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Witness:	Geoffrey Ley
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Case No.:	ER-2026-0143
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2026-0143

REBUTTAL TESTIMONY

OF

GEOFFREY LEY

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
August 2026

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REBUTTAL TESTIMONY

OF

GEOFFREY LEY

Case No. ER-2026-0143

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Geoffrey Ley. My business address is 1200 Main Street, Kansas City, Missouri.

Q: By whom and in what capacity are you employed?

A: I am employed by Evergy Metro, Inc. and serve as Senior Vice President, Corporate Planning and Treasurer for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro," "EMM" or the "Company"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West" or "EMW"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy Kansas South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central"), which are the operating utilities of Evergy, Inc. ("Evergy").

Q: Have you previously filed testimony in this proceeding?

A: Yes. I filed direct testimony on behalf of EMM on February 6, 2026, addressing the Company's capital structure, cost of debt, and support for the requested return on equity ("ROE") and weighted average cost of capital ("WACC").

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my rebuttal testimony is to respond to the direct testimony of three opposing witnesses on capital structure, cost of debt, and overall rate of return:

1 Seoung Joun Won, PhD, (Staff of the Commission ("Staff")), regarding his recommended capital structure of 51.38% common equity and 48.62% long-term debt, his recommended cost of debt of 4.58%, and certain aspects of his overall rate of return recommendation;[1]

2 David Murray, (the Office of the Public Counsel ("OPC")), regarding his recommended capital structure of 45% common equity and 55% long-term debt;[2] and

3 Dr. Carolyn A. Berry, (Google LLC ("Google")), regarding her contention that EMM's financial analysis does not fully incorporate the impacts of large load growth on financial risk and credit stability.

II. CAPITAL STRUCTURE

Q: Do you agree with Dr. Won's recommendation to use EMM's actual capital structure as of December 31, 2025?

A: No. Using the actual capital structure as of December 31, 2025, does not reflect activity that has occurred through the true-up date of June 30, 2026, in this rate case proceeding. However, Evergy Missouri Metro does expect Staff witness Dr. Won and EMM to analyze the Company's actual capital structure based on this true-up activity through June 30, 2026. If Dr. Won utilizes the Company's actual capital structure at the true-up date, EMM expects to be aligned on this issue with Staff.

[1] See S. Won (Staff) Direct at 4, 45-46 (June 30, 2026).
[2] See D. Murray (OPC) Direct at 2-4, 46-47 (June 30, 2026).

Q: Does Dr. Won's analysis otherwise support the reasonableness of EMM's proposed capital structure?

A: Yes. EMM's proposed capital structure of 52.0749% common equity and 47.9251% long-term debt falls within a narrow range of Dr. Won's recommendation. Dr. Won reports that EMM's average equity ratio for Q1 through Q4 of 2025 was approximately 52.87%.[3] EMM's proposed equity ratio of 52.0749% is below that average and thus represents a conservative projection. Furthermore, Evergy Missouri Metro's stated target for each subsidiary of **[redacted]** is consistent with EMM's requested ratio.[4] The proposed capital structure is within the range of peer utilities' capital structures, as demonstrated in Ms. Bulkley's testimony[5] and is appropriate to support the Company's financial integrity and continued access to capital at competitive rates during a period of substantial capital investment. Moreover, both will be subject to true-up.

Q: Do you agree with Mr. Murray's recommendation to use a 45% common equity ratio?

A: No. Mr. Murray's recommendation should be rejected. His 45% equity ratio is more than 700 basis points below EMM's proposal and more than 638 basis points below Dr. Won's recommendation. This is because his equity ratio is derived not from EMM's own capital structure but from Evergy, Inc.'s consolidated capital structure after his adjustments for junior subordinated notes.[6]

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[3] See S. Won (Staff) Direct at 45-46.
[4] Id. at 42.
5 See A. Bulkley Direct Schedule AEB-12.
[6] See D. Murray (OPC) Direct at 45-47.

Mr. Murray disregards the Commission's Report and Order in Case No. GR-2021-0108 which determined that a utility subsidiary's ratemaking capital structure should reflect its own independently maintained capital structure if the subsidiary satisfies the guidelines set forth by the Society of Utility and Regulatory Financial Analysts ("SURFA").[7] SURFA "lists four guidelines for determining when to use a parent company's capital structure in its guidebook, the Cost of Capital – A Practitioner's Guide. The four guidelines are:

A. Whether the subsidiary utility obtains all of its capital from its parent, or issues its own debt and preferred stock;

B. Whether the parent guarantees any of the securities issued by the subsidiary;

C. Whether the subsidiary's capital structure is independent of its parent (i.e., existence of double leverage, absence of proper relationship between risk and leverage of utility and non-utility subsidiaries); and,

D. Whether the parent (or consolidated enterprise) is diversified into non-utility operations."[8]

Evergy Missouri Metro satisfies these guidelines. Particularly, Evergy Missouri Metro is a wholly owned operating subsidiary utility of Evergy, Inc., which credit rating agencies have assigned EMM its own stand-alone credit profile that is equal to or stronger than Evergy, Inc.'s consolidated rating. As Dr. Won notes, S&P rates EMM at "A-" versus Evergy at "BBB+," and Moody's rates EMM at "Baa1" versus Evergy at "Baa2."[9]

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[7] See S. Won (Staff) Direct at 41.
[8] Id. (citing Amended Report & Order at 84, In re Spire Request for Authority to Implement a General Rate Increase for Natural Gas Service, No. GR-2021-0108 (Nov. 12, 2021)).
[9] Id. at 42-43.

These distinct and superior ratings reflect the credit markets' recognition that EMM's capital structure and cash flow profile are independent of Evergy, Inc.'s. Moreover, as Dr. Won testified, "Evergy has raised significant equity capital in recent years to support higher capital expenditures, including any necessary equity contribution into the utility, but no proceeds from Evergy long-term debt issuances have been used to infuse equity into EMM."[10] He concluded that "Staff does not find evidence that Evergy has used 'double leverage' for investing in EMM."[11]

Mr. Murray's argument that Evergy Missouri Metro engages in "leverage arbitrage" by maintaining a conservative subsidiary capital structure while carrying higher leverage at Evergy, Inc. is misguided and unsupported.[12] The fact is that EMM's ratepayers benefit from the lower financial risk, and the correspondingly lower cost of debt that the Company's strong stand-alone capital structure supports.[13] Imputing Evergy, Inc.'s debt to EMM would not reduce EMM's actual cost of capital. It would simply understate the equity that protects the Company's bondholders and supports its strong credit ratings.

Q: Mr. Murray contends that it is not unusual for regulatory commissions to consider parent company capital structures when determining rates, as he is suggesting in his recommendation.[14] Have you found that to be the case?

A: No. As Mr. Murray cites in his direct testimony,[15] Evergy conducted a capital structure workshop in November 2024 with the Kansas Corporation Commission ("KCC"). We conducted a review of 109 rate case decisions preceding that workshop. In none of those

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[10] Id. at 43.
[11] Id.
[12] See D. Murray (OPC) Direct at 53.
[13] Id.
[14] Id. at 47-48.
[15] Id. at 53.

rate cases did we observe any evidence of holding company debt being attributed to subsidiary utilities in the final rate case decisions. Further, we showed in that presentation that Evergy's consolidated capital structure is consistent with peer norms; and as Ms. Bulkley demonstrated in her testimony, EMM's standalone capital structure of 52.07% is also consistent with peer norms.

Q: Do you agree with Mr. Murray's statements regarding the interdependency of Evergy's and its subsidiaries' capital flows or that its use of money pool borrowings differs from standard utility practice?

A: No. Mr. Murray's testimony makes these statements but provides no evidence of anything that is outside normal utility practices. Evergy and each of its utility subsidiaries, including EMM, file quarterly and annual financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") which disclose financial transactions inclusive of intercompany transactions. Additionally, Evergy's money pool is administered subject to FERC authorization and practices. Money pool loans are temporary in nature and are generally undertaken when one of the two following conditions is present: 1) the holding company or a subsidiary has access to excess funds with a cost of capital lower than the borrower's short-term cost of debt, or 2) accessing money pool borrowings allows the borrower to minimize its own excess cash balances as daily cash flows vary in between short-term debt borrowing windows with banks and commercial paper markets. In either case, access to the money pool is a customer benefit in that it minimizes borrowing costs of operating utilities (such as EMM). Each of these transactions, when undertaken, are done on an arm's length basis, are thoroughly documented, and are represented in Evergy's and its subsidiaries' financial statements.

Q: Did Moody's state what drove its reduction in Evergy's downgrade threshold for the credit metric of cash flow from operations pre-working capital to debt ("CFO pre-WC / Debt") from 15% to 14% in May 2025?

A: No. There is no direct explanation in Moody's reports as to what drove the reduction of Evergy's downgrade threshold. The reports describe a variety of credit positive and credit negative factors affecting Evergy, but none of those factors is specifically implicated in the change in the threshold. Moody's downgrade thresholds and ratings are influenced by a multitude of factors. I have worked in the industry with the credit rating agencies for nearly 20 years, and I have found that Moody's (and S&P's) downgrade thresholds are primarily influenced by (1) lack of ownership of generation assets (transmission and distribution-only utilities typically have lower downgrade thresholds due to lower cash flow volatility), (2) ownership of regulated gas utility operations (gas operations are typically less capital intensive than electric operations with generation and can carry lower downgrade thresholds), and (3) diversification across multiple states (larger scale utilities and/or those with reduced exposure to single-state regulatory or legislative events typically have lower downgrade thresholds). Evergy's 14% downgrade threshold with Moody's is consistent with the majority of its peers at the Baa2 rating. Only Sempra is Baa2 rated and has a downgrade threshold higher than Evergy (15% vs. 14%), which is primarily attributable to its unique exposure in California to wildfire risk. The few of Evergy's Baa2 rated peers which have lower downgrade thresholds are a result of one or more of the three factors mentioned above.

III. COST OF DEBT

Q: Do you agree with Dr. Won's decision to use EMM's own embedded cost of debt rather than Evergy Inc.'s consolidated cost?

A: Yes. I do agree with Dr. Won in principle to use EMM's stand-alone embedded cost of debt; however, our numbers disagree at this point due to timing differences. Assuming Dr. Won updates his recommendation to reflect EMM's actual debt costs at the June 30, 2026, true-up date in this case, the timing differences noted will be addressed. EMM requests an embedded cost of long-term debt of 4.5628%, projected as of the June 30, 2026, true-up date and based on the debt portfolio, as shown in Schedule GL-2.

IV. OVERALL RATE OF RETURN AND ROE REASONABLENESS

Q: What is EMM's overall requested rate of return?

A: As presented in Table 1 of my direct testimony, EMM requests an overall rate of return of 7.6546%, derived from a capital structure of 52.0749% common equity at a cost of 10.5% (5.4679% weighted) and 47.9251% long-term debt at a cost of 4.5628% (2.1867% weighted).

Q: What ROEs do Dr. Won and Mr. Murry recommend?

A: Dr. Won recommends an overall midpoint rate of return ("ROR") of 7.23%, based on 51.38% equity at 9.73% ROE and 48.62% debt at 4.58% cost of debt. Mr. Murray recommends a lower ROR that would result from applying his 9.25% ROE to a 45% equity ratio.[16]

[16] See D. Murray (OPC) Direct at 2-6, 45.

Q: Is EMM's 10.5% requested ROE reasonable?

A: Yes. As discussed in my direct testimony, as well as Ms. Bulkley's direct and rebuttal, current and expected capital market conditions, including elevated long-term treasury yields and a correspondingly higher cost of capital, reinforce the need for a forward-looking ROE.[17] EMM faces moderately higher business and regulatory risks than many peers, driven by substantial capital expenditures, plant in service accounting, nuclear power operations, and a 95% pass-through fuel adjustment clause. States with nuclear operations in investor-owned, vertically integrated utilities have historically authorized an average ROE of approximately 10.04%, and EMM's requested 10.5% is consistent with that benchmark.

Additionally, the requested ROE is at the lower end of the range of 10.25% to 11.25% supported by Ms. Bulkley's analysis. As shown in Figure 2 of Ms. Bulkley's rebuttal testimony, an ROE of 10.50 percent is below the median DCF result and is lower than the results of her risk premium-based cost of equity models.

V. <u>FINANCIAL RISK AND LARGE LOAD GROWTH</u>

Q: What does Dr. Berry contend regarding EMM's assessment of financial risk pertaining to large load customers?

A: Dr. Berry contends that "Evergy's financial analysis does not appear to fully incorporate the impacts of large load growth" on financial risk and credit stability.[18] She argues that the Commission should consider (1) the "credit-positive impact" of data centers, (2) financial protections embedded in the proposed Schedule LLPS, and (3) strong investor

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[17] See A. Bulkley Direct at 12-17 and A. Bulkley Rebuttal at 12-14.
[18] <u>See</u> C. Berry (Google) Direct at 9.

interest in utilities experiencing data-center growth, when evaluating the appropriate rate of return.[19]

Q: Do you agree with Dr. Berry's characterization that EMM has not fully incorporated the impacts of large load growth?

A: No.[20] While Dr. Berry cites a few potential credit positive attributes of data centers that S&P mentioned in its 2026 Industry Outlook and the Schedule LLPS tariff, she omits the key related risk that S&P mentioned in that same report regarding capital investment growth needed by utilities to support this load growth, which is mostly driven by data centers. A better indicator of the credit sentiment is S&P's outlook for regulated utilities which is stable (not positive)[21]. Consistent with this, EMM's credit ratings are also rated with a stable outlook by both Moody's and S&P, as they have been since 2018 and 2024 respectively. Neither Moody's nor S&P have noted expected improvements in credit metrics or outlook in their base case forecasts for EMM.

Additionally, in our annual update presentations with both Moody's and S&P this year, the company shared information which specifically addressed the credit positive attributes of Schedule LLPS and EMM's Electric Service Agreements ("ESAs"). While there was acknowledgment that the credit protections of these documents contain some prudent measures as cited by Dr. Berry's testimony, the credit rating agencies also shared concerns regarding risks from potential customer and industry concentration, the size & scale of capital investments needed to support large load customers, ability to collect on collateral in downside cases, and demonstrating in real rate proceeding outcomes that these

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[19] Id. at 9.
[20] Id. at 6.
[21] S&P Global Ratings, North America Investor-Owned Regulated Utility Industry Outlook Reverses Trend to Stable, pg. 1 (May 11, 2026)

arrangements protect customer affordability. There was no indication that the balance of these potential benefits and risks had shifted in such a manner as to improve the company's (or the utility industry's) credit profile. At best, Dr. Berry's characterization is premature at this early stage as large load usage ramps in EMM's service territory. It is also not reflective of the balanced perspective that both Moody's and S&P are applying to these new loads and their impacts to the utility system as noted above.

VI. CONCLUSION

Q: Please summarize your rebuttal testimony.

A: While Dr. Won's testimony suggests capital structure conclusions which are different from EMM direct testimony, these differences are primarily related to timing differences between the projected true-up date cited in EMM direct testimony and the December 31, 2025, date reference in Dr. Won's direct testimony. We agree with Dr. Won on using EMM's standalone capital structure to determine ROR, and we expect that our numbers will be aligned when referencing the actual true-up data as of June 30, 2026.

I disagree with Mr. Murray's proposed use of a consolidated capital structure to determine EMM's ROR. It is well supported in my direct testimony and Dr. Won's testimony that EMM complies with the SURFA 4-factor test and maintains its own separate, standalone capital structure. Each day, EMM places its own commercial paper into financial markets to finance its cash needs (or repays outstanding borrowings with excess cash on hand), and it borrows through the money pool when it is beneficial to EMM customers. When EMM has sufficient short-term debt balances or upcoming debt maturity refinancing needs, it issues its own long-term debt to do so. Evergy stands by to provide equity capital in the event that EMM needs that to maintain its credit metrics.

I also disagree with Dr. Berry that EMM has not accounted for positive impacts from large load growth in its request. We have prominently featured the positive attributes of EMM's Schedule LLPS tariff and ESAs with the rating agencies. However, we have yet to observe any tangible evidence that the rating agencies see these attributes as offsetting the risks that come with large load growth and its associated capital investment needs.

Q: Does this conclude your rebuttal testimony?

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

AFFIDAVIT OF GEOFFREY LEY

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Geoffrey Ley, being first duly sworn on his oath, states:

1. My name is Geoffrey Ley. I work in Kansas City, Missouri and I am employed by Evergy Metro, Inc. as Senior Vice President, Corporate Planning and Treasurer.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro consisting of twelve (12) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Geoffrey Ley

Subscribed and sworn before me this 11th day of August 2026.

Notary Public

My commission expires: April 26, 2029

ANTHONY R WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2029
PLATTE COUNTY
COMMISSION #17279952

Evergy Metro, Inc. d/b/a Evergy Missouri Metro

Docket No.: ER-2026-0143
Date: August 11, 2026

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Ley Rebuttal, p. 3, ln. 8	6

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