

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

In the Matter of the Joint Application of  
Eversource Energy Kansas Central, Inc. Eversource  
Kansas South, Inc. and Eversource Metro, Inc.  
for Approval to Make Certain Changes in  
their Charges for Electric Service

Docket 23-EKCE-775-RTS

CROSS-ANSWERING TESTIMONY OF

DAVID J. GARRETT

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

SEPTEMBER 5, 2023

**I. INTRODUCTION**

1 **Q. Please state your name and occupation.**

2 A. My name is David J. Garrett. I am a consultant specializing in public utility regulation. I  
3 am the managing member of Resolve Utility Consulting, PLLC. My business address is  
4 101 Park Avenue, Suite 1125, Oklahoma City, Oklahoma 73102. I focus my practice on  
5 the primary capital recovery mechanisms for public utility companies: cost of capital and  
6 depreciation.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying on behalf of the State of Kansas, Citizens' Utility Ratepayer Board  
9 ("CURB").

10 **Q. Did you file direct testimony in this proceeding?**

11 A. Yes. I filed direct testimony in this proceeding on August 29, 2023, on behalf of CURB.  
12 My direct testimony addressed the 2022 Depreciation Study on behalf of Evergy Inc.  
13 ("Evergy" or the "Company") and the direct testimony of Company witness Ronald White.  
14 My qualifications and regulatory experience were discussed in my direct testimony.

15 **Q. What is the purpose of your cross-answering testimony?**

16 A. My cross-answering testimony addresses issues raised by witness Roxie McCullar, who  
17 filed direct testimony on behalf of the Staff of the Kansas Corporation Commission  
18 ("Staff"). I also address issues raised by witness Brian Andrews, who filed direct testimony  
19 on behalf of Kansas Industrial Consumers Group, Inc. ("KIC").

1 **Q. Please summarize the issues raised by Ms. McCullar and Mr. Andrews that you are**  
2 **addressing.**

3 A. Both witnesses are critical of the inclusion of contingency costs in the Company's terminal  
4 net salvage rates.<sup>1</sup> In addition, Mr. Andrews also recommends that the current retirement  
5 dates for Lawrence Unit 4, Iatan Unit 1, and La Cygne Unit 1 be utilized for purposes of  
6 determining the depreciation rates for these units.<sup>2</sup> I will address each of these issues  
7 below.

## II. TERMINAL NET SALVAGE RATES

8 **Q. Please summarize the issues related to the Company's terminal net salvage rates.**

9 A. Terminal net salvage rates refer to the salvage rates applied to the Company's production  
10 units. In this case, the Company provided decommissioning cost estimates to support its  
11 terminal net salvage rate proposals.<sup>3</sup> As discussed by both Ms. McCullar and Mr. Andrews,  
12 the decommissioning cost estimates include contingency costs that are designed to account  
13 for unknown costs. Mr. Andrews calculates that Evergy has included contingency costs  
14 totaling \$81.3 million for its production plants.<sup>4</sup>

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<sup>1</sup> See Direct Testimony of Roxie McCullar, pp. 17-19; see also Direct Testimony of Brian C. Andrews, pp. 16-20.

<sup>2</sup> Direct Testimony of Brian C. Andrews, p. 16, lines 1-9.

<sup>3</sup> Direct Testimony of Jeffrey T. Kopp, Sch. JTK-2 and Sch. JTK-3.

<sup>4</sup> Direct Testimony of Brian C. Andrews, p. 18, lines 3-6.

1 **Q. Do you agree that contingency costs should be excluded from the calculation of**  
2 **terminal net salvage rates?**

3 A. Yes. As noted by Ms. McCullar, “the Company did not provide any workpapers or  
4 supporting documents regarding the type of costs included in the 20% contingency. . . .”<sup>5</sup>  
5 She also correctly concludes that the “contingency factor is an uncertain cost in the future  
6 that the Company has not specifically identified but wants to collect this uncertain cost  
7 from ratepayers.”<sup>6</sup> Mr. Andrews also notes the one-sided nature of contingency costs: “the  
8 contingencies Evergy included only assume that prices can change in a single direction,  
9 resulting in higher costs for customers. This is unreasonable. It is very possible that the  
10 total cost to demolish a power plant could be significantly less in the future as a result of  
11 improvements in technology and demolition processes, or higher scrap values.”<sup>7</sup>

12 **Q. Are contingency costs similar to other costs at issue in a utility regulatory proceeding?**

13 A. No. Unlike most costs at issue in a rate case, which may be directly tied to some verifiable  
14 expense, or may be known and measurable, contingency costs by definition are *unknown*  
15 and cannot be measured. Ratepayers should not be charged for unknown and unmeasurable  
16 future costs. According to Mr. Andrews, inclusion of contingency costs in the  
17 decommissioning cost estimates amounts to \$6.2 million in annual depreciation expense.<sup>8</sup>  
18 I agree with Mr. Andrews that contingency costs should be removed from the calculation  
19 of the Company’s terminal net salvage and depreciation rates.

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<sup>5</sup> Direct Testimony of Roxie McCullar, p. 17, lines 16-17.

<sup>6</sup> *Id.* at p. 18, lines 7-9.

<sup>7</sup> Direct Testimony of Brian C. Andrews, p. 17, lines 17-21.

<sup>8</sup> *Id.* at p. 22, lines 1-4.

### **III. ACCELERATED PLANT RETIREMENT DATES**

1 **Q. Please summarize the Company’s proposal to accelerate the retirement dates of**  
2 **several of its production plants.**

3 A. The Company is proposing to accelerate the retirement dates of several of its production  
4 units, including: (1) Lawrence Unit 4 from 2031 to 2028; (2) La Cygne Unit 1 from 2040  
5 to 2032; (3) Iatan Unit 1 from 2040 to 2039; and (4) La Cygne Unit 1 from 2040 to 2032.<sup>9</sup>

6 **Q. Do you agree with Mr. Andrews that the Commission should not accelerate the**  
7 **retirement dates for these units for depreciation purposes at this time?**

8 A. Yes. According to Mr. Andrews, Evergy states that the retirement dates in the Depreciation  
9 study are based on its recently filed Integrated Resource Plan (“IRP”).<sup>10</sup> Mr. Andrews  
10 argues that it is “crucial, for both financial fairness and the integrity of the system, to ensure  
11 that stakeholders have an opportunity to comment and that the Commission provide  
12 approvals before any changes to a power plant's retirement date are finalized.”<sup>11</sup> In my  
13 opinion, this is a reasonable approach, particularly given the significant impact the issue  
14 has on depreciation rates. Indeed, Mr. Andrews estimates the proposal to accelerate the  
15 retirement dates for these units results in a \$20.7 million increase to Evergy’s depreciation  
16 expense.<sup>12</sup> It would be a prudent approach for the Commission to deny the Company’s  
17 proposal to accelerate the retirement dates that are based upon the IRP which is subject to  
18 change due to the highly volatile nature of resource planning. Essentially, under Evergy’s

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<sup>9</sup> Direct Testimony of Ronald E. White, Exh. REW-1, Statement H.

<sup>10</sup> See Direct Testimony of Brian C. Andrews, pp. 13-14.

<sup>11</sup> *Id.* at p. 14, lines 17-22.

<sup>12</sup> *Id.* at p. 15, lines 7-9.

1 proposal, ratepayers bear a risk that they will pay for retirements that do not come about as  
2 planned.

3 **Q. Are there many examples of cases in which regulators have denied accelerated plant**  
4 **retirement dates in favor of retaining current-approved lives for depreciation**  
5 **purposes?**

6 A. Yes. For example, in its 2015 rate case in Oklahoma, Public Service Company of  
7 Oklahoma (“PSO”) requested accelerated retirement of two coal units.<sup>13</sup> PSO sought  
8 approval in its rate case application to accelerate the depreciation of both units so that the  
9 entire costs of the plants would be recovered by 2026 when the second unit was retired. In  
10 its final order, the Oklahoma Commission rejected PSO’s proposal to increase depreciation  
11 rates to recover the entire costs of the plants by the early retirement date in 2026.<sup>14</sup>

12 The Commission finds that PSO should be denied cost recovery for the  
13 accelerated depreciation that PSO seeks to recover for Northeastern Units 3  
14 and 4 over the 2016 to 2026 period and that to mitigate rate increases,  
15 depreciation for the undepreciated, "original" costs of these two units should  
16 continue on its current pace to 2040.

17 When regulators take this approach, it is not uncommon for any undepreciated balance that  
18 exists at the plant’s retirement date to be placed into a regulatory asset.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

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<sup>13</sup>Cause No. PUD 201500208.

<sup>14</sup>Final Order in Cause No. PUD 201500208, p. 5.

**VERIFICATION**

STATE OF OKLAHOMA            )  
  )  
COUNTY OF OKLAHOMA        )        ss:

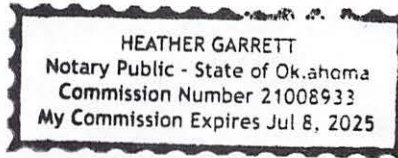
David J. Garrett, being duly sworn upon his oath, deposes and states that he is a consultant for the Citizens' Utility Ratepayer Board, that he has read and is familiar with the foregoing *Cross-Answering Testimony*, and that the statements made herein are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
David J. Garrett

SUBSCRIBED AND SWORN to before me this 4th day of September, 2023.

  
\_\_\_\_\_  
Notary Public

My Commission expires:  
7/8/2025



## CERTIFICATE OF SERVICE

23-EKCE-775-RTS

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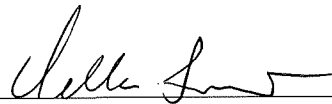
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