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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

**DIRECT TESTIMONY
REVENUE REQUIREMENT**

OF

KEITH MAJORS

EVERGY METRO, INC. d/b/a Evergy MISSOURI METRO

CASE NO. ER-2026-0143

*Jefferson City, Missouri
June 2026*

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KEITH MAJORS
EVERGY METRO, INC. d/b/a EVERGY MISSOURI METRO
CASE NO. ER-2026-0143**

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1 A. I have acquired knowledge of the ratemaking and regulatory process
2 through my employment with the Commission and through my assignments in numerous
3 prior rate cases. I have assisted, conducted, and supervised audits and examinations of
4 the books and records of public utility companies operating within the state of Missouri.
5 I have participated in examinations of electric, industrial steam, natural gas, water, and
6 sewer utilities, and participated in in-house and outside training and seminars on
7 technical and general ratemaking matters while employed by the Commission.

8 I have been assigned to several Evergy Missouri Metro (“EMM”), formerly known as
9 Kansas City Power & Light Company (“KCPL”) and Evergy Missouri West (“EMW”),
10 formerly known as KCP&L Greater Missouri Operations Company (“GMO”), general rate
11 cases during my employment at the Commission:

	Utility	Case No.
12	KCPL – Electric	ER-2009-0089
13	GMO – MPS and L&P ¹	ER-2009-0090
14	GMO – L&P Steam ²	HR-2009-0092
15	KCPL – Electric	ER-2010-0355
16	GMO – MPS and L&P	ER-2010-0356
17	KCPL – Electric	ER-2012-0174
18	GMO – MPS and L&P	ER-2012-0175
19	KCPL – Electric	ER-2014-0370
20	GMO – MPS and L&P	ER-2016-0156
21	KCPL – Electric	ER-2016-0285
22	KCPL – Electric	ER-2018-0145
23	GMO – Electric	ER-2018-0146
24	EMM – Electric	ER-2022-0129
25	EMW – Electric	ER-2022-0130
26	EMW – Electric	ER-2024-0189
27		

¹ Prior to the rate consolidation in Case No. ER-2016-0156, Evergy Missouri West consisted of two rate districts, Missouri Public Service (“MPS”) and St. Joseph Light and Power (“L&P”).

² EMW serves separately tariffed steam customers. Rates for steam customers are set in steam-specific rate cases.

1 **EXECUTIVE SUMMARY**

2 Q. What is the purpose of your direct testimony?

3 A. I am sponsoring Staff's Direct Accounting Schedules that are being filed
4 concurrently with this direct testimony. Staff's accounting schedules use the Exhibit
5 Modeling System ("EMS") that was developed by Commission Staff.
6 Staff's recommendation regarding the amount of the revenue requirement increase for
7 EMM is based on actual historical information through the update period ending
8 December 31, 2025, with the exception of some items which have been calculated as of
9 the test year, the twelve months ending June 30, 2025. Staff will revise its
10 recommendation of the amount of the revenue requirement increase for EMM based on
11 actual information through June 30, 2026, as part of its true-up audit.

12 In this testimony, I will provide an overview of the results of Staff's direct audit and
13 its recommended revenue requirement for EMM. During Staff's examination, several
14 members of Staff participated in the review of EMM's books and records.
15 The components of Staff's review include (1) capital structure and return on equity,
16 (2) rate base investment, (3) revenue, (4) operation & maintenance expenses,
17 (5) depreciation & amortization expense, and (6) income taxes, all of which are
18 represented in the formula below.

19 I provide testimony concerning the following specific topics:

- 20 • Pensions and Other Post-Employment Benefits ("OPEB") Expense
21 and Tracker
- 22 • Supplemental Executive Retirement Program ("SERP") Expense
- 23 • Affiliate Transactions
- 24 • Corporate Allocations
- 25 • Jurisdictional Allocations

- 1 • CS-11 Miscellaneous Adjustments
- 2 • CS-137 Insurance Settlement Proceeds
- 3 • Freight Litigation Costs
- 4

5 **OVERVIEW OF STAFF'S REVENUE REQUIREMENT DIRECT TESTIMONY**

6 Q. How is the revenue requirement determined for a regulated utility?

7 A. The revenue requirement is a quantification of the additional revenues
8 needed by the utility to fulfill its cost of service. A utility's cost of service is a
9 quantification of the revenues necessary to provide a utility with the funds to 1) pay its
10 operating costs and 2) provide a reasonable opportunity to earn a return
11 on its investment.

12 Q. Please explain the components of the cost of service for a regulated,
13 investor-owned public utility.

14 A. The cost of service for a regulated, investor-owned public utility is
15 comprised of the following formula:

16 Cost of Service = Cost of Providing Utility Service

17 Or

18 $COS = O + (V-D)*R$ where,

19 COS = Cost of Service

20 O = Operating Costs (Payroll, Maintenance, etc.), Depreciation, and Taxes

21 V = Gross Valuation of Property Required for Providing Service (including plant and
22 additions or subtractions of other rate base items)

23

24 D = Accumulated Depreciation Representing Recovery of Gross Depreciable Plant
25 Investment

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1 $V - D = \text{Rate Base (Gross Property Investment less Accumulated Depreciation =}$
2 $\text{Net Property Investment)}$

3

4 $R = \text{Rate of Return}$

5 $(V-D)*R = \text{Return Allowed on Rate Base}$

6 The terms “cost of service” and “revenue requirement” have been used interchangeably
7 in many cases. The “cost of service” relates to the overall revenues, including existing
8 revenues and any rate increase. In this testimony, Staff will refer to the
9 “revenue requirement” in terms of the increase or decrease in revenues based on the
10 current total cost of service as compared to the current revenue level that exists in
11 current rates. Staff has prepared accounting schedules to calculate the cost of service
12 for EMM. EMW rates are separately tariffed and not included in these proceedings.

13 Q. What is the objective of an audit of a regulated, investor-owned public
14 utility for ratemaking purposes?

15 A. The objective of the audit is to determine the appropriate amounts of the
16 cost of service components for the regulated entity within its certificated service territory.
17 All relevant factors are examined and a proper relationship of revenues, expenses, and
18 rate base is maintained. The following summarizes the process for making the revenue
19 requirement determination:

20 (1) Selection of a test year. The test year income statement, based on known
21 and measurable cost components, represents the starting point for determining a utility’s
22 existing annual revenues, operating costs, and net operating income. Net operating
23 income (revenues less expenses) represents the return on investment based upon
24 existing rates. The test year utilized by Staff and EMM in Case No. ER-2026-0143 is the

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1 12 months ending June 30, 2025, with known and measurable adjustments through
2 December 31, 2025.³ Several types of adjustments, such as “annualization,”
3 “normalization”, and “disallowance” adjustments, are made to the test year results
4 when the unadjusted amounts do not fairly represent the utility’s most current, ongoing,
5 and appropriate annual level of revenues and operating costs. These adjustments are
6 described later in this testimony.

7 (2) Selection of a “test year update period.” A proper determination of revenue
8 requirement is dependent upon matching the components of rate base, return on
9 investment, revenues and operating costs at a point in time. This is referred to as the
10 “matching” principle. It has been standard practice in Missouri for ratemaking to utilize
11 a period that is beyond the established test year in which to match the major components
12 of a utility’s revenue requirement. By utilizing an update period, information can be
13 reflected beyond the established test year and be based upon more current information
14 as of Staff’s direct filing. Staff has used the update period of December 31, 2025, for the
15 majority of the revenue requirement inputs. For the inputs that did not utilize December
16 31, 2025, data, Staff used the test year information and has so noted in testimony.

17 (3) Selection of a “true-up date” or “true-up period.” A true-up date generally
18 is established when a significant change or changes in a utility’s cost of service occurs
19 after the end of the test year update period, but prior to the operation-of-law date, and

³ Case No. ER-2026-0143, *Joint Proposed Procedural Schedule*. Staff and EMM agreed to a test year ending June 30, 2025, updated through December 31, 2025, and a true-up period ending June 30, 2026. The Commission did not specifically order these dates to be utilized in its *Order Setting Procedural Schedule and Directing the Filing of Dates for Local Public Hearings*.

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1 the significant change in cost of service is one the parties and/or Commission has
2 decided should be considered for establishing the cost of service in the current case. In
3 this case, Staff and EMM intend to use a true-up period of June 30, 2026.

4 (4) Determination of the Rate of Return, which is represented by the “R” in the
5 formula above. An examination of the cost-of-capital must occur to allow EMM the
6 opportunity to earn a fair rate of return on its net investment (“rate base”) that is utilized
7 in providing utility service. Staff witness Dr. Seoung Joun Won of the Commission’s
8 Financial Analysis Department has performed a cost-of-capital analysis of which he
9 discusses the results of in his direct testimony.

10 (5) Determination of Rate Base, which is represented by the (V-D) in the
11 formula above. A utility’s rate base represents the net investment that is used in providing
12 utility service, and this net investment is what the rate of return is applied to that permits
13 the utility the opportunity to earn a return. Staff has utilized a rate base as of December
14 31, 2025, the update period in this case for its direct filing for the majority of items and
15 has noted in testimony when test year information has been used. Rate base includes,
16 for example, plant-in-service, accumulated reserve, cash working capital, materials and
17 supplies, prepayments, fuel inventories, accumulated deferred income tax, and various
18 regulatory assets and liabilities.

19 (6) Net Operating Income from Existing Rates, which is represented by the “O”
20 in the formula above. In order to develop net income from existing rates, the operating
21 revenues, expenses, depreciation, and taxes for the test year is used. The utility’s
22 revenue and expense categories are examined to determine whether the unadjusted test

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1 year results require adjustment to fairly represent the utility's most current level of
2 operating revenue and expense. Several changes can occur during any given year that
3 will impact a utility's annual level of operating revenue and expense. The test year has
4 been adjusted to reflect Staff's determination of the appropriate ongoing levels of
5 revenue and expense.

6 (7) Determination of Net Operating Income Required. The net income
7 required for EMM is calculated by multiplying Staff's recommended rate of return by
8 Staff's recommended rate base. Net income required is then compared to net income
9 available from existing rates in Item (6) above. The difference, after factoring-up⁴ for
10 income taxes, represents the incremental change in the utility's rate revenues required
11 to cover its operating costs and to provide a fair return on investment used in providing
12 electric service. If a utility's current rates are insufficient to cover the operating costs and
13 provide a fair return on investment, the comparison of net operating income required
14 $(\text{Rate Base} \times \text{Recommended Rate of Return})$ to net income available from existing rates
15 $(\text{Operating Revenue less Operating Costs, Depreciation, and Income Taxes})$ will result in
16 a positive amount, which indicates that the utility requires a rate increase. If the
17 comparison results in a negative amount, this indicates that the utility's current rates are
18 excessive.

⁴ Income taxes are due on the earnings of the utility. Generally speaking, income taxes are calculated on the return on equity portion of the rate of return, multiplied by the net rate base. An income tax factor up accounts for this tax liability.

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1 Q. Please identify the types of adjustments that are proposed to unadjusted
2 test year results so as to reflect the current annual level of operating revenue and expense
3 for a utility.

4 A. The following types of adjustments are used to reflect a utility's current
5 annual level of operating revenue and expense:

6 (1) Normalization Adjustments. A utility's rates are intended to reflect normal
7 ongoing operations. A normalization adjustment is required when the test year contains
8 an abnormal event. An example of this type of adjustment is weather normalization.
9 Actual weather conditions during the test year are compared to "normal" values.
10 The weather normalization adjustment restates the test year sales volumes and revenues
11 to reflect normal weather conditions.

12 (2) Annualization Adjustments. Annualization adjustments are required when
13 changes have occurred during the test year, update and/or true-up period that have not
14 been fully reflected in the unadjusted test year results. An example of this is payroll.
15 Because EMM's test year is the twelve months ended June 30, 2025, it does not include
16 any interim pay increases that occurred during the test year. Staff used the payroll rates
17 in effect as of December 31, 2025, and applied those rates to the actual employee levels
18 experienced on this date to annualize payroll expense. Staff's adjustment to the test year
19 captures the impact of the payroll increase as if that increase existed for the entire annual
20 period. The same process will be utilized for the true-up period, through
21 June 30, 2026, to recognize any increases and changes in the level of employees that
22 occur through that date.

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1 (3) Disallowance adjustments. Disallowance adjustments are proposed to
2 eliminate costs during the test period that are not considered to be prudent, reasonable,
3 appropriate, non-recurring or not of benefit to Missouri ratepayers and thus not proper for
4 recovery from ratepayers. Examples of these are certain dues and donations and
5 institutional or promotional advertising expenses.

6 (4) Proforma Adjustments. A proforma adjustment is proposed due to an
7 event that generally occurs beyond the test year, update or true-up cut-off date.
8 These adjustments occur anytime a party proposes to include the effects of an event
9 without considering the revenue requirement associated with the offsetting items.
10 The Commission can allow parties to request the inclusion of the revenue requirement
11 associated with proforma or isolated adjustments in the calculation of the cost of
12 service. These adjustments must be proposed with caution as these adjustments must
13 be known and measurable and must be examined to determine whether inclusion of the
14 adjustment will affect the relationship between revenue, expense and investment.
15 On the other hand, an example of a proforma adjustment that is routinely included is
16 current income tax expense. Current income tax expense is not based on any current paid
17 income taxes, but is instead based upon statutory rates and earnings that will occur in
18 the year following the rate increase, if any, authorized in this case. There are no isolated
19 adjustments proposed as a part of Staff's direct filing in this case.

20 Q. What amount of revenue requirement increase did EMM request in this
21 case and on what return on equity ("ROE") percentage was this request based?

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1 A. EMM requested an increase in annual revenue of \$137.9 million or 14.92%
2 before the rebasing of fuel for the fuel adjustment clause (“FAC”). The requested
3 increase including the rebasing of fuel for the FAC is \$140.4 million, or 15.19%.
4 The calculated increase in annual revenue utilizes a 10.5% ROE.

5 Q. How much was EMM’s last prior rate increase and when was it effective?

6 A. EMM filed its last prior rate case, Case No. ER-2022-0129, on
7 January 7, 2022. Effective January 9, 2023, EMM’s rates increased by \$25.0 million
8 as agreed upon and ordered by the Commission in the *Order Approving Four Partial*
9 *Stipulations and Agreements* as ordered in that case.

10 Q. Please describe Staff’s direct cost of service (revenue requirement) filing in
11 this rate proceeding.

12 A. The results of Staff’s audit of EMM’s books and records as part of this
13 proceeding can be found in Staff’s filed Accounting Schedules and is summarized on
14 Accounting Schedule 1, Revenue Requirement. Accounting Schedule 1 demonstrates
15 that Staff’s recommended revenue requirement in this proceeding is \$84.5 million.
16 The recommended revenue requirements are premised on a mid-point recommended
17 rate of return (“ROR”) after tax of 7.226%. Staff recommends a midpoint ROE of 9.73%,
18 with a range of 9.48% to 9.98% as calculated by Staff witness Dr. Seoung Joun Won.
19 Staff’s revenue requirement at the low and high ROR range of 7.097% to 7.354% is
20 \$78.2 million to \$90.6 million.

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1 Q. Did Staff include a true-up allowance in its Accounting Schedules?

2 A. Yes. Staff estimates the true-up will impact the total EMM revenue
3 requirement by approximately \$28 million. In this case, Staff's true-up estimate is the
4 revenue requirement impact of expected additions to plant-in-service net of additions to
5 the depreciation reserve, estimates for additional employees through June 30, and
6 transmission expenses. This estimate will be replaced with the actual revenue
7 requirement as of June 30, 2026, when Staff files its true-up case on September 10.

8 Q. Staff's Accounting Schedules reflect a revenue requirement with true-up
9 allowance of \$84.5 million at the mid-point rate of return. What other estimates of the
10 impact of the true-up revenue requirement has Staff calculated?

11 A. Line 12 of Schedule 1 of Staff's revenue requirement includes a true-up
12 estimate of the impact of Large Load Power Service ("LLPS") customer impacts.
13 Staff witness Sarah L.K. Lange has detailed these calculations in her direct testimony.

14 Q. Please explain how various Staff members contributed to create a
15 combined work product in this rate proceeding.

16 A. Staff auditors in this case relied upon the work from several other Staff
17 Departments in order to calculate the revenue requirement for EMM in this case.
18 Weather normalized revenue and the recommended rate of return are some examples of
19 data analysis and inputs that are provided to the Auditing Department for inclusion in the
20 Accounting Schedules. Each Staff member who has contributed a calculation or input
21 for inclusion in the Accounting Schedules has submitted direct testimony in this case
22 providing discussion on each topic they were assigned along with their recommendation

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1 on the issue. Signed affidavits and credentials for all Staff members who contributed to
2 the direct cost of service filing and for which they are responsible are attached to each
3 Staff member's testimony.

4 Q. What are the largest differences between the revenue requirement for EMM
5 as filed by EMM as compared to the revenue requirement filed by Staff in this case?

6 A. The differences are based on the direct filed revenue requirement
7 proposed by EMM. The values listed below will change when Staff and EMM update their
8 respective revenue requirements through the true-up cutoff date, June 30, 2026.

- 9 • Return on Equity ("ROE") and Capital Structure – Issue
10 Value approximately \$22.4 million. EMM's return on equity
11 recommendation is 10.5%. Staff's mid-point recommendation is 9.73%.
- 12 • Transmission expense – approximately \$6 million
- 13 • Depreciation – approximately \$17 million
- 14 • Payroll – approximately \$1.5 million
- 15 • Value of Plant in Service Accounting deferrals - \$3.5 million

16 There are other differences that exist between Staff and EMM's direct filings, however
17 these other differences have lesser value than those listed and discussed above.

18 Q. Is it possible that significant differences exist between Staff's revenue
19 requirement recommendations and those of other parties participating in this
20 proceeding?

21 A. Yes. Other parties who have different positions than those of EMM and
22 Staff will also file direct testimony concurrently with Staff's filing. Those differences will

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1 be reviewed and addressed in further rounds of testimony. Until Staff has a chance to
2 examine the direct testimony of the other parties, it is impossible for Staff to determine
3 what differences exist and how material they may be.

4 Q. Please describe the direct testimony Staff has filed for this current
5 rate proceeding.

6 A. Each Commission Staff member has direct testimony that sponsors
7 specific issues. The testimony provides an explanation of each specific area of concern
8 or adjustment with Staff's recommendation. Schedule KM-d2 attached to this testimony
9 summarizes Staff's witnesses who filed direct testimony and their associated
10 area of responsibility.

11 Q. On what date will Staff file its direct class cost of service and rate design
12 testimony in this proceeding?

13 A. Staff's class cost of service and rate design testimony and associated
14 schedules will be filed on July 14.

15 **JURISDICTIONAL ALLOCATIONS**

16 Q. Please explain the need to develop allocation factors for the various FERC
17 accounts in Staff's EMS.

18 A. Evergy Metro operates within two state jurisdictions, Missouri and Kansas,
19 and in the firm wholesale federal jurisdiction regulated by FERC. Therefore, it is
20 necessary to specifically identify, assign, or allocate the investment and expenses
21 between the jurisdictions. To develop a comprehensive cost of service analysis and
22 identify the correct revenue requirement, all costs incurred by EMM for plant investment

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1 and income statement costs must be specifically assigned or appropriately allocated to
2 all jurisdictions served. The goal of this process is to correctly match the costs and
3 expenses for provision of utility service with the drivers of those costs and expenses.

4 Q. What are the primary allocation factors used to develop Staff's
5 Missouri-jurisdictional revenue requirement for Evergy Metro?

6 A. The primary allocators are the demand allocator, energy allocator, and
7 customer allocators.

8 The secondary allocators are derived from the primary allocators. The secondary
9 allocators include aggregate plant and salaries and wages, for example.

10 Q. Did you develop the demand and energy allocators?

11 A. No. These were developed by Staff witness Alan Bax.

12 Q. What types of costs are allocated on the basis of demand?

13 A. Capital costs associated with generation and transmission plant and
14 certain operational and maintenance expenses are allocated on this basis. This is
15 appropriate because generation and transmission are planned, designed, and
16 constructed to meet a utility's anticipated demand.

17 Q. What types of costs were allocated on the basis of energy?

18 A. Variable expenses, such as fuel and purchased power, along with certain
19 operational and maintenance ("O&M") expenses are allocated to the applicable
20 jurisdiction based on energy consumption.

21 Q. How are the remaining non-demand non-energy costs allocated?

22 A. They are allocated using the secondary allocators.

1 **PENSIONS**

2 Q. What are pensions?

3 A. Pensions are a form of employee retirement plan that offer payments to
4 employees upon meeting the plan criteria for retirement. Pensions are largely funded by
5 the employer with little or no employee contribution required. Pension retirement plans
6 were historically offered by companies to their employees as part of an overall employee
7 benefit package to attract and retain employees. Over the last several years traditional
8 pension plans have been largely replaced by 401(k) plans that are largely funded by
9 the employee and oftentimes partially funded with an employer contribution to the
10 plan as well.

11 Q. What pension plans does EMM offer?

12 A. EMM participates in joint trustee union plan and a separate non-union
13 plan. EMM is also responsible for paying a portion of the Wolf Creek Pension plan.
14 Evergy's joint trustee union plan is still open to new hire Union employees. That is the
15 only plan still open to new employees. The other plans are no longer offered to new
16 employees but the costs for those plans and funding requirements for the existing
17 employees covered under those plans remain in rates.

18 Q. Have EMM's pension costs historically been tracked?

19 A. Yes, since the 2006 Rate Case, pension costs have been subject to a
20 tracking mechanism to ensure EMM recovery of pension costs incurred and to return any
21 over recovery of pension costs back to ratepayers.

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1 Q. What has been the historical amortization period of any prepaid pension
2 asset or liability that results from the tracking mechanism?

3 A. It has consistently been a five (5) year amortization recovery period.

4 Q. What are the Generally Accepted Accounting Principles (“GAAP”) that
5 relate to pension and OPEB costs?

6 A. The GAAP related to pension and OPEB costs are in Accounting Standards
7 Codification (“ASC”), number 715—Compensation—Retirement Benefits.

8 Q. What standards were used prior to ASC 715?

9 A. Prior to ASC 715, GAAP for pension and OPEB costs were included in what
10 is known as Statement of Financial Accounting Standards (“FAS”), numbers 87, 88, 106,
11 112, 132(R) and 158.

12 Q. Does this testimony and your work product use the current
13 ASC 715 language or the original FAS references?

14 A. In order to be clear and consistent, I use the original FAS designations.

15 Q. What is FAS 87?

16 A. FAS 87 is the accrual accounting method for calculating pension cost for
17 financial reporting purposes.

18 Q. What is FAS 88?

19 A. FAS 88 is the accounting treatment for certain costs that result from
20 settlements and curtailments of defined benefit plans. FAS 88 requires immediate
21 recognition of the settlements and curtailments if they trigger a qualifying event.

1 A qualifying event is met when the dollar amount of settlements and curtailments meet
2 reporting thresholds. They are calculated and determined by EMM's actuary.

3 Q. What did Staff include for the balance of the regulatory liability and pension
4 tracker in Staff's Direct Accounting Schedules?

5 A. Staff included EMM's pension tracker balances as of December 31, 2025.
6 Staff will update these balances to actuals during the true-up phase of this case.

7 **OTHER POST-EMPLOYMENT BENEFITS**

8 Q. What are other post-employment benefits ("OPEBs")?

9 A. OPEBs are costs that EMM incurs to provide certain retirement benefits to
10 retirees. The primary benefit is medical insurance, but also include life, dental and vision
11 insurance benefits.

12 Q. How are OPEB expenses accounted for by EMM?

13 A. FAS 106 is the FASB approved accrual accounting method used for
14 financial statement recognition of annual OPEB costs and is also my recommended basis
15 of rate recovery for this item, with the exception of the Wolf Creek OPEB plan.
16 The accounting of the cost of OPEBs under FAS 106 is not based on the actual dollars
17 EMM pays for OPEBs to retirees currently, but is accrual-based in that it attempts to
18 recognize the financial effects of noncash transactions and events as they occur.
19 These noncash transactions and events are primarily an estimate of current benefits
20 earned by employees before retirement, but will not be paid until after retirement, as well
21 as the interest cost arising from the passage of time until those benefits are paid.
22 EMM does not fund its share of Wolf Creek OPEB expense based on FAS 106. EMM funds

1 Wolf Creek OPEBs based on the actual amount of benefits paid. This is generally referred
2 to as “pay-as-you-go”. Accordingly, the Wolf Creek OPEB costs are not included in the
3 FAS 106 tracking mechanism, but are included separately in Staff’s Accounting
4 Schedules which represent a normalized level of the Wolf Creek OPEB expense.

5 Q. What did Staff include for the balance of the regulatory liability and OPEB
6 tracker in Staff’s Direct Accounting Schedules?

7 A. Staff included EMM’s pension tracker balances as of December 31, 2025.
8 Staff will update these balances to actuals during the true-up phase of this case.

9 **SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

10 Q. What is a supplemental executive retirement plan (“SERP”)?

11 A. SERP is a non-qualified retirement plan for executive officers and other
12 highly-compensated former employees that provides additional pension benefits that
13 these individuals would have received under other company retirement plans, but for
14 compensation and benefit limits imposed by the Internal Revenue Service (“IRS”).
15 Non-qualified means the benefits exceed the limits imposed by the IRS.
16 These supplemental pension benefits paid to retired former executive officers and other
17 highly-compensated individuals are in addition to the cost of pension benefits Energy
18 Metro and Energy West pay under their FAS 87 pension plan.

19 Q. Are SERP benefits externally funded to a trust?

20 A. SERP benefits are not externally funded to a trust by EMM and the amounts
21 Staff included in its cost of service are based on actual cash SERP payouts to
22 covered employees.

1 Q. Are SERP payments monthly annuities or lump-sum payouts?

2 A. SERP payments consist of either monthly annuity payments or lump-sum
3 distributions. Lump-sum payments can be significant and the timing of them is difficult
4 to predict. Therefore, I converted the lump-sum payouts using a conversion factor of
5 14.3 to approximate equivalent annuity payments as if the lump-sum payout was not
6 elected. The conversion factor has been used by EMM to approximate the value of lump
7 sums based on the historical annuity payout duration. This allows for a normalized level
8 of converted lump-sum payments.

9 Q. What is your recommendation for the amount of SERP expense to include
10 in Staff's Accounting Schedules?

11 A. I reviewed actual SERP payouts from 2021 through 2025 for the legacy
12 Great Plains Energy ("GPE"), now known as Eversource Energy, Inc., SERP plan. I used a five-year
13 average of monthly annuity payments and added the converted lump-sum payments
14 based on the 14.3 ratio discussed above. For the Wolf Creek SERP plan, I also used a
15 five-year average of SERP payments.

16 Q. Are SERP payments capitalized?

17 A. They are. Therefore, I reduced my recommended amount of SERP
18 commensurate with the O&M rate that was used for Staff's payroll adjustment.

19 **MISCELLANEOUS EXPENSE**

20 Q. What miscellaneous adjustments do you address?

21 A. Staff recommends adjustments to these items:

22 1. Remove equity compensation from the test year

1 2. Remove non-recoverable items from the test year (bonuses,
2 non-regulatory lease expense, officer expense reports)

3 3. Remove PISA deferrals from the test year

4 These adjustments were included in EMM's direct filing as adjustment CS-11.
5 Staff reviewed the adjustments and agrees they are appropriate. Staff reflected the
6 adjustments in Staff's Accounting Schedules

7 Q. Does Staff recommend any recovery of equity compensation?

8 A. No. Staff removed all equity compensation in the form of time-based
9 vested shares and performance based shares from the test year.

10 **INSURANCE SETTLEMENT PROCEEDS**

11 Q. Please describe the insurance settlement proceeds adjustment.

12 A. EMM negotiated agreements with some legacy insurance carriers to
13 resolve potential liability claims. EMM received one-time payments in exchange for a
14 release of coverage obligations for environmental liabilities. EMM recommends, and
15 Staff concurs, that these payments should be returned to customers as customers were
16 responsible for the insurance expenses and has included adjustment CS-137 to that end.
17 Staff has included a four-year amortization of the proceeds.

18 **RAIL LITIGATION EXPENSES**

19 Q. Please describe the rail litigation expense adjustment.

20 A. EMM, EMW, and Evergy Kansas Central ("EKC") filed a complaint against
21 the Burlington Northern Santa Fe Railway Company ("BNSF") "seeking redress for

Direct Testimony of
Keith Majors

1 BNSF's failure to provide reasonable and adequate rail transportation service to
2 Complainants in violation of BNSF's legal and statutory obligations as a common carrier
3 by railroad, and BNSF's unreasonable practice in establishing and implementing the
4 terms for such service."⁵ The complaint alleges that BNSF failed to adequately provide
5 for the transportation of coal to EMM and EMW's Iatan Generating Station
6 and EKC's Lawrence Energy Center. The complaint was filed January 31, 2024,
7 and is pending.

8 Staff recommends deferral of litigation expenses in the test year and prior to the
9 test year, and amortization of the costs over four years.

10 Q. Does Staff recommend disallowance of these costs?

11 A. No. Staff's adjustments to defer and amortize the costs are intended to
12 match the costs with the potential benefits of the complaint. Should EMM and EMW
13 prevail, the benefits would flow through the FAC. Staff recommends recovery of these
14 expenses regardless of the outcome of the complaint as EMM's efforts to pursue this
15 complaint case and keep fuel costs as low as possible are in the best interests
16 of EMM's customers.

17 Staff has identified the costs in the test year and will include an amortization of the
18 updated costs through the true-up date and any residual costs prior to the test year.

⁵ Surface Transportation Board, Docket No. NOR 42180.

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1 Q. Has Staff recommended deferral of similar costs prior to this case?

2 A. Yes. In Case No. ER-2006-0314, Staff recommended deferral and
3 amortization of EMM's⁶ STB rate complaint against Union Pacific alleging unreasonable
4 coal transportation rates.

5 Q. Does this conclude your direct testimony?

6 A. Yes it does.

⁶ At that time, EMM was doing business as Kansas City Power & Light.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a)
Evergy Missouri Metro's Request for)
Authority to Implement a General Rate)
Increase for Electric Service)

Case No. ER-2026-0143

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
COUNTY OF Jackson)

ss.

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony-Revenue Requirement*; and that the same is true and correct according to his best knowledge and belief.

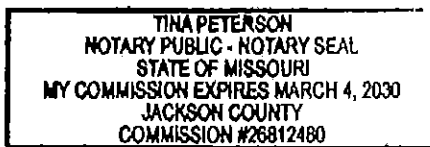
Further the Affiant sayeth not.



KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City Mo, on this 29 day of June 2026.





Notary Public

Keith Majors
Case Participation

Cases to which I have been assigned and have filed testimony, Staff report, or memorandum are shown in the following table:

Utility	Case Number	Issues	Exhibits
Evergy Metro	ER-2026-0143	Allocations, Pensions, OPEB	Direct Testimony
Spire Missouri	GR-2026-0133	ISRS	Staff Memorandum
Spire Missouri	GA-2026-0121 & GO-2026-0122	CCN	Staff Memorandum
Spire Missouri	GR-2025-0206	ISRS	Staff Memorandum
Spire Missouri	GR-2025-0107	Revenue Requirement, Plant Investment	Direct Testimony
Spire Missouri	GR-2025-0026	ISRS	Staff Memorandum
Ameren Missouri Gas	GR-2024-0369	Policy	Rebuttal
Ameren Missouri Electric	ER-2024-0319	Rush Island, Storm Costs	Direct Testimony
Evergy West	ER-2024-0189	Transmission Expense, Plant Investment	Direct, Rebuttal, Surrebuttal Testimony
Spire Missouri	GA-2024-0257	CCN	Staff Memorandum
Ameren Missouri Electric	EF-2024-0021	Policy, Retired Plant Securitization	Rebuttal, Surrebuttal Testimony
Confluence Rivers	WR-2023-0006 & SR-2023-0007	Policy, Revenue Requirement	Direct, Rebuttal, and Surrebuttal Testimony
Ameren Missouri Electric	ER-2022-0337	Revenues, Allocations, Bad Debt, Rush Island	Direct, Rebuttal, and Surrebuttal Testimony
Spire Missouri	GO-2022-0171	ISRS	Staff Memorandum
Evergy Metro and Evergy West	ER-2022-0129 & ER-2022-0130	Revenues, Jurisdictional Allocations, Bad Debt, Sibley Retirement	Direct, Rebuttal, Surrebuttal Testimony
Ameren Missouri Gas and Electric	ER-2021-0240 & GR-2021-0241	Facilities Transactions	Surrebuttal Testimony
Spire Missouri	GR-2021-0108	Corporate Allocations, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
MAWC	SA-2021-0074	CCN	Staff Memorandum
Evergy Metro and Evergy West	EO-2021-0032	Various	Staff Report
Spire Missouri	GO-2021-0030 & GO-2021-0031	ISRS	Staff Memorandum
Raytown Water	WR-2020-0264	Various	Staff Memorandum
Summit Natural Gas	GA-2020-0251	CCN	Staff Memorandum
Liberty Utilities	WM-2020-0174	CCN	Staff Memorandum

Missouri American Water Company (MAWC)	WA-2019-0366	CCN	Staff Memorandum
Ameren Missouri Electric	ER-2019-0335	Allocations, Affiliation Transactions	Staff Report
MAWC CCN	SA-2019-0367	CCN	Staff Memorandum
United Services	SA-2019-0161	CCN	Staff Memorandum
KCP&L & KCP&L GMO	ER-2018-0145 & ER-2018-0146	Synergy and Transition Costs Analysis, Transmission Revenue and Expense	Staff Report
Laclede Gas and Missouri Gas Energy	GR-2017-0215 & GR-2017-0216	Synergy and Transition Costs Analysis, Corporate Allocations	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	ER-2016-0156 & ER-2016-0285	Income Taxes, Pension & OPEB	Staff Report, Rebuttal, Surrebuttal
KCP&L & KCP&L GMO	EO-2016-0124	Pensions, Rate Comparison	Staff Report
KCP&L & KCP&L GMO	EC-2015-0309	Affiliate Transactions, Allocations	Surrebuttal Testimony
KCP&L	ER-2014-0370	Income Taxes, Pension & OPEB, Revenues	Staff Report, Rebuttal, Surrebuttal
KCP&L	EU-2015-0094	DOE Nuclear Waste Fund Fees	Direct Testimony
KCP&L	EU-2014-0255	Construction Accounting	Rebuttal Testimony
Veolia Kansas City	HR-2014-0066	Income Taxes, Revenues, Corporate Allocations	Staff Report
Missouri Gas Energy	GR-2014-0007	Corporate Allocations, Pension & OPEB, Incentive Compensation, Income Taxes	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2013-0391	ISRS	Staff Memorandum
KCP&L & KCP&L GMO	ER-2012-0174 & ER-2012-0175	Acquisition Transition Costs, Fuel, Legal and Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
Missouri Gas Energy ISRS	GO-2011-0269	ISRS	Staff Memorandum
Noel Water Sale Case	WO-2011-0328	Sale Case Evaluation	Staff Recommendation
KCP&L & KCP&L GMO	ER-2010-0355 & ER-2010-0356	Acquisition Transition Costs, Rate Case Expense	Staff Report, Rebuttal, Surrebuttal
KCP&L Construction Audit & Prudence Review	EO-2010-0259	AFUDC, Property Taxes	Staff Report
KCP&L, KCP&L GMO, & KCP&L GMO – Steam	ER-2009-0089, ER-2009-0090, & HR-2009-0092	Payroll, Employee Benefits, Incentive Compensation	Staff Report, Rebuttal, Surrebuttal
Trigen Kansas City	HR-2008-0300	Fuel Inventories, Rate Base Items, Rate Case Expense, Maintenance	Staff Report

Spokane Highlands Water Company	WR-2008-0314	Plant, CIAC	Staff Recommendation
Missouri Gas Energy ISRS	GO-2008-0113	ISRS	Staff Memorandum

Evergy Missouri Metro General Rate Case
Case No. ER-2026-0143
Direct Testimony - Staff Responsibility

Staff Witness	Issue Responsibility
AMANDA ARANDIA	Depreciation
NATHAN BAILEY	Payroll, benefits, Taxes & 401(K), COVID AAO, Customer Education Costs, DSM Program, DSM Opt-outs, Dues & Donations, EEI, EV Charging Amortization, Incentive Compensation, Lobbying, Meter Replacement O&M, Property Tax Expense and Tracker, Prospective Tracking-Amortizations, Renewable Energy Standard Amortization, Severance Costs, Time of Use
ALAN J. BAX	System Energy Losses, Jurisdictional Allocation Factors for Demand and Energy, Loss Study -FAC, Voltage Adjustment Factors
KIM COX	Retail Rate Revenue
CLAIRE M. EUBANKS	Large Load Policy
SYDNEY FERGUSON	Bad Debt Expense, Cash Working Capital, Critical Needs & Rehousing Program, Economic Relief Pilot Program, Forfeited Discounts, Income Eligible Weatherization Program, Injuries and Damages, Lease Expense, Low Income Solar Subscription Pilot Program, Misc. Revenues, PAYS Program Expense and Revenue, Rate Case Expense, Revenue (Eliminate FAC, RESRAM, MEEIA, Unbilled, GRT), Wolf Creek Decommissioning, Wolf Creek Nuclear
STACY HENDERSON	Fuel Adjustment Clause
RANDALL JENNINGS	Lighting Service Class, Estimated Billing/Missing Intervals
SARAH L.K. LANGE	Large Customer Annualizations, Plug for True-up
J LUEBBERT	Additional SPP expense
KEITH MAJORS	Revenue Requirement Overview, Pensions, OPEBs
BROOKE MASTROGIANNIS	Fuel Adjustment Clause
BRODRICK NIEMEIER	Variable Fuel
ANTONIJA NIETO	Insurance Expense, SO2 Amortization, Depreciation Clearing, Transmission Expense and Revenue, TCR/ARR, RNU, MINT, Ancillary, SPP Admin Fees, Border Customers Fuel and Revenue, Production Related Expenses and Revenues, Fuel Prices, Fuel Inventory, Purchased Power, Hedging Gains and
HARI K. POUDEL, PHD	MEEIA and EDR
AMANDA RUCKER	Large Power Revenue
TREVOR RUCKER	Plant-in-Service
LINDSEY SMITH	Accounts Receivable Bank Fees, Advertising Expense, Customer Advances, Customer Deposits and Interest Expense, Maintenance Expense, IT Software Maintenance, Prepayments, Regulatory Assessments, Iatan II Construction Account Regulatory Asset, Materials and Supplies, CIP and Cybersecurity
MICHAEL L. STAHLMAN	Weather Normalization
JUSTIN TEVIE	Market prices
SEOUNG JOUN WON, PhD	Rate of Return
MATTHEW R. YOUNG	Common-Use Billings, Greenwood Solar, Wholesale Transmission Revenue Credits, Transource, Renewable Energy Credit Revenue, Income Taxes, Plant in Service, Depreciation Reserve, Amortization Expense, CWIP Rate Base