost recovery mechanism.
- Supported expert testimony and performed research and analysis on alternative ratemaking frameworks.

Resource and Supply Planning

- Supported expert testimony on the reasonableness of utility resource supply portfolio decisions.
- Assisted in a benchmarking analysis on behalf of a Northeast U.S. natural gas utility regarding its supply planning standards and design day demand forecast process.
- Supported rebuttal testimony filed on behalf of an Alaska natural gas utility regarding the utility's gas supply planning standards.
- Supported the development of a New Hampshire electric utility's Integrated Resource Plan filed with the New Hampshire Public Utility Commission.
- Performed research and financial analysis to evaluate the benefits, costs, and policy options associated with natural gas expansion by Massachusetts natural gas utilities as part of a prepared report for the Massachusetts Department of Energy Resources.
- Developed a dynamic natural gas demand forecast model for in-state use for the State of Alaska, which included forecasting demand from both existing and anticipated natural gas utilities, power consumption, and large commercial operations.
- Conducted research and prepared analyses for a natural gas pipeline Open Season.

Other Regulatory Financial Issues

- Filed expert testimony before the California PUC regarding the benefits of financial flexibility and diversity in sources of financial capital associated with an electric utility's request to lease entitlements as a means of raising capital.
- Supported expert testimony on the appropriate level of remuneration associated with the Massachusetts electric utilities' long-term contracts for wind power through research, financial analysis and modeling, and testimony development.
- Provided research and analytical support estimating financial damages incurred as a result of construction delays for an electric transmission company.
- Prepared a Feasibility Study for an electric cooperative utility supporting a utility-owned solar project.

Mergers & Acquisitions

- Performed buy-side benchmarking and regulatory analysis for utility acquisitions.

RELEVANT PROFESSIONAL HISTORY

Concentric Energy Advisors, Inc. (2021-present)
Vice President
Assistant Vice President

ScottMadden, Inc. (2016-2021)
Director
Manager

Sussex Economic Advisors, LLC (2013-2016)
Managing Consultant

Massachusetts Department of Public Utilities (2011-2013)
Economist, Electric Power Division

State of Alaska Department of Revenue, Tax Division (2007-2010)
Petroleum Economist

Federal Reserve Bank of Boston (2000-2002)
Research Assistant, Economic Research Department

EDUCATION AND RELEVANT COURSEWORK

University of Alaska
Master of Science, Resource and Applied Economics

Bentley University (formerly Bentley College)
Bachelor of Science, Business Economics
Graduated *magna cum laude*

New Mexico State University
Center for Public Utilities, Regulatory Basics

ISO New England
Wholesale Energy Markets (WEM-101)

Colorado School of Mines
Petroleum Engineering SuperSchool

EUCI
Course Instructor – Performance-Based Ratemaking

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Certified Rate of Return Analyst, Society of Utility and Regulatory Financial Analysts
Member, Society of Utility and Regulatory Financial Analysts

SPONSOR	DATE	CASE/APPLICANT	DOCKET	SUBJECT
Regulatory Commission of Alaska				
ENSTAR Natural Gas Company	04/25	ENSTAR Natural Gas Company	TA-352-4	Cost of Capital
Arkansas Public Service Commission				
Liberty Utilities (Pine Bluff Water)	10/18	Liberty Utilities (Pine Bluff Water)	18-027-U	Formula Rate Plan and tariff
Entergy Arkansas, LLC	11/20	Entergy Arkansas, LLC	16-036-FR	Sponsored testimony evaluating the Return on Equity included in Rider FRP
Oklahoma Gas & Electric	10/21	Oklahoma Gas & Electric	21-087-U	Formula Rate Plan
California Public Utilities Commission				
Pacific Gas & Electric Co.	01/25	Pacific Gas & Electric Co.	A-24-03-009	Financial flexibility and capital diversity
Delaware Public Service Commission				
Delmarva Power & Light Company	08/24	Delmarva Power & Light Company	24-0868	Alternative Ratemaking Proposal
Florida Public Service Commission				
Pivotal Utility Holdings, Inc. d/b/a Florida City Gas	05/22	Pivotal Utility Holdings, Inc. d/b/a Florida City Gas	20220069-GU	Cost of Capital
Kentucky Public Service Commission				
Bluegrass Water Utility Operating Company, LLC	09/20	Bluegrass Water Utility Operating Company, LLC	2020-290	Capital Structure and Cost of Long-Term Debt
Maine Public Utilities Commission				
Unitil Corporation	06/19	Northern Utilities, Inc.	19-00092	Co-sponsored testimony supporting a proposed CIRA capital tracking mechanism
Michigan Public Service Commission				
DTE Electric Company	04/25	DTE Electric Company	U-21860	Cost of Capital
Montana Public Utilities Commission				
NorthWestern Corporation	08/22	NorthWestern Corporation	2022-7-78 (elect.) 2022-7-78 (gas)	Alternative Ratemaking Proposals
New Hampshire Public Utilities Commission				
Unitil Energy Systems, Inc.	04/21	Unitil Energy Systems, Inc.	DE 21-030	Cost of Capital

SPONSOR	DATE	CASE/APPLICANT	DOCKET	SUBJECT
New Mexico Public Regulation Commission				
El Paso Electric Company	07/20	El Paso Electric Company	20-00104-UT	Cost of Capital
North Carolina Utilities Commission				
Public Service Company of North Carolina d/b/a Dominion Energy North Carolina	04/21	Public Service Company of North Carolina d/b/a Dominion Energy North Carolina	G-5, Sub 632	Cost of Capital
Virginia Electric & Power Co., d/b/a Dominion Energy North Carolina	03/24	Virginia Electric & Power Co., d/b/a Dominion Energy North Carolina	E-22, Sub 694	Cost of Capital
Public Service Company of North Carolina	04/25	Public Service Company of North Carolina	G-5, Sub 686	Cost of Capital
Public Utilities Commission of Ohio				
The East Ohio Gas Company d/b/a Dominion Energy Ohio	11/23	The East Ohio Gas Company d/b/a Dominion Energy Ohio	23-0894-GA-AIR	Cost of Capital
Oklahoma Corporation Commission				
Oklahoma Gas & Electric	12/21	Oklahoma Gas & Electric	PUD202100164	Formula Rate Plan
Public Utility Commission of Oregon				
Northwest Natural Gas Company dba NW Natural	12/23	Northwest Natural Gas Company dba NW Natural	UG 490	Cost of Capital
Northwest Natural Gas Company dba NW Natural	12/24	Northwest Natural Gas Company dba NW Natural	UG 520	Cost of Capital
Public Utilities Commission of South Carolina				
Dominion Energy South Carolina	04/23	Dominion Energy South Carolina	2023-70-G	Cost of Capital
Dominion Energy South Carolina	03/24	Dominion Energy South Carolina	2024-34-E	Cost of Capital
Public Utilities Commission of Texas				
Sharyland Utilities L.L.C.	12/20	Sharyland Utilities L.L.C.	51611	Cost of Capital
El Paso Electric Company	06/21	El Paso Electric Company	52195	Cost of Capital
Wind Energy Transmission Texas, LLC dba WETT	12/24	Wind Energy Transmission Texas, LLC dba WETT	57299	Cost of Capital

SPONSOR	DATE	CASE/APPLICANT	DOCKET	SUBJECT
El Paso Electric Company	01/25	El Paso Electric Company	56851	Cost of Capital
Utah Public Service Commission				
Enbridge Gas Utah	05/25	Enbridge Gas Utah	25-057-06	Cost of Capital
Dominion Energy Utah	05/22	Dominion Energy Utah	22-057-03	Cost of Capital
Virginia State Corporation Commission				
Virginia Electric & Power Company (Dominion Energy Virginia)	03/25	Virginia Electric & Power Company (Dominion Energy Virginia)	PUR-2025-00058	Cost of Capital
Public Service Commission of West Virginia				
Hope Gas, Inc.	04/25	Hope Gas, Inc.	25-0417-G-42T	Cost of Capital
Hope Gas, Inc. d/b/a Dominion Energy West Virginia	11/20	Hope Gas, Inc. d/b/a Dominion Energy West Virginia	20-0746-G-42T	Cost of Capital
Wyoming Public Service Commission				
Dominion Energy Wyoming	03/23	Dominion Energy Wyoming	30010-215-GR-23	Cost of Capital

COMMONWEALTH OF MASSACHUSETTS)
) ss:
COUNTY OF MIDDLESEX)

VERIFICATION

Jennifer E. Nelson, being duly sworn upon his oath deposes and states that she is the Vice President, Concentric Energy Advisors, that she has read and is familiar with the foregoing pleading, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.

Jennifer E. Nelson

Subscribed and sworn to before me this 1st day of July 2025.

Notary Public

My Appointment Expires:
April 13, 2029

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed, this 3rd day of July 2025, to all parties of record as listed below:

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