

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

REBUTTAL 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-207-PRE

April 4, 2025

1 **I. INTRODUCTION AND PURPOSE**

2 **Q: Please state your name and business address.**

3 A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri
4 64105.

5 **Q: Did you provide Direct Testimony for EKC in this docket?**

6 A: Yes, I submitted Direct Testimony in support of the Petition filed herein on November 6,
7 2024.

8 **Q: What is the purpose of your Rebuttal Testimony?**

9 A: The purpose of my Rebuttal Testimony is to (1) respond to recommendations of HF Sinclair
10 El Dorado Refining (“HF Sinclair”) witness Justin Bieber regarding allocation of costs
11 recovered through the CWIP rider, (2) respond to concerns expressed by various parties
12 about fairness in cost recovery from new large load customers and explain our intent with
13 respect to large load customers and the CWIP rider, (3) respond to assertions in USD 259
14 witness Addi Lowell that the total rate increase for this docket and other contemporaneous
15 proceedings is 25%, and (4) respond to New Energy Economics witness Jones’ assertion
16 that EKC should have considered the rate impacts for costs recovered through the Retail
17 Energy Cost Adjustment (“RECA”) clause in this docket.

18 **Q: To what recommendations of HF Sinclair would you like to respond?**

19 A: In his Direct Testimony, HF Sinclair witness Bieber expresses concerns about how the costs
20 recovered through the CWIP rider will be allocated among customer classes.

21 **Q. How does EKC respond to this concern?**

22 A. EKC’s position is similar to what Mr. Bieber appears to suggest in his testimony, that the
23 costs recovered through the CWIP rider should be allocated among classes in the same

1 manner that all other generation costs are allocated and recovered from the various
2 customer classes. EKC had presumed that in this instance the allocation among classes
3 would be determined in the course of the currently filed general rate case, Docket No. 25-
4 EKCE-294-RTS ("25-294 Docket"). I am aware that Mr. Bieber suggests the allocation
5 method referred to as Average & Excess Demand-Four Coincident Peak ("AED-4CP") is
6 the appropriate allocation method for these costs. EKC states that this method is a possible
7 allocation method for this purpose, but believes the appropriate venue to advocate for any
8 particular allocation method and to fully discuss the merits of those methods is not in this
9 docket, but rather in the 25-294 Docket.

10 **Q. Assuming EKC's Petition is granted and the Commission approves the CWIP rider,**
11 **how does EKC plan to handle new LLPS class customers of EKC that are added after**
12 **the CWIP rider is approved?**

13 A. The amounts recovered through the CWIP rider will be allocated to the customer classes
14 on the same basis that the costs of the underlying generation plant are allocated to customer
15 classes in the 25-294 Docket, as adjusted by future rate cases or other Commission orders
16 establishing allocation of costs among classes for generation plant

17 **Q. How do you respond to USD 259 witness Addi Lowell's assertion that, between this**
18 **docket and other contemporaneous proceedings, total rate increases for all dockets**
19 **for EKC customers will be 25%?**

20 A. This assertion is not accurate. USD 259 explained the basis for Ms. Lowell's assertion in
21 response to Evergy-USD 259 DR 1-1. The response shows that Ms. Lowell's assertion
22 oversimplifies the issues and overstates all-in bill impacts. Notably, although it does not
23 specifically relate to this docket, the assertion that rate changes in the 25-294 Docket will

1 cause a 14.96% increase to USD 259 bills is not accurate. That figure, which was included
2 in EKC's application in the 25-294 Docket, represents the total system-wide increase to
3 base rates for the identified classes. It does not represent an all-in bill impact forecast for
4 the school district, which would be lower than 14.96%.

5 In addition, USD 259's response appears to assume that rate impacts related to this
6 docket will occur at once, and can be compiled to determine total bill impacts for EKC
7 customers. As the Commission is aware, the rate impacts related to this docket will vary,
8 and will occur at different intervals as construction of the facilities is completed and the
9 facilities are placed into service. Therefore, it is inaccurate to compile or add-up Evergy's
10 stated expected rate impacts and suggest that EKC customers will incur the sum of those
11 impacts at one time.

12 Importantly, as a number of Company witnesses have testified, the use of the CWIP
13 Rider reduces the overall cost of construction of the assets recovered in rates in a manner
14 that is favorable to EKC customers and their rate impacts. In addition, other factors,
15 including increased load and customer base, are anticipated to reduce these expected rate
16 impacts in practice to the average EKC customer by spreading recovery of these costs over
17 a broader base of customer usage. These principles also apply with respect to expected rate
18 impacts to EKC customers related to the 25-294 Docket in which the filed positions of
19 other parties are not yet known.

20 In addition, as discussed in my Direct Testimony, the cumulative rate impacts from
21 the two natural gas facilities and the solar facility, if they were added together and assumed
22 implemented at the same time, would equate to an estimated 9.3% in total. Over a 5-year
23 period through 2030 this would equate to an annual CAGR percent increase of 1.8%. This

1 amount is below the expected federal reserve targeted annual inflation percentage of 2%.
2 This is also before consideration of the addition of expected large load customers, which
3 should further reduce the impact to customers over this period. Ultimately, these impacts
4 are very reasonable overall for the addition of these important generation resources, and
5 because it is anticipated that other utilities in the region will have to make similar
6 investments in their generation fleets, the rate impacts are at a level that will be competitive
7 with peer utilities in the coming years.

8 **Q. How do you respond to the assertion of NEE witness Jones that EKC should have**
9 **considered the rate impacts for costs that will be recovered through the RECA as part**
10 **of its rate impacts analysis?**

11 A. I disagree with this assertion. It is simply not realistic to be able to estimate these costs in
12 a manner to allow EKC to model specific rate impacts likely related to costs recovered
13 through the RECA. Alternatively, if the Commission accepts Mr. Jones' recommendation
14 and does not approve the Petition as it relates to the CCGT facilities, EKC would likely
15 have to acquire more expensive purchased power to meet customer needs in the future.
16 The costs of such purchased power would be recovered through the RECA, resulting in
17 greater cost to be recovered through the RECA, and EKC would likely not be able to
18 accurately model and predict the rate impacts related to those costs. Therefore, Mr. Jones'
19 recommended course of action would inherently be less transparent and predictable than
20 the current predetermination proceeding. EKC believes the predictability and transparency

1 of the predetermination proceeding and the cost recovery mechanisms inherent in this
2 proceeding are preferable under the circumstances.

3 **Q. Please summarize your Rebuttal Testimony?**

4 A. My Rebuttal Testimony has addressed questions and concerns raised in the Direct
5 Testimonies of certain witnesses regarding rate recovery in connection with the Company's
6 proposals in this docket. Yet, there has been no substantial, analytically supported
7 opposition to the rate recovery requested in the Company's Petition or filed testimony. I
8 would reiterate our request for the Commission to approve the ratemaking treatment
9 requested for the following:

- 10 ▪ Request, pursuant to K.S.A. 66-1239, that EKC be permitted to implement a CWIP
11 rider not sooner than 365 days after construction of the generation facility begins,
12 and EKC will recover through the CWIP rider the return on up to 100% of amounts
13 recorded to construction work in progress on EKC's books for its stake in the two
14 natural gas plants, not exceeding the definitive cost estimates for each plant
15 approved by the Commission, unless otherwise ordered by the Commission in a
16 subsequent proceeding. In addition, this rider will be allowed to have periodic
17 increases not more than every six months. EKC requests that it be permitted to
18 accrue costs in CWIP to be recovered from customers up until the time that the
19 natural gas plants are placed in service and EKC will be permitted to recover a
20 return on those costs through the CWIP rider until new base rates reflecting EKC's
21 investment in the natural gas plants take effect;
- 22 ▪ Request recovery in rate base through a general rate case for costs up to the
23 definitive cost estimate, unless otherwise ordered by the Commission in a
24 subsequent proceeding, with amounts spent in excess of the definitive cost
25 estimate(s) subject to prudence review, wherein EKC should bear the burden of

1 proof to show that any amount it incurs in excess of these DCEs is prudently
2 incurred and is reasonable to recover from ratepayers;

- 3 ■ Request that, also pursuant to K.S.A. 66-1239, when new base rates reflecting
4 EKC's investment in the natural gas plants take effect, EKC requests those base
5 rates include a deferral for depreciation expense incurred and carrying costs on any
6 unrecovered portion of EKC's investment in the natural gas plants at EKC's
7 weighted average cost of capital determined in the rate case to include such costs
8 in rates, incurred between the time the natural gas plants are placed in service and
9 the time the investment in the natural gas plants is included in base rates;
- 10 ■ Request that, in lieu of including the solar generating facility in rate base, a
11 levelized revenue requirement of the solar facility be included in EKC's total
12 revenue requirement in the Company's next general rate case following the date the
13 solar generating facility is placed in service. This levelized revenue requirement for
14 the Kansas Sky generating plant to be fixed for the first thirty years of the life of
15 the generation site, at the end of which, the levelized revenue requirement will be
16 reevaluated; and
- 17 ■ Request that the Commission approve construction accounting treatment, under
18 which EKC would be permitted to defer and recover as a regulatory asset over the
19 remaining life of the Kansas Sky generating plant the pretax rate of return,
20 depreciation expense, and actual operating and maintenance expense, offset by the
21 value of the production tax credits, incurred between the time the Kansas Sky plant
22 is placed in service and the effective date of rates that include the levelized revenue
23 requirement, with the recovery of the regulatory asset to begin with the general rate
24 case that coincides with the inclusion of the levelized revenue requirement in rates
25 and recovered over the life of the plant. To the extent the regulatory asset needs
26 trued-up, the updated balance will be addressed in the following general rate case.

27 In conclusion, I would note that Staff had no opposition to EKC's requested rate
28 recovery treatment and only included minor conditions to the proposals put forth by the
29 Company. Every witness Darrin Ives more fully discusses in his Rebuttal Testimony the

1 recommended conditions that Evergy can accept from Direct Testimonies filed by parties
2 in this docket.

3 **Q: Does this conclude your testimony?**

4 A: Yes, it does.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

Ronald 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 Klote

Subscribed and sworn to before me this 4th day of April 2025.

Leslie R. Wines
Notary Public

My Appointment Expires:

May 30, 2026



CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed, this 4th day of April 2025, to all parties of record as listed below:

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