

**BEFORE THE
KANSAS CITY BOARD OF PUBLIC UTILITIES**

Prepared Direct Testimony of

Andrew Ferris

Issue:

Energy Rate Component

March 2023

Q: What is your name?

A: Andrew Ferris

Q: What is your position at the BPU?

A: I am the Director of Financial Planning.

Q: Please summarize your professional qualifications and experience.

A: I have a Bachelor's degree in Finance from Truman State University and a Master's in Business Administration from Webster University. I have worked in Finance, Credit Risk, Audit, and Planning for 25 years with 10 of those years being with the Kansas City Board of Public Utilities.

Q: What are your responsibilities as Director of Financial Planning?

A: My responsibilities include forecasting fuel, purchase power, customer demand, electric purchases and sales, as well as the Energy Rate Component (ERC) calculations. I also manage long term capacity planning through the management of sales/purchase contracts including renewable contracts and the implementation of demand response initiatives to meet customer requirements and to satisfy the utility's capacity planning margin.

Q: What are your responsibilities relating to the current Electric & Water Rate Hearing?

A: My responsibilities are to participate as a team member and subject matter expert in the areas of load forecast, power supply costs, and the ERC in the Cost of Service and Revenue Requirement Studies and to provide information for the Rate Hearing

process.

Q What is the purpose of your testimony?

A. I sponsor testimony on the design of the Energy Rate Component.

Q: What are the proposed methodology changes associated with the ERC and why?

A: The Energy Rate Component methodology is largely staying the same with the only modification being the establishment of a Reserve Fund. The associated cost calculations are not changing but due to the volatility within the fuel and purchase power market over the past few years staff feel it would be advantageous to carry a separate reserve fund for fuel and purchase power activity while allowing base rates to only carry a reserve fund against Operations and Maintenance activities.

Q: What is the goal of the Reserve Fund?

A: The goal of the Reserve Fund is to hold 120 days of cash reserves based on expected Energy Rate Component costs.

Q: What is the maximum amount the Reserve Fund may request in any quarterly ERC?

A: The amount allocated to the Reserve Fund in any quarterly ERC will never be more than \$3 million. Once the Reserve Fund has reached the expected 120 days in reserve the fund will attempt to maintain 120 days based on current costs.

Q: Are there any other proposed changes to the ERC?

A: As part of the Cost of Service staff is recommending moving \$2.0 million from the ERC to the Base Rate portion of the bill. These funds are associated with capacity payments made on renewable purchase power agreements and are not associated with the actual generation or production. This transfer is accounted for in the requested rate changes. This transfer will in turn reduce the ERC collection by \$2.0 million annually.

Q: Does this conclude your prepared direct testimony in this matter?

A: Yes. It does.