

Exhibit No.:

*Issue(s): 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*

Witness: Matthew R. Young

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2026-0143

Date Testimony Prepared: June 30, 2026

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY REVENUE REQUIREMENT

OF

MATTHEW R. YOUNG

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

CASE NO. ER-2026-0143

*Jefferson City, Missouri
June 2026*

**** Denotes Confidential Information ****

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

**TABLE OF CONTENTS OF
DIRECT TESTIMONY OF
MATTHEW R. YOUNG
EVERGY METRO, INC., d/b/a EVERGY MISSOURI METRO
CASE NO. ER-2026-0143**

SUMMARY 1

COMMON-USE PLANT BILLINGS 2

GREENWOOD SOLAR 4

WHOLESALE TRANSMISSION REVENUE CREDITS 6

TRANSOURCE 8

RENEWABLE ENERGY CERTIFICATE REVENUE 13

INCOME TAXES 14

Current Income Tax Expense 14

Deferred Income Tax Expense 16

Accumulated Deferred Income Taxes 18

Excess Accumulated Deferred Income Taxes 20

Kansas City Earnings Tax 22

Inflation Reduction Act Tracker 22

AMORTIZATION OF INTANGIBLE PLANT 27

PLANT IN SERVICE AND ACCUMULATED DEPRECIATION RESERVE 28

Retirement Work in Progress 28

Infrastructure for Large Load Customers 29

Uplight Software 29

RESERVE DEFICIENCY 30

PLANT IN SERVICE ACCOUNTING 30

RATE BASE VALUE OF RETIRED PLANT 33

CONSTRUCTION WORK IN PROGRESS IN RATE BASE 39

1 **DIRECT TESTIMONY**

2 **OF**

3 **MATTHEW R. YOUNG**

4 **EVERGY METRO, INC., d/b/a EVERGY MISSOURI METRO**

5 **CASE NO. ER-2026-0143**

6 Q. Please state your name and business address.

7 A. My name is Matthew R. Young. My business address is 615 E. 13th Street,
8 Kansas City, Missouri 64105.

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

10 A. I am a Utility Regulatory Audit Supervisor on the Staff of the Missouri Public
11 Service Commission (“Staff”).

12 Q. Please describe your educational background and experience.

13 A. A summary of my education and experience is attached to this testimony
14 as Schedule MRY-d1.

15 **SUMMARY**

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

17 A. In this testimony, I will support the appropriate amounts to include in
18 Evergy Metro, Inc., d/b/a Evergy Missouri Metro’s (“Evergy Metro” when referring to both
19 Kansas and Missouri jurisdictions and “EMM” when referring only to Missouri operations)
20 revenue requirement for several revenue, expense, and rate base items. I also
21 explain why the Missouri Public Service Commission (“Commission”) should approve

1 a regulatory tracker for ongoing tax benefits generated from nuclear, solar, and
2 wind facilities.

3 **COMMON-USE PLANT BILLINGS**

4 Q. Please describe common use plant and the associated billings.

5 A. Common use plant is plant recorded as an asset of Evergy Inc. (“Evergy”)
6 or a single Evergy subsidiary but the asset is used by multiple Evergy affiliates, including
7 EMM. The most prevalent type of common use asset is software that multiple Evergy
8 affiliates utilize in day-to-day operations. To compensate the asset owner for an affiliate’s
9 use of its common plant, common use billings are charged from the owners to the users.
10 Since Evergy Metro charges affiliates for the use of its assets more than it uses the assets
11 of other affiliates, common use plant billings are a net decrease to EMM’s cost of service.

12 Q. Is Staff recommending an adjustment for common use plant billings?

13 A. Yes. Staff recommends an adjustment to annualize the net amount of
14 common use plant billings charged by EMM based on the activity recorded during Staff’s
15 December 31, 2025, cut-off month. Staff intends to true-up this cost through June 30,
16 2026, in its true-up revenue requirement.

17 Q. How did Staff annualize December 31, 2025, billings?

18 A. Staff multiplied an adjusted amount of December 31, 2025, billings by 12 to
19 produce an annualized amount. Staff adjusted the actual December 31, 2025, billings in
20 order to properly allocate the cost of Evergy Metro’s Uplight software to its users.

21 Q. What is the Uplight software?

1 A. The Uplight software went into service April 28, 2022. It enables significant
2 customer-facing applications, business operational efficiencies, and environment
3 architecture upgrades. The initial implementation of Uplight added two components to
4 Evergy’s capabilities: Uplight Connect which is a software “layer” that interfaces with
5 customer-facing software and Evergy’s online marketplace.

6 Q. What is Evergy’s online marketplace?

7 A. Currently Evergy has an online marketplace available for its Missouri and
8 Kansas regulated customers that enables ratepayers to purchase energy efficient and
9 demand response items for their homes with an instant rebate applied to the transaction.
10 Evergy then assigns the cost of the rebate to its Missouri Energy Efficiency Investment Act
11 (“MEEIA”) or Kansas Energy Efficiency Investment Act (“KEEIA”) recovery mechanisms
12 depending on which jurisdiction the ratepayer resides in.

13 Q. Why is an adjustment for Uplight billings necessary?

14 A. When Uplight went into service in 2022, KEEIA was expected to become law
15 but had not yet become effective in Kansas. Although in 2022 Evergy intended to open the
16 marketplace to its Kansas customers and use other components of the Uplight package
17 for Kansas operations, it initially charged 100% of Uplight’s cost to Missouri operations
18 because KEEIA was not effective, and at December 31, 2025, EMM’s books continue to
19 reflect the initial allocation to 100% Missouri customers. Evergy has fully implemented
20 the KEEIA statute in all of its jurisdictions, including using Uplight to allow Kansas
21 customers to access the online marketplace, so an adjustment is necessary to assign the

1 costs of Uplight to all Evergy entities using the software, instead of allocating the cost
2 fully to Missouri jurisdictions.

3 Q. What basis of allocation did Staff use to reflect billings for Uplight?

4 A. Staff's adjustment allocates billings to Evergy entities based on each
5 regulated jurisdiction's customer count. This approach is consistent with the
6 methodology used for other common use billings that apply only to regulated operations
7 in both states.

8 **GREENWOOD SOLAR**

9 Q. Please provide the history of Evergy Missouri West's ("EMW") Greenwood
10 Solar Facility.

11 A. On November 12, 2015, EMW, formerly KCP&L Greater Missouri
12 Operations Company ("GMO") filed an application, Case No. EA-2015-0256, with the
13 Commission requesting permission and approval of a Certificate of Public Convenience
14 and Necessity ("CCN") authorizing it to construct, install, own, operate, maintain, and
15 otherwise control and manage solar generation facilities in Greenwood Missouri
16 ("Greenwood Solar Facility"). EMW entered into a Master Service Agreement
17 ("Agreement") with ** [REDACTED] ** for the engineering,
18 procurement, and construction of the Greenwood Solar Facility. The Greenwood Solar
19 Facility is a three megawatt ("MW") facility that was expected to produce approximately
20 4,700 megawatt-hours ("MWh") of solar energy per year. EMW indicated in its certificate

1 application the Greenwood Solar Facility was being proposed to gain experience owning,
2 maintaining, and operating a utility scale solar facility.

3 The Commission approved EMW's request for a CCN for the Greenwood Solar
4 Facility in its *Report and Order* effective March 12, 2016. On page 18 of its *Report and*
5 *Order*, the Commission stated, "The Commission has found that GMO's proposal to
6 construct a pilot solar plant is necessary or convenient for the public service and will
7 grant the company the certificate of convenience and necessity it seeks."

8 Q. Did the Commission address any other concerns with approval of
9 the CCN?

10 A. Yes. In addition to granting EMW the CCN for the Greenwood Solar Facility,
11 the Commission also addressed concerns that EMW ratepayers will bear all the costs of
12 a facility that is primarily being built to allow Evergy Metro, formerly Kansas City Power
13 and Light Company ("KCP&L") to gain experience owning, maintaining, and operating a
14 utility scale solar facility. Beginning on page 16 of its *Report and Order* in Case No.
15 EA-2015-0256, the Commission stated:

16 The Commission is concerned that only GMO ratepayers will bear
17 the cost of the project. The Commission will not make any specific
18 ratemaking decisions in this case. Those will be reserved for GMO's
19 pending rate case. However, the matter will once again come before
20 the Commission when GMO seeks to add the plant to its rate base.
21 **At that time, the Commission will expect GMO to propose a**
22 **means by which those costs will be shared with KCP&L's**
23 **customers who will also benefit from the lessons learned from**
24 **this pilot project.** [Emphasis added.]

1 Q. Since the approval of the CCN in Case No. EA-2015-0256, has
2 Staff recommended an allocation of the Greenwood Solar Facility as ordered by
3 the Commission?

4 A. Yes. Staff recommended an allocation methodology for the solar facility in
5 the general rate cases filed by EMM and EMW following the Commission approval of the
6 CCN. EMM's subsequent rate cases are nos. ER-2016-0285, ER-2018-0145, and
7 ER-2022-0129 while EMW's rate cases are nos. ER-2016-0156, ER-2018-0146, and
8 ER-2022-0130.

9 Q. Please explain the basis of allocation used in Staff's adjustment related to
10 the Greenwood Solar Facility.

11 A. Staff recommends allocating the Greenwood Solar capital costs and
12 depreciation expense between EMW and Evergy Metro based on customer counts
13 reported in the most recent Federal Energy Regulatory Commission ("FERC") Form 1
14 filings and allocating Evergy Metro's share of Greenwood Solar to its Kansas and Missouri
15 jurisdictions based on Staff's recommended jurisdictional allocators.

16 **WHOLESALE TRANSMISSION REVENUE CREDITS**

17 Q. Please explain the wholesale transmission revenue credit.

18 A. In its direct case, EMM sponsored an adjustment to reduce transmission
19 revenue for the difference between Evergy Metro's authorized FERC Return on Equity
20 ("ROE") of 11.1% and EMM's proposed ROE in this case of 10.5%. As transmission
21 owners, Evergy Metro receives transmission revenues from the Southwest Power Pool

1 (“SPP”) for regional and zonal transmission upgrades. The wholesale transmission
2 revenue adjustment is calculated using the Annual Transmission Revenue Requirement
3 (“ATRR”) and using Evergy Metro’s authorized FERC ROE of 11.1%.

4 Q. Please explain the ATRR in more detail.

5 A. The ATRR is used by SPP to allocate revenues and expenses to all
6 transmission owners and transmission customers of SPP. The transmission owners
7 receive allocated revenues based on the ATRR, and the transmission customers are
8 charged for allocated costs based on the ATRR. Each SPP transmission owner’s ATRR
9 may include incentives such as allowing Construction Work in Progress (“CWIP”) in the
10 revenue requirement, ROE adders, etc. Evergy Metro’s authorized FERC ROE of 11.1%
11 includes a ROE adder for being a member of a Regional Transmission Organization
12 (“RTO”) of 50 basis points.

13 Q. Does Evergy Metro incur costs that include the incentives described
14 above?

15 A. Yes. Other SPP transmission owners submit an ATRR that may include the
16 previously discussed incentives. Evergy Metro then receives its allocated share of the
17 transmission costs that include these incentives. Consistent with the ATRR revenues
18 EMM recommends reducing, these costs are influenced by FERC incentives and are
19 included as expenses in EMM’s cost of service.

20 Q. What is Staff’s recommendation regarding EMM’s proposal for the
21 wholesale transmission revenue credit?

1 A. Since EMM did not make an adjustment to its transmission expense for the
2 incentives that are included in the costs Evergy Metro receives from SPP and charges to
3 its customers, it is inconsistent for EMM to reduce its transmission revenue for the
4 difference in Evergy Metro's authorized FERC ROE of 11.1% and its proposed ROE of
5 10.5% in this case. Staff's accounting schedules reflect EMM's full financial experience
6 of both transmission revenue and transmission expense by making no adjustments to the
7 test year. It is Staff's recommendation that Evergy Metro's participation in SPP
8 encompasses both the financial impact of Evergy Metro's ownership of transmission
9 assets and the financial impacts of the use of other SPP members' transmission assets.
10 Consequently, EMM's customers are entitled to all transmission revenues that offset a
11 part of transmission expense.

12 **TRANSOURCE**

13 Q. What is Transource Missouri?

14 A. Transource Missouri is a Delaware limited liability corporation qualified to
15 conduct business in Missouri, with its principal place of business in Columbus, Ohio.
16 Transource Missouri is a wholly owned subsidiary of Transource Energy, LLC
17 ("Transource"). Transource was established by Evergy, Inc., EMM's parent corporation,
18 and American Electric Power Company, Inc. ("AEP") to build wholesale regional
19 transmission projects within SPP, as well as other RTOs.

20 Q. What is the adjustment associated with Transource, and how is this
21 adjustment calculated?

1 A. Evergy Metro has FERC-approved formula rates that have been
2 incorporated into the SPP Tariff. These wholesale transmission rates are often referred
3 to as “formula rates” because the ATRR for the applicable transmission owner is
4 determined through the use of an agreed-upon formula that incorporates annual true-up
5 processes to update actual costs. Transource Missouri also has an ATRR through FERC
6 that is collected pursuant to the SPP Tariff.

7 Staff first calculated the ATRR for the two transmission projects owned by
8 Transource Missouri, the Iatan-Nashua Project and the Sibley-Nebraska City Project.
9 This ATRR, which contains FERC incentives and ROE adders, is calculated using all the
10 variables that are used in the ATRR that Transource Missouri uses to bill transmission
11 owners in SPP, including Evergy Metro. The portion that is billed to Evergy Metro is based
12 on its SPP load ratio share and included in the revenue requirement in FERC Account 565.

13 Q. What does Evergy Metro’s SPP load ratio share represent?

14 A. Evergy Metro’s load ratio share represents its specific portion of the total
15 energy footprint across SPP’s grid. SPP uses the load ratio share to distribute the
16 collective transmission and administrative costs to SPP transmission owners.

17 Q. What did Staff do with Evergy Metro’s actual ATRR?

18 A. Staff calculated the ATRR as described above and made specific changes
19 to the calculation to remove the impact of Evergy Metro’s FERC incentives. These
20 changes in total will produce a different ATRR, and a different amount billed to Evergy
21 Metro based on its SPP load ratio share. EMM’s transmission expense in FERC Account
22 565 is then adjusted to reflect the ATRR without FERC incentives.

1 Q. Why is this adjustment made?

2 A. This adjustment is made to comply with the provisions of the
3 Commission's *Report and Order* in File No. EA-2013-0098.¹ Ordered item "5" states
4 "Ordered paragraphs 1, 2, 3 and 4 are subject to the provisions of Appendix 3 and
5 Appendix 4." "Appendix 4: Consent Order" starts on page 26 of the *Report and Order*, and
6 on pages 27-28 under paragraph 2.A.1., the following language appears:

7 2.A.1. With respect to transmission facilities located in KCP&L
8 certificated territory that are constructed by Transource Missouri
9 that are part of the Iatan-Nashua and Sibley-Nebraska City Projects,
10 KCP&L agrees that for ratemaking purposes in Missouri the costs
11 allocated to KCP&L by SPP will be adjusted by an amount equal to
12 the difference between: (a) the SPP load ratio share of the annual
13 revenue requirement for such facilities that would have resulted if
14 KCP&L's authorized ROE and capital structure had been applied
15 and there had been no Construction Work in Progress ("CWIP") (if
16 applicable) or other FERC Transmission Rate Incentives, including
17 but not limited to Abandoned Plant Recovery, recovery on a current
18 basis instead of capitalizing pre-commercial operations expenses
19 and accelerated depreciation, applied to such facilities; and (b) the
20 SPP load ratio share of the annual FERC-authorized revenue
21 requirement for such facilities. KCP&L will make this adjustment in
22 all rate cases so long as these transmission facilities are in service.

23 This paragraph is identical to Paragraph II A. 1. on pages 4-5 of the
24 *Non-Unanimous Stipulation and Agreement* filed in File Nos. EA-2013-0098 and
25 EO-2012-0367.²

¹ In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects.

² In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for Approval To Transfer Certain Transmission Property to Transource Missouri, LLC and for Other Related Determinations.

1 Q. Please describe File Nos. EA-2013-0098 and EO-2012-0367.

2 A. These applications were filed simultaneously by Transource Missouri, and
3 EMM and EMW known at that time as KCP&L and GMO, respectively.

4 File No. EO-2012-0367 was an application for authority to transfer certain
5 transmission property and for other related determinations regarding the construction
6 of two regional, high-voltage, wholesale transmission projects approved by SPP known
7 as the Iatan-Nashua 345 kV transmission project (“Iatan-Nashua Project”) and the
8 Sibley-Nebraska City 345 kV transmission project (“Sibley-Nebraska City Project;”
9 collectively, the “Projects”).

10 File No. EA-2013-0098 was an application for line CCNs to construct, finance,
11 own, operate, and maintain the regional Projects (“CCN Application”) for Transource
12 Missouri.

13 The *Report and Order* in File No. EA-2013-0098 approved both the transfer of
14 assets to Transource Missouri and the CCNs for Transource Missouri, with certain
15 provisions, one of which is the aforementioned paragraph describing the adjustment
16 at issue.

17 Q. What incentives did Transource Missouri request from FERC in formulation
18 of its ATRR?

19 A. According to the direct testimony of Darrin R. Ives in File No.
20 EO-2012-0367, page 15, Transource Missouri requested the following incentives:

- 21 • 100 basis point ROE Risk Adder for the Sibley-Nebraska City Project
22 to address the financial risks and regional benefits associated with the
23 project;

- 1 • inclusion of 100% of CWIP in rate base during the development and
- 2 construction periods for each of the Projects;
- 3 • deferral of all prudently-incurred costs that are not capitalized prior
- 4 to the rates going into effect for recovery in future rates;
- 5 • use of a hypothetical capital structure consisting of 40% debt and
- 6 60% equity during construction until long-term financing is in place for both
- 7 Projects; and
- 8 • recovery of prudently-incurred costs in the event either of the
- 9 Projects must be abandoned for reasons outside the reasonable control of
- 10 Transource Missouri.

11 Q. What adjustments to the calculations does Staff recommend?

12 A. Staff verified the Transource Missouri ROE for the first step of the
13 calculation; 11.3% for the Sibley-Nebraska City line and 10.3% for the Iatan-Nashua line.
14 For the second step of valuing the impact of the incentives, Staff compared the actual
15 Transource ROE to EMM's requested ROE in the current case to measure the change in
16 the ATRR.

17 Q. Did Staff make adjustments to the long-term debt rates?

18 A. No. The cost of long-term debt is not a result of any FERC incentive; it is a
19 function of the actual interest payments in relation to the balance of long-term debt.
20 In contrast, ROE is a FERC incentive.

21 For the initial calculation for the actual ATRR on the Transource Missouri projects,
22 Staff used the actual cost of long-term debt applicable to Transource Missouri.
23 As described earlier, the second step to calculate the adjustment is to remove the impact
24 of FERC incentives from the ATRR calculation by changing the variables for these
25 incentives to rates and amounts applicable to Missouri ratemaking without the

1 incentives. Staff’s calculation sets the long-term cost of debt for the second step of the
2 calculation equal to the Transource Missouri cost of debt.

3 **RENEWABLE ENERGY CERTIFICATE REVENUE**

4 Q. What is a Renewable Energy Certificate (“REC”)?

5 A. EMM’s generation portfolio includes assets that are considered renewable,
6 and energy generated from a qualified renewable facility produces RECs. One REC
7 represents a certificate that one megawatt-hour of energy was produced from a
8 renewable resource. RECs help EMM comply with its Missouri Renewable Energy
9 Standards (“RES”), but excess RECs can be sold with the power generated or on a
10 stand-alone basis. Outside entities are interested in purchasing RECs from EMM in order
11 to meet their own statutory requirements or internal “green initiatives.”

12 Q. Does Evergy Metro sell RECs?

13 A. Yes. Since 2022, Evergy Metro, EMW, and their affiliate Evergy Kansas
14 Central (“EKC”) began selling RECs that were not needed for RES compliance.

15 Q. How have the Evergy affiliates approached REC sales?

16 A. ** [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED] **

1 Q. How did Staff include REC revenue in the cost of service?

2 A. Staff examined Evergy Metro's historical REC revenue from 2023
3 through 2025 and found the test year amount to be representative of ongoing revenues.
4 Staff's revenue requirement includes REC revenues by leaving the test year unadjusted.
5 REC revenues are also provided to Staff witness Brooke Mastrogiannis for use in
6 developing the Fuel Adjustment Clause (FAC) base factor.

7 **INCOME TAXES**

8 **Current Income Tax Expense**

9 Q. How did Staff calculate current income tax expense in its revenue
10 requirement?

11 A. To calculate current income tax expense, Staff converted the book net
12 operating income into ratemaking net taxable income by recognizing various tax
13 timing differences.

14 Q. What are tax timing differences?

15 A. Tax timing differences occur when a cost (or revenue) is recorded
16 differently on a company's books than is reported on the company's tax returns.
17 For example, large companies generally use accrual accounting to record bad debt
18 expense on their financial statements filed with the Securities and Exchange
19 Commission, but on their tax return, account write-offs will be reported on a cash basis.
20 The differences between the accrual and cash bases of accounting cause a difference in

1 net income, which leads to a tax timing difference that is usually temporary in nature.
2 A reversal of the temporary differences will be reflected in net income over time.

3 Q. Did Staff use all of the tax timing differences on Evergy Metro's tax return to
4 calculate the ratemaking net taxable income?

5 A. No. Since most tax timing differences are temporary, they are ignored for
6 ratemaking purposes. See the Deferred Income Tax section of this testimony for further
7 discussion of the ratemaking approach to tax timing difference.

8 Q. Are tax timing differences the only factors needed to calculate ratemaking
9 income tax expense?

10 A. No. Select tax timing differences are used to convert book income to
11 ratemaking taxable income (or net operating loss). Income tax expense is calculated by
12 applying the current income tax rates to the ratemaking taxable income, but income tax
13 credits are another factor applied to further reduce the tax burden. The remaining
14 ratemaking income tax expense after tax credits is the current income tax expense
15 charged to ratepayers.

16 Q. What tax timing differences and tax credits did Staff include in its
17 calculation?

18 A. To calculate ratemaking income tax expense (see Schedule 11 of
19 Staff's Accounting Schedules), Staff used the following in its calculation:

- 20 **Add Back to Operating Income Before Taxes:**
21 • Book Depreciation Expense
22 • Book Amortization Expense
23 • Book Nuclear Fuel Amortization
24 • Non-Deductible Meals

1 **Subtract from Operating Income:**

- 2 • Interest Expense
3 • IRS Depreciation
4 • IRS Plant Amortization
5 • IRS Nuclear Fuel Amortization
6 • ESOP 401k Dividend Deduction

7 **Subtractions – Federal Income Tax Credits:**

- 8 • Research and Development Tax Credit
9 • Fuel Tax Credit
10 • Solar Production Tax Credit
11 • Nuclear Production Tax Credit

12 Q. What is the ESOP 401k Dividend Deduction?

13 A. Employees participating in the 401k plan have the option to invest in Evergy
14 common stock instead of contributing cash to their retirement account. When Evergy
15 pays dividends on common stock, the dividends on stock held by a 401k are tax
16 deductible on Evergy’s tax return. Payroll costs, including the cost of the payroll-related
17 401k benefit, are included in the cost of service and collected from ratepayers.
18 Since EMM’s ratepayers pay for their portion of the 401k cost, a commensurate portion
19 of the related tax benefits is included in EMM’s cost of service.

20 **Deferred Income Tax Expense**

21 Q. What type of deferred income tax expense did Staff include in its revenue
22 requirement?

23 A. When the tax benefit of a tax timing difference is concurrently passed to
24 customers as it is earned (referred to as the “flow through” ratemaking methodology),
25 the benefit’s effect on the cost of service is principally the same as the benefit’s effect to
26 the utility’s income tax payable to taxing authorities. Flowing a tax benefit to customers

1 does not generate deferred taxes from a ratemaking perspective. However, tax benefits
2 created by timing differences that are not passed to customers (referred to as
3 “normalized” ratemaking methodology) require the recognition of deferred taxes in the
4 cost of service. Normalized timing differences create a mismatch between the income
5 tax expense in rates and the actual income tax payable generated on tax returns.

6 The largest normalized tax timing difference is typically depreciation expense,
7 which is effectively protected from flow-through ratemaking treatment by Internal
8 Revenue Service (IRS) regulations. In order to fully normalize the tax timing difference
9 caused by depreciation, ratepayers are charged deferred tax expense in order to prevent
10 the flow-through of the upfront tax timing benefits in current income tax expense.

11 Q. Why do you call the depreciation tax timing differences an “upfront”
12 tax benefit?

13 A. By design, the depreciation tax timing difference is temporary in nature.
14 When the federal government constructed the accelerated depreciation tax benefit, it did
15 not intend for taxpayers to avoid paying taxes but instead intended taxpayers to defer
16 their tax payments from the current period to future periods. The government’s desire is
17 to provide companies with additional cash flow with the hope that the cash is reinvested
18 in the business and/or the economy. However, the total tax liability is not reduced over
19 the long-term as taxpayers pay off the deferred tax liability as temporary differences
20 unwind. Because depreciation is a normalized timing difference, ratepayers provide the
21 utility cash for income taxes that will not be due until future periods by paying for deferred
22 taxes. To summarize, depreciation results in an upfront benefit because tax payments

1 can be deferred to the future tax years, and the utility is able to collect cash in rates in
2 advance of a payment being made.

3 **Accumulated Deferred Income Taxes**

4 Q. What is Accumulated Deferred Income Taxes (“ADIT”)?

5 A. ADIT represents the prepayment of income taxes by ratepayers prior to the
6 payment being made to taxing authorities. As explained in the Deferred Income Tax
7 section, there are normalized tax timing differences that lead to a mismatch in the
8 income tax expense in rates and the income tax a utility actually pays to the IRS and
9 other taxing entities. The net balance in the accumulated deferred tax reserve
10 represents a customer-supplied source of cost-free funds. Therefore, EMM’s rate base is
11 reduced by the ADIT balance to avoid customers paying a return on investments that are
12 ratepayer funded.

13 Q. How did Staff calculate the ADIT balance?

14 A. Staff included the book ADIT balance as of December 31, 2025, in the
15 rate base schedule of its direct accounting schedules. Staff will true-up ADIT with
16 June 30, 2026, balances in its true-up revenue requirement.

17 Q. Does Staff’s recommended ADIT reflect any adjustments to the
18 December 31, 2025, book balance?

19 A. Yes. Staff excluded the book balance of EMM’s Deferred Tax Asset (“DTA”)
20 for nuclear Production Tax Credits (“PTCs”) that have been generated but not used.
21 Although EMM correctly accounts for the unused credit carryforward, unused tax credits
22 are not a normalized temporary tax timing difference. Additionally, the book balance does

1 not reflect an actual shareholder investment in EMM's business. For these two reasons,
2 including the nuclear PTC DTA in ADIT is not appropriate.

3 Q. Did Staff include ADIT on CWIP?

4 A. Yes. EMM records ADIT that is associated with the CWIP reflected on its
5 books and records regardless of CWIP's treatment in rate base. This ADIT represents a
6 free source of capital funds available for use by the utility before the construction project
7 is completed and included in plant-in-service. When CWIP is not included in rate base,
8 EMM is allowed to earn an Allowance for Funds Used During Construction ("AFUDC")
9 deferred return before the property under construction is added to rate base. AFUDC is
10 accrued during construction of the asset and included in rate base when the plant is
11 placed into service. The amount of AFUDC is included in depreciation expense and rate
12 base during the life of the plant. For the calculation of AFUDC, there is no consideration
13 of ADIT as a reduction to rate base on which it is calculated.

14 Q. Has this ratemaking treatment been brought to the Commission in
15 prior cases?

16 A. Yes. Utilities have argued that it is not appropriate to reduce rate base for
17 ADIT associated with CWIP balances when the CWIP amounts are not included in rate
18 base. However, the Commission has found to the contrary. Reducing rate base by the
19 amount of ADIT on CWIP was an issue decided by the Commission in an Ameren Missouri
20 general rate case, Case No. ER-2012-0166. On page 30 of its *Report and Order* in that
21 case, the Commission stated why this treatment is appropriate:

1 In other words, failure to recognize the CWIP-related ADIT balance
2 in the company's rate base will overstate the companies AFUDC
3 costs and future rate base, essentially allowing the company to earn
4 AFUDC and a return on capital supplied by ratepayers...

5 ...As fully explained in the finding of fact, Ameren Missouri must
6 include CWIP-related ADIT balances as an offset to rate base to
7 avoid overstating AFUDC and future rate base, to the detriment of
8 both current and future ratepayers.

9 On page 79 of its more recent *Report and Order* in Kansas City Power & Light
10 Company's Case No. ER-2014-0370, the Commission affirmed its treatment of ADIT
11 on CWIP:

12 KCPL asserts that its situation is different than that of the utility at
13 issue in File No. ER-2012-0166 because KCPL has a net operating
14 loss and, as a consequence, KCPL has more deductions than it has
15 revenues during the applicable period, so it has not and will not
16 receive a cash tax benefit. However, KCPL ratepayers provide
17 fully-normalized income taxes in cost of service regardless of
18 whether KCPL pays those taxes concurrently to the IRS. Even if KCPL
19 is not realizing all the benefits of accelerated depreciation due to a
20 net operating loss position, it does not invalidate the fact that
21 ratepayers are providing several million dollars in cash income
22 taxes. The Commission concludes that the amount of ADIT related
23 to CWIP should be an additional reduction to KCPL's rate base.

24 Therefore, Staff recommends the amount of ADIT associated with CWIP as of
25 December 31, 2025, be used as a reduction to EMM's rate base.

26 **Excess Accumulated Deferred Income Taxes**

27 Q. What are Excess Accumulated Deferred Income Taxes ("EADIT")?

28 A. EADIT are tax liabilities which were previously deferred to future periods
29 but are no longer a future liability.

1 Q. Does EMM have EADIT?

2 A. Yes. On December 22, 2017, the federal Tax Cuts and Jobs Act (“TCJA”)
3 was signed into law and took effect on January 1, 2018. A prominent feature of the TCJA
4 was a change in the federal corporate tax rate from 35% to 21%. When the tax rate
5 changed, a portion of EMM’s ADIT transitioned from temporary tax timing differences to
6 permanent timing differences. In 2020, the state of Missouri enacted a similar tax
7 reduction that changed the corporate tax rate from 6.25% to 4%. These changes in tax
8 rates essentially forgave a portion of the tax payments EMM had deferred in prior years.

9 Q. Has tax reform been addressed in EMM’s prior rate cases?

10 A. Yes, EADIT was addressed in EMM’s 2018 rate case. In Case No.
11 ER-2018-0145, EADIT was returned to ratepayers by offsetting income tax expense with
12 an amortization of the EADIT liability. The balance of EADIT protected by IRS regulations
13 was set to be amortized with the Average Rate Assumption Method (“ARAM”) as defined
14 by the IRS, while the balance of EADIT not protected by IRS regulations was amortized
15 over 10 years. In EMW’s following rate case, Case No. ER-2022-0129, additional EADIT
16 from the 2018 stub-period and Missouri’s 2020 tax reform was quantified and amortized
17 through rates over a four-year period.

18 Q. Did Staff include the ongoing amortizations in the current revenue
19 requirement?

20 A. Yes. Staff included the ongoing amortizations of EADIT as an offset to total
21 income tax expense.

1 Q. Until the EADIT has been returned to customers, is it appropriate to include
2 the unamortized balance of EADIT in rate base?

3 A. Yes. The unamortized balance of EADIT represents income tax expense the
4 customers have provided to the utility but the utility has not, and is not required to, pay to
5 taxing authorities. The balances are appropriate to include in rate base to avoid charging
6 customers a return on cost-free funds that they provided to the utility.

7 **Kansas City Earnings Tax**

8 Q. What is the Kansas City Earnings Tax?

9 A. The city of Kansas City, Missouri, assesses a 1% earnings tax on the net
10 taxable income earned within the Kansas City footprint. Staff reviewed Evergy Metro's
11 historical tax liability to Kansas City and found the historical tax liabilities fluctuate
12 annually. As such, Staff adjusted the test year to reflect a normalized amount based on
13 an average of the actual 2022 through 2024 tax liabilities to represent going forward costs.

14 **Inflation Reduction Act Tracker**

15 Q. What is the Inflation Reduction Act ("IRA")?

16 A. In August of 2022, the federal government enacted the IRA that became
17 effective on January 1, 2023. The IRA was intended to lower energy costs and address
18 climate change, as well as be responsive to the current inflationary environment.
19 Notably, the IRA contained federal tax incentives for utilities that responded to the federal
20 policy by investing in renewable facilities.

21 Q. How can EMM earn tax benefits under the IRA?

1 A. At a high level, EMM has an opportunity to earn tax benefits tied to new
2 solar, wind, battery, and transmission facilities that are placed into service during the
3 years 2023 through 2032. Additionally, EMM can also earn tax benefits by generating
4 power from its existing Wolf Creek nuclear power plant.

5 Q. Please describe the tax mechanisms EMM can utilize under the IRA.

6 A. EMM can generate two primary types of tax benefits under the IRA's
7 provisions. The first type of benefit is a PTC. EMM can earn PTCs by generating power from
8 its Wolf Creek facility as well as any wind or solar facilities that are placed into service
9 during the IRA's 10-year window for investment in renewable generation. Since battery
10 and transmission facilities don't actually generate power, PTCs cannot be earned with
11 this type of investment. The value of the nuclear, wind, and solar PTCs depend on a) how
12 much power is generated at eligible facilities; and b) the IRS' index of the PTC's value
13 during a particular tax year. The IRS indexes the value of a PTC annually. Also, the PTC is
14 subject to stackable bonus credit value if EMM meets certain conditions.

15 The second type of tax benefit is an Investment Tax Credit ("ITC") which is valued
16 as a percentage of the total cost of the eligible investment. When an eligible wind or solar
17 facility is placed into service, the taxpayer makes an election to receive PTCs or ITCs
18 based upon expectations of future benefits. Other projects that do not generate PTCs
19 (e.g. battery and transmission investments) are eligible for the ITC tax benefit. The total
20 value of the ITC is also subject to stackable bonuses by meeting certain conditions.

21 Q. Are these tax benefits significant to EMM's cost of service?

1 A. Yes. The most material benefit available to EMM is expected to be PTCs
2 generated by Wolf Creek's output. Additionally, EMM is earning PTCs through power
3 generated at Hawthorn Solar and will earn ITCs through other investments in eligible
4 investments such as battery storage. The aggregate tax benefits are expected to be large
5 enough that EMM does not expect to be able to utilize all of the benefits it earns before
6 they expire, particularly the nuclear PTCs.

7 Q. How does EMM intend to respond to the inability to use all possible
8 tax benefits?

9 A. A unique feature that was also built into the IRA is the ability for taxpayers
10 to sell tax benefits to external parties. Since EMM expects it will be unable to use the
11 PTCs generated by Wolf Creek, its expectation is to sell excess nuclear PTCs generated
12 after 2024.

13 Q. Did EMM sell any of the nuclear PTC benefits it earned in 2025 by
14 Staff's cut-off date?

15 A. No. However, EMM's direct case describes its expectations to sell its 2025
16 nuclear PTC tax benefits by the June 30, 2026, true-up date. Staff has included this
17 expected transaction as a deduction to rate base and amortized the balance over a
18 five-year period. Staff will present a recommendation in its true-up testimony for the
19 appropriate ratemaking treatment of the transaction once the specifics are known.

20 Q. Is there any uncertainty surrounding the ongoing IRA tax benefits?

21 A. Yes. Owners of nuclear power plants have been anticipating guidance from
22 the IRS on the measurement of nuclear PTC generation since the bill was passed in 2022,

1 but the IRS has not yet given final guidance concerning nuclear PTC measurement. It is
2 possible that the nuclear PTCs Evergy has claimed on tax returns to date may be revised
3 due to future IRS feedback. Additionally, other components of the IRA, which were
4 enacted during the Biden administration, fluctuate in value and may change to reflect
5 ongoing federal policy. Lastly, the decision to sell current tax benefits is based on
6 expectations of future generation and tax liabilities. By their nature, expectations may
7 evolve with the passage of time.

8 Q. What action can the Commission take to protect ratepayers and EMM from
9 these uncertainties?

10 A. Staff recommends that the Commission establish an IRA tracker to protect
11 ratepayers and EMM from ongoing uncertainty surrounding the value of the IRA's tax
12 benefits.

13 Q. Under Staff's recommendation, what would be tracked?

14 A. EMM's share of PTC tax benefits under the IRA provisions, including
15 nuclear, wind, and solar PTCs, should be deferred as they are used to offset tax liabilities
16 or sold by Evergy so that the net benefit actually realized can be tracked and passed to
17 customers. Additionally, Staff recommends that PTC and ITC tax benefits sold
18 subsequent to the June 30, 2026, true-up date should be tracked for future return to
19 ratepayers.

20 Q. Is it reasonable to expect Evergy to perform a certain level of due diligence
21 before it enters a transaction to sell PTCs or ITCs?

1 A. Yes. Staff recommends that Evergy prepare a cost-benefit analysis to
2 support its decision to sell PTCs rather than retaining the tax benefit for future use.
3 These analyses will help support the prudence of the transactions and future rate
4 base balances.

5 Q. Does Staff recommend tracking ITCs earned and utilized under the IRA?

6 A. No, only the sale of ITCs. IRS normalization regulations and the
7 Commission's historical approach ensure that the ITC tax benefit will be flowed to
8 ratepayers over the life of the underlying asset when the utility begins realizing tax
9 savings. As such, any ITCs claimed are already effectively tracked for ratemaking
10 purposes, although there may be a small amount of regulatory lag at the beginning and/or
11 end of the ITC amortization.

12 Q. What amount of ongoing IRA PTCs did Staff include in its revenue
13 requirement?

14 A. As reflected on Schedule 11 of Staff's direct Accounting Schedules,
15 Staff has included \$37,011,066 for ongoing sales of nuclear PTCs and \$182,423 for solar
16 PTCs (Missouri jurisdictional).

17 Q. Is Staff's recommended tracker similar to other regulatory mechanisms
18 currently effective in Evergy's other jurisdictions?

19 A. Yes. Evergy has regulatory mechanisms that are similar in financial impact
20 in its EKC jurisdiction as well as the Kansas portion of Evergy Metro's operations, but they
21 are only for nuclear PTC tax benefits.

22 Q. Do other Missouri utilities have a tracker in place for IRA tax benefits?

1 A. Yes. An IRA tracker became effective via Ameran Missouri's rate case
2 ER-2022-0337. Ameran Missouri's tracker is mechanically the same as Staff's
3 recommendation in this testimony.

4 **AMORTIZATION OF INTANGIBLE PLANT**

5 Q. Please describe intangible plant you adjusted.

6 A. The adjustment annualizes the amortization of intangible plant held in
7 FERC account 303. This account includes assets such as radio frequency rights, land
8 rights, organizational costs, Wolf Creek relicensing, etc.

9 Q. Why is an adjustment to amortize intangible plant necessary?

10 A. The capital costs, and related recommendations to amortize those costs,
11 are not included in the scope of Evergy Metro's depreciation study. Therefore, the assets
12 and amortization costs are separately examined and included in the revenue
13 requirement.

14 Q. Did Staff make an adjustment to the test year amortization expense?

15 A. Yes. Staff adjusted the test year amortization expense to reflect
16 the changes in the book cost of the intangible plant as of December 31, 2025.
17 Staff's adjustment multiplies the actual December 31, 2025, expense by 12. Staff will
18 revise this adjustment in its true-up revenue requirement to reflect the amortization of
19 intangible plant balances on June 30, 2026.

1 **PLANT IN SERVICE AND ACCUMULATED DEPRECIATION RESERVE**

2 **Retirement Work in Progress**

3 Q. Did Staff include Plant in Service (“Plant”) and Accumulated Depreciation
4 Reserve (“Reserve”) in its revenue requirement?

5 A. Yes. Staff included Plant and Reserve based on actual book amounts as of
6 December 31, 2025, Staff’s update period. Staff intends to include changes to Plant and
7 Reserve balances through June 30, 2026, in its true-up accounting schedules.

8 Q. Does the December 31, 2025, date require an adjustment for Retirement
9 Work in Progress (“RWIP”)?

10 A. Yes. Staff adjusted EMM’s depreciation reserve to remove RWIP.

11 Q. What is RWIP?

12 A. RWIP is retired Plant that has not yet been classified for certain
13 components of depreciation, namely the components for cost of removal and salvage.
14 EMM has removed the cost of retired Plant assets and the related Reserve from its book
15 balances as of the retirement dates. However, as of December 31, 2025, EMM had not
16 removed the related Reserve amounts associated with cost of removal and salvage
17 accruals calculated for the retired Plant included in the RWIP balance. While the actual
18 plant is retired and removed from Plant and Reserve, the plant has not been physically
19 disassembled, so the cost of removal and salvage components of depreciation are still
20 included in Reserve. As a result, EMM’s books overstate the Reserve for this retired plant
21 that is no longer serving the public. Staff included a line item in its Accounting Schedules
22 for RWIP associated with Production, Transmission, Distribution, and General Plant.

1 **Infrastructure for Large Load Customers**

2 Q. What is Infrastructure for large load customers?

3 A. EMM engaged in certain capital projects to connect large load customers
4 to its grid with the understanding the customers will contribute the capital
5 requirements to EMM. As of December 31, 2025, EMM's Plant and Reserve reflected a
6 positive balance for these investments which does not reflect EMM's anticipated final
7 investment. As such, Staff made adjustments to reduce the rate base value of this
8 infrastructure to \$0. Staff is continuing its discovery on investments for large load
9 customers and will include an updated adjustment in its true-up revenue requirement.
10 For a full description of EMM's large load customers, see the direct testimony of
11 Staff witness Sarah L.K. Lange.

12 **Uplight Software**

13 Q. What is the Uplight software?

14 A. This is the same software that was described in the Common Use Plant
15 Billings section of this testimony. Essentially, Evergy Metro invested in a software
16 package and allocated the cost exclusively to Missouri operations. Staff's position is that
17 this software investment currently is used and useful for all of Evergy's ratepayers as of
18 December 31, 2025, including EKC and Evergy Metro's Kansas jurisdiction. As such,
19 Staff adjusted EMM's Plant, Reserve, and amortization accounts so that Evergy Metro's
20 Uplight would be allocated between Evergy's Missouri and Kansas regulated jurisdictions
21 instead of 100% to Missouri operations.

1 **RESERVE DEFICIENCY**

2 Q. Please describe the reserve deficiency adjustment.

3 A. As explained by Staff witness Amanda Arandia, a reserve deficiency related
4 to general plant amortizations exists. In order to recover the deficiency, an amortization
5 was included in the cost of service to amortize the balance over five years.

6 **PLANT IN SERVICE ACCOUNTING**

7 Q. What is the history of Plant In Service Accounting (“PISA”)?

8 A. On June 1, 2018, Senate Bill 564 was signed into law and became effective
9 August 28, 2018, codified in § 393.1400 RSMo, with miscellaneous provisions related to
10 it in § 393.1655 RSMo. Generally, it allows investor-owned electric utilities in Missouri the
11 option of deferring 85% of all depreciation expense and return associated with qualifying
12 electric plant that was recorded to plant-in-service as a regulatory asset on or after the
13 date the utility elects the PISA option. Qualifying plant for the purposes of the PISA
14 deferral is all rate base additions that are not new nuclear, coal, or gas-fired generation
15 or rate-base additions that increase revenues by allowing service to new customer
16 premises. During a general rate case after the PISA election, the regulatory asset must
17 be amortized over 20 years, and the unamortized balance be included in rate base and
18 allowed a return. Any utility that elects the PISA deferral must file an annual five-year
19 capital investment plan with the Commission with specific capital investment detailed
20 within the plan, following the election of PISA. Additionally, in the years after filing the
21 first capital investment plan the utility must submit a report detailing the actual capital

1 investment from the prior year. At least 25% of the capital investment included in the plan
2 must be for grid modernization projects. Additionally, during the first five years, smart
3 meter investment is limited to 6%.

4 Q. Has the original PISA statute language changed?

5 A. Yes. Sections 393.1400 and 393.1655, RSMo, were revised effective
6 August 28, 2022. An additional miscellaneous provision, § 393.1656, RSMo, was also
7 added related to PISA in August 2025.

8 Q. What were the major changes in the revised statutes, effective August 28,
9 2022?

10 A. The majority of the language remained the same. However, § 393.1655,
11 RSMo, was revised to expire December 31, 2023, and therefore is no longer applicable.
12 In addition, the original December 31, 2023, sunset outlined in § 393.1400, RSMo, was
13 revised to December 31, 2028, with requirements for Commission approval in order to
14 continue to defer to the regulatory asset for an additional five years beyond December 31,
15 2028. The additional statute, § 393.1656, outlines requirements for a revenue
16 requirement impact cap.

17 Q. Did EMM elect PISA?

18 A. Yes. EMM elected to participate in PISA on January 1, 2019. EMM has
19 established a regulatory asset account on its books and has recorded all return and
20 depreciation on eligible plant additions.

21 Q. Does Staff have any disallowance recommendations for the PISA
22 regulatory asset?

1 A. Yes. Staff recommends removing the following from the PISA regulatory
2 asset: 1) removal of Earnings Per Share (“EPS”)-based incentive compensation;
3 2) removal of the solar subscription portion of the Hawthorn solar facility; and 3) deferrals
4 of depreciation and carrying costs for projects to serve new large load customers.

5 Q. Why does Staff recommend removing the EPS-based incentive
6 compensation from the PISA regulatory asset?

7 A. Staff recommends removing EPS-based incentive compensation from the
8 revenue requirement because the Commission has historically disallowed incentive
9 compensation awards tied to the achievement of certain corporate financial measures
10 on the basis that these measures provide no tangible benefit to Missouri ratepayers.
11 See specifically, KCP&L Case No. ER-2006-0314, 15 Mo.P.S.C.3d 138, 171-72 (2006) and
12 KCP&L, Case No. ER 2007-0291, 15 Mo.P.S.C.3d 552, 585-87 (2007).

13 Q. Why does Staff recommend removing the solar subscription portion of the
14 Hawthorn solar facility from the PISA regulatory asset?

15 A. Deferrals to the PISA regulatory asset for depreciation and return of
16 qualifying rate base additions brings certainty to minimizing negative effects of regulatory
17 lag from a shareholder perspective. The solar subscription tariffed rates collected from
18 solar subscription customers also includes components for depreciation, rate of return,
19 and AFUDC. The billing and collections for solar subscriptions started almost
20 immediately upon completion of the facility, and therefore the shareholders have
21 experienced no adverse regulatory lag tied to the investment. In summary, including
22 the solar subscription portion of the facility in the PISA deferral would result in

1 double-recovery of the depreciation and return associated with the solar subscription
2 portion, since the rate solar subscribers are paying includes depreciation and return.

3 Q. Why does Staff recommend removing amounts for projects to serve large
4 load customers from the PISA regulatory asset?

5 A. These projects were done to serve new customers, which is explicitly
6 identified in § 393.1400(1)(3), RSMo as non-qualifying plant for PISA deferrals.

7 Q. Is EMM near the PISA spending cap described in § 393.1656, RSMo?

8 A. No. Section 393.1656, RSMo, limits the revenue requirement impact of
9 PISA spending to an annual 2.25% increase in base rates. EMM's PISA deferrals since the
10 last rate case would have to be tripled to approach the cap set in the statute.

11 Q. How much of EMM's request is tied to PISA deferrals?

12 A. EMM's total revenue requirement requests a total annual revenue of
13 \$39.1 million related to PISA deferrals. The total request includes a \$2.7 million
14 amortization of vintage 1 set in EMM's prior rate case, an \$8.7 million amortization of
15 vintage 2 requested in this case, and \$27.5 million for a pre-tax rate of return on the
16 current unamortized balance of PISA deferrals.³

17 **RATE BASE VALUE OF RETIRED PLANT**

18 Q. How do retirements of Plant affect rate base?

19 A. For the purpose of discussing retirements, there are two categories of
20 Plant assets: Individual assets and mass (grouped) assets. The rate base is

³ EMM workpapers RB-85 and CS-93.

1 affected differently by retirements of each category. Land, buildings, and software assets
2 are most commonly accounted for individually and upon retirement, Plant and Reserve
3 journal entries reflect the actual amounts incurred upon retirement.⁴ For illustration,
4 a \$10,000 asset that has accumulated \$7,000 of depreciation has a net rate base value
5 of \$3,000, and if that asset was retired, rate base would decrease by \$3,000 to reflect the
6 disposition. Journal entries would be made to decrease Plant by the full original cost and
7 decrease the Reserve by the depreciation accumulated to date.

Individual Asset Accounting	Plant	Reserve	Net Rate Base (Plant – Reserve)
Beginning Balance	\$10,000	\$7,000	\$3,000
Retirement Entry	<u>\$(10,000)</u>	<u>\$(7,000)</u>	
Ending Balance	\$0	\$0	<u>\$0</u>
Change in Rate Base			\$(3,000)

8
9 The other category of Plant assets, mass assets, do not affect rate base when they
10 are retired. If \$10,000 of mass assets were retired early, journal entries would be made
11 to decrease Plant by the full original cost but also decrease Reserve by the same amount.
12 The effect of the mass asset retirement leaves net rate base unchanged regardless of
13 how long the asset has actually been in-service and regardless of how much Reserve had
14 been accumulated.

⁴ See responses to Staff Data Request No. 0386 in ER-2026-0143 and Staff Data Request No. 0439 in ER-2024-0189.

Mass Asset Accounting – Early Retirement	Plant	Reserve	Net Rate Base (Plant – Reserve)
Beginning Balance	\$10,000	\$7,000	\$3,000
Retirement Entry	<u>\$(10,000)</u>	<u>\$(10,000)</u>	
Ending Balance	\$0	\$(3,000)	<u>\$3,000</u>
Change in Rate Base			\$0

1

2 Q. To what types of rate base does Evergy Metro apply mass asset
3 accounting?

4 A. Evergy Metro applies mass asset accounting to property that is large in
5 quantity but small in individual value. Examples include meters, poles, miles of wire,
6 office furniture, etc. A majority of Evergy Metro's rate base is subject to mass asset
7 accounting. An advantage of this approach is the avoided complexity of tracking
8 accumulated depreciation on a large quantity of small-value items by applying a
9 depreciation rate to a plant account instead of individual retirement units.

10 Q. Are mass assets always retired early?

11 A. No. A fundamental attribute of the theory supporting mass asset
12 accounting (and its historical use in ratemaking) is that some assets are retired early but
13 there are also assets that live beyond the assumed book life. If the depreciation rate
14 reflects the *average* life of a group of assets, the actual life of each individual retired asset
15 can be ignored.

16 When a mass asset exceeds its book life, it leaves behind a negative rate base
17 which is presumed to offset early retirements. To continue the example, a \$10,000 mass

1 asset that is retired after it has accumulated \$13,000 of depreciation would still cause
2 the same journal entries as an early retirement and leave net rate base unchanged by
3 reducing Plant and Reserve in equal amounts.

Mass Asset Accounting – Late Retirement	Plant	Reserve	Net Rate Base (Plant – Reserve)
Beginning Balance	\$10,000	\$13,000	\$(3,000)
Retirement Entry	<u>\$(10,000)</u>	<u>\$(10,000)</u>	
Ending Balance	\$0	\$3,000	<u>\$(3,000)</u>
Change in Rate Base			\$0

4

5 Q. Has the residual net rate base left by mass asset retirements been
6 balanced since EMM’s last rate case?

7 A. No. Staff performed an analysis of Evergy Metro’s mass asset retirements
8 since its prior rate case and finds evidence that the presumption that “early” and “late”
9 asset retirements have offsetting rate base impacts is currently not applicable.

10 Q. Please describe this analysis.

11 A. In response to Staff Data Request No. 0191, EMM provided all of the
12 retirement accounting entries it had recorded since May 31, 2022, the true-up date in its
13 prior rate case. For each mass asset retired, Staff measured the amount of
14 undepreciated original cost of the asset through December 31, 2025, and found that,
15 as expected, some assets did not reach the book life and some assets exceeded the book

1 life. However, the overall net effect of \$242 million in Plant retirements had an
2 “early retirement” impact and left over \$80 million⁵ in rate base.

3 Q. What is the cause of this imbalance?

4 A. Evergy Metro is responding to the Missouri and Kansas PISA incentives by
5 replacing a substantial amount of assets that have not reached the underlying assumed
6 average book life. Evergy Metro’s grid modernization efforts are driven by the condition of
7 its system and not the remaining book life of its assets but the PISA statute allows for
8 more aggressive modernization by alleviating regulatory lag.

9 Q. What supports Staff assertion that PISA is driving early retirements?

10 A. Since it elected for PISA in 2019, Evergy Metro has increased its
11 transmission, distribution, general, and intangible Plant by \$2.7 billion, of which
12 \$1.5 billion is attributable to PISA incentives. Since the purpose of the PISA statute is to
13 encourage grid modernization, grid hardening, and other projects supporting reliability,
14 it follows that many PISA projects are to replace existing Plant with new assets.

15 Q. How did Staff attribute \$1.5 billion of Plant growth to PISA spending?

16 A. Staff analyzed increases in Evergy Metro’s Plant balances during the seven
17 years before the PISA election (2012 – 2018) and seven years after PISA (2019 – 2025).
18 Staff calculated the growth rate prior to PISA using EMM’s actual Plant increases and
19 applied the growth rate to project hypothetical transmission, distribution, general, and
20 intangible Plant increases during 2019 through 2025. If Evergy Metro’s Plant increased at

⁵ Total applies to Evergy Metro’s Kansas and Missouri operations.

1 the same rate it did prior to the PISA election, then Plant balances at December 31, 2025,
2 would be \$1.5 billion less.

3 Q. What is Staff's ratemaking concern about retired mass assets?

4 A. The concern is that \$80 million of Evergy Metro's current rate base
5 represents Plant that is no longer used to provide safe and adequate service to
6 ratepayers. Generally ratemaking includes a *return of* and a *return on* a utility's
7 investments and as long as the fundamentals of mass asset accounting are intact, using
8 rate base in the calculation is appropriate. However, Staff's analysis finds that an
9 imbalance in retirements has occurred. Staff continues to recommend an unadjusted
10 amount of depreciation expense⁶ for the *return of* EMM's active and retired mass assets
11 but Staff recommends removing the net retired Plant from EMM's *return on* calculation.
12 As such, Staff's Schedule 2 (rate base) of Staff's Accounting Schedules include a
13 \$43.8 million decrease for the Missouri jurisdictional portion of the \$80 million value of
14 early retirements.

15 Q. If the Commission adopts Staff's recommendation, will EMM need to
16 "write-off" those assets?

17 A. No. As I mentioned, Staff's revenue requirement still applies depreciation
18 rates to the unadjusted account balances, and EMM will continue to recover its original
19 investment over the life of the accounts. Therefore, there will be no need to remove the
20 assets from EMM's books.

⁶ See Staff witness Amanda Arandia's direct testimony for Staff's recommendation of depreciation rates.

1 **CONSTRUCTION WORK IN PROGRESS IN RATE BASE**

2 Q. What is Construction Work in Progress (“CWIP”)?

3 A. From an accounting perspective, CWIP is the current balance of funds
4 invested in a capital project at any given point in time. Utilities use FERC account 107 to
5 accumulate a project’s cost in accordance with FERC’s Uniform System of Accounts
6 (“USOA”).

7 Q. Has the Commission historically included the balance of CWIP in the
8 ratemaking process?

9 A. No. Except for a brief period in the 1970s where the Commission was
10 responding to the United States’ economic hyper-inflation, the Commission has
11 excluded CWIP from the ratemaking process for electric utilities.

12 Q. Are there relevant Missouri statutes to the inclusion of CWIP in rate base?

13 A. Yes. Section 393.135, RSMo, was an adopted voter initiative effective
14 November 2, 1976. This statute prohibited inclusion of Plant in the rates of an electrical
15 corporation before it was fully operational and used for service. This section was revised
16 in 2025 to make an exception for rate base treatment of CWIP for any new natural
17 gas-generating unit.

18 Q. Does the statute explain how CWIP should be included?

19 A. Yes, in part. In addition to expressing that rate base treatment is in lieu of
20 the traditional accumulation of AFUDC, the statute expresses that, “[t]he [C]ommission
21 shall determine, in a proceeding under § 393.170, the amount of construction work in
22 progress that may be included in rate base.” As clarified by § 393.135(2)(1), the amount

1 the Commission determines is limited by 1) the project's cost estimates and
2 2) expenditures made within the estimated construction period.

3 Q. What are the proceedings in § 393.170?

4 A. Section 393.170 restricts utilities from constructing a gas plant without first
5 having obtained the permission and approval of the Commission. In other words, it is the
6 Missouri statute requiring utilities to submit an application for a CCN.

7 Q. Has EMM submitted an application for a CCN related to new natural
8 gas-generating units?

9 A. Yes. On May 14, 2026, EMM filed an application for a CCN in Case No.
10 EA-2026-0154. The application explains EMM's request to build a 440 MW gas generating
11 station in Nodaway County, Missouri. The name of the unit is Mullin Creek No. 2.⁷
12 Additionally, EMM's CCN filing requests the Commission determine the amount of CWIP
13 to be included in rate base.

14 Q. What is the timing of the CCN case?

15 A. Missouri statutes and the Commission's rules do not specify a deadline to
16 process a CCN application, and the length of the process depends heavily on how
17 contested the application becomes. Included in its application, Evergy Metro has
18 requested the Commission approve a timeline to process its request by December 23,
19 2026, in order to have a January 2, 2027, effective date.

20 Q. Does this create a procedural challenge for this rate case?

⁷ Mullin Creek No. 1 is currently under construction and will be a generator for Evergy Missouri West. See Commission Case No. EA-2025-0075.

1 A. Yes. The statute allowing CWIP in rate base states the “Commission shall
2 determine” the amount of CWIP that can be included in rate base in a CCN case. Under
3 EMM’s proposed schedule in the CCN application, the Commission will not have an
4 opportunity to issue an official determination of the rate base amount for CWIP until
5 December 23, 2026, which is two months after the hearing in this rate case will be
6 concluded. Until the Commission is able to determine an appropriate amount, the
7 parties to the rate case can only speculate about what revenue requirement impact the
8 Commission’s CNN order will have. While the Commission’s guidance will be available
9 in EMM’s next rate case, Evergy Metro’s timing of its CCN application is unfortunate for
10 immediate ratemaking purposes.

11 Q. Does Staff’s recommended revenue requirement reflect CWIP in rate
12 base?

13 A. No. Not only do the parties lack the Commission’s determination that
14 is required to be made in a CCN docket, EMM did not make any investments in the
15 Mullin Creek No. 2 project as of Staff’s December 31, 2025, cut-off date. Staff will provide
16 true-up direct testimony on CWIP activity through June 30, 2026, when more information
17 will be available. Specifically, Staff would expect to have updated responses to Staff Data
18 Request Nos. 0185-0190 to include details of the Mullin Creek No. 2 project.

19 Q. Does this conclude your direct testimony?

20 A. Yes, it does.

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) Case No. ER-2026-0143
Authority to Implement a General Rate)
Increase for Electric Service)

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
)
COUNTY OF Jackson) ss.

COMES NOW MATTHEW R. YOUNG 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.

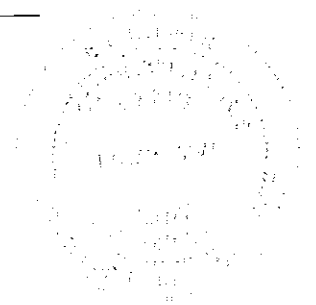
Matthew Young
MATTHEW R. YOUNG

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, on this 26th day of June 2026.

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661

[Signature]
Notary Public



Matthew R. Young

Educational and Employment Background and Credentials

My academic background includes two degrees from the University of Missouri – Kansas City. In 2011, I earned a Master of Science (M.S.) in Accounting establishing a robust foundation in financial reporting, auditing, and taxation. This degree immediately followed my completion of a Bachelor of Liberal Arts (B.L.A.) which I earned in 2009.

I possess over a decade of experience on the Staff of the Missouri Public Service Commission (“Commission”), having been employed since 2013. Through continuous professional progression, I advanced to my current leadership role as a Utility Regulatory Audit Supervisor. My primary duties involve overseeing and preparing detailed regulatory work products, including the review of complex rate audits and the submission of official filings to the Commission. I assess submitted facts and testimony, determine and sponsor accounting adjustments, and formulate regulatory positions that are supported by workpapers and testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Cases in which I have served as a subject matter expert, and the scope of my contributions, are listed below:

Case/Tracking Number	Company Name	Scope of Audit
HR-2026-0109	Evergy West	Revenue Requirement
GR-2025-0107	Spire Missouri	Deferred Overhead Assets
GR-2024-0369	Ameren Missouri	AMI Deferral, Meter Reading Expense, Discrete Adjustments
ER-2024-0261	Liberty (Empire)	Plant Amortization, Asbury Retirement AAO, Customer First, Pensions, OPEBs, SERP, Construction Accounting AAO, Income Taxes, Environmental Tracker

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
GO-2024-0214	Spire Missouri	Revenue Requirement
ER-2024-0189	Evergy West	Border Customers, Capitalized Overheads, Common Use Billings, Hawthorn Solar Investment, Income Taxes, Off System Sales, PAYS® Program, Miscellaneous Revenues
WA-2023-0450 SA-2023-0451	Confluence Rivers	Rate Base, Purchase Price
GO-2023-0432	Spire Missouri	Revenue Requirement
GT-2023-0229	Liberty Midstates	Revenue Requirement, Capitalized Overheads
EA-2022-0328	Evergy West	Production Tax Credits
ER-2022-0337	Ameren Missouri	Plant, Reserve, Sioux Deferral, Fuel Inventory, Fuel Expense, Fuel Prices, Coal Refinement, Intangible Amortization, Extended Amortization, Incentive Compensation, Exceptional Performance Bonus, Income Taxes, IRA Tracker, Capitalized Overheads
GO-2022-0339	Spire Missouri	Revenue Requirement
GR-2022-0179	Spire Missouri	Capitalized Overheads
GO-2022-0171	Spire Missouri	Capitalized Overheads
ER-2022-0129 ER-2022-0130	Evergy Metro Evergy West	Prospective Tracking, Income Taxes, Fuel Expense and Inventory, DSM Opt-Out and Iatan Regulatory Assets, Plant, Reserve, Amortization Expense.
EO-2022-0105	Evergy Metro	Revenue Requirement Issues
ER-2021-0240 GR-2021-0241	Ameren Missouri	Incentive Compensation

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
GR-2021-0108	Spire Missouri	Capitalized Overheads, Income Taxes, Rate Base Amortizations
SA-2021-0017	Missouri American Water Company	Feasibility Studies, Construction Cost Estimates
GO-2021-0030 GO-2021-0031	Spire – East and Spire – West	ISRS Rate Base
GA-2021-0010	Spire – West	Costs to Expand Distribution System
WR-2020-0264	Raytown Water Company	Tank Painting and Tower Maintenance, Taxes, Leases, Capitalized Depreciation
GO-2020-0229 GO-2020-0230	Spire – East and Spire – West	ISRS Rate Base
GA-2020-0105	Spire – West	Costs to Expand Distribution System
WA-2019-0366 SA-2019-0367	Missouri American Water Company	Rate Base
WA-2019-0364 SA-2019-0365	Missouri American Water Company	Rate Base
GO-2019-0356 GO-2019-0357	Spire – East and Spire – West	Overhead Costs in Rate Base, Reconciliation
ER-2019-0335	Ameren Missouri	Incentive Compensation, Fuel Inventory

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
WO-2019-0184	Missouri American Water Company	ISRS Rate Base
SA-2019-0161	United Services Inc.	Application for Certificate, Rate Base
ER-2018-0145 ER-2018-0146	Kansas City Power & Light & KCP&L Greater Missouri Operations	Fuel Prices & Inventories, Purchased Power Expense, Pensions, OPEBs, SERP, Outside Services
WR-2017-0343	Gascony Water Company	Rate Base
GR-2017-0215 GR-2017-0216	Laclede Gas Company & Missouri Gas Energy	Pensions, OPEBs, SERP, Incentive Compensation, Equity Compensation, Severance Costs
WR-2017-0139	Stockton Hills Water Company	Revenue, Expenses, Rate Base
ER-2016-0285	Kansas City Power & Light	Forfeited Discounts, Bad Debt Expense, Customer Growth, Cash Working Capital, Payroll and Payroll Related Costs, Incentive Compensation, Rate Case Expense, Renewable Energy Standards Cost Recovery, Property Taxes

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
SR-2016-0202	Raccoon Creek Utility Operating Company	Rate Base
ER-2016-0156	KCP&L Greater Missouri Operations	Payroll, Payroll Benefits, Payroll Taxes, Incentive Compensation, Injuries and Damages, Insurance Expense, Property Tax Expense, Rate Case Expense
SR-2016-0112	Cannon Home Association	Revenues and Expenses, Rate Base
WR-2016-0109 SR-2016-0110	Roy-L Utilities	Revenues and Expenses, Rate Base
WR-2015-0246	Raytown Water Company	Revenues and Expenses, Rate Base
SC-2015-0152	Central Rivers Wastewater Utility	Complaint
WR-2015-0104	Spokane Highlands Water Company	Revenues and Expenses, Rate Base
GR-2015-0026	Laclede Gas Company	Plant Additions and Retirements, Contributions in Aid of Construction
GR-2015-0025	Missouri Gas Energy	Plant Additions and Retirements, Contributions in Aid of Construction
WR-2015-0020	Gascony Water Company	Revenues and Expenses, Rate Base

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
SM-2015-0014	Raccoon Creek Utility Operating Company	Sale of Assets, Rate Base, Acquisition Premium
ER-2014-0370	Kansas City Power & Light	Injuries & Damages, Insurance, Payroll, Payroll Benefits, Payroll Taxes, Property Taxes, Rate Case Expense
SR-2014-0247	Central Rivers Wastewater Utility	Revenues and Expenses, Rate Base, Affiliated Transactions
HR-2014-0066	Veolia Energy Kansas City	Payroll, Payroll Benefits, Payroll Taxes, Bonus Compensation, Property Taxes, Insurance Expense, Injuries & Damages Expense, Outside Services, Rate Case Expense
GO-2014-0179	Missouri Gas Energy	Plant Additions, Contributions in Aid of Construction
GR-2014-0007	Missouri Gas Energy	Advertising & Promotional Items, Dues and Donations, Lobbying Expense, Miscellaneous Expenses, PSC Assessment, Plant in Service, Depreciation Expense, Depreciation Reserve, Prepayments, Materials & Supplies, Customer Advances, Customer Deposits, Interest on Customer Deposits
SA-2014-0005	Central Rivers Wastewater Utility	Application for Certificate, Revenue and Expenses, Plant in Service, Depreciation Reserve. Other Rate Base Items