Exhibit No.:	
Issue:	Construction Accounting, CWIP and Cost Allocation
Witness:	Ronald A. Klote
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Evergy Missouri Metro
Case No.:	EA-2026-0343
Date Testimony Prepared:	August 31, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EA-2026-0343

DIRECT TESTIMONY

OF

RONALD A. KLOTE

ON BEHALF OF

EVERGY MISSOURI METRO & EVERGY MISSOURI WEST

Kansas City, Missouri
August 2026

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DIRECT TESTIMONY

OF

RONALD A. KLOTE

Case No. EA-2026-0343

I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address.

A: My name is Ronald A. Klote. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Evergy Metro, Inc. I serve as Senior Director – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM"), Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a Evergy Kansas Central ("EKC"), Evergy Metro, Inc. ("Evergy Metro") d/b/a Evergy Missouri Metro ("Evergy Missouri Metro," or "EMM"), and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West" or "EMW"), the operating utilities of Evergy, Inc. ("Evergy").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively the "Applicants").

Q: What are your responsibilities?

A: My responsibilities include the coordination, preparation and review of financial information and schedules associated with rate case filings, compliance filings, and other regulatory filings.

Q: Please describe your education, experience, and employment history.

A: In 1992 I received a Bachelor of Science Degree in Accountancy from the University of Missouri-Columbia. In May 2016, I completed my Master of Business Administration Degree from the University of Missouri – Kansas City. I am a Certified Public Accountant holding a certificate in the State of Missouri. In 1992 I joined Arthur Andersen, LLP, holding various positions of increasing responsibilities in the auditing division. I conducted and led various auditing engagements of company financial statements. In 1995 I joined Water District No. 1 of Johnson County as a Senior Accountant. This position involved operational and financial analysis of water operations. In 1998 I joined Overland Consulting, Inc. as a Senior Consultant. This position involved special accounting and auditing projects in the electric, gas, telecommunications, and cable industries.

In 2002 I joined Aquila, Inc. ("Aquila") holding various positions within the Regulatory Department until 2004 when I became Director of Regulatory Accounting Services. This position was primarily responsible for the planning and preparation of all accounting adjustments associated with regulatory filings in the electric jurisdictions. As a result of the acquisition of Aquila by Great Plains Energy Incorporated ("GPE"), I began my employment with Kansas City Power & Light Company ("KCP&L") as Senior Manager, Regulatory Accounting in July 2008. In April 2013 I joined the Regulatory Affairs Department as a Senior Manager remaining in charge of Regulatory Accounting responsibilities. In December 2015, I became Director, Regulatory Affairs continuing my Regulatory Accounting responsibilities. In addition, I was responsible for the coordination, preparation and filing of rate cases and rider filings in our electric jurisdictions. In October 2021, I became Senior Director of Regulatory Affairs and continue in that position today with Evergy.

Q: Have you previously testified in any proceedings before the Missouri Public Service Commission ("Commission" or "PSC") or before any other utility regulatory agency?

A: Yes. I have testified before the PSC, the Kansas Corporation Commission ("KCC"), the California Public Utilities Commission, and the Public Utilities Commission of Colorado.

Q: What is the purpose of your testimony?

A: My testimony concerns accounting issues related to two new resources for which Evergy Missouri Metro and Evergy Missouri West, individually, seek Certificates of Convenience and Necessity ("CCN") in this case. The resources are: (1) an approximately 710-megawatt ("MW") advanced class combined-cycle gas turbine ("CCGT") electric generating plant known as Buchanan Bluffs Energy Center Unit 2, to be located in Buchanan County, Missouri, and to be owned 50% by EMM and 50% by EMW, (2) an approximately 109 MW battery energy storage system ("BESS") known as the Foxtrot BESS Project, to be located in Jasper County, Missouri, on the site of the Foxtrot Solar Project, which was granted a CCN by the Commission in Case No. EA-2024-0292 on July 31, 2025, and to be 100% owned by Evergy Missouri West. Specifically, the purpose of my testimony is: (1) to request that the Commission determine the amount of construction work in progress ("CWIP") that will be eligible for inclusion in rate base after being expended during the construction phase of Buchanan Bluffs Energy Center Unit 2, pursuant to newly enacted Section 393.135.2[1]; (2) to discuss the accounting process the Applicants will implement for the common plant of the jointly owned CCGT in order to ensure costs are appropriately allocated according to each utility affiliate's ownership interest; and (3) to explain how the Projects' costs will be allocated or assigned among the utilities and to the Missouri jurisdiction of Evergy Metro, Inc. The Applicants individually request CCNs for the Projects because they are an essential element of the efforts of Evergy Missouri Metro and Evergy Missouri West to fulfill their current and projected capacity and energy needs.

II. REQUEST FOR CONSTRUCTION WORK IN PROGRESS FOR BUCHANAN BLUFFS ENERGY CENTER UNIT 2

Q: When will the Applicants' rates reflect a full return of and on their investment in the Projects?

A: Rates will not reflect a full return on and of the investment in the Projects until the Projects are included in new base rates after each is found to be in service. Rates will not reflect a full return of and on the Applicants' investment in the Projects until EMM and EMW reflect the Projects in a future general rate case. The estimated in-service date for Buchanan Bluffs Energy Center Unit 2 is pre-summer 2032 and fourth quarter of 2028 for Foxtrot BESS. The Applicants cannot perfectly align a rate review with the date when the new investments will go into service.

[1] All citations are to the Revised Statutes of Missouri (2016), as amended.

Q: Is Evergy permitted to reflect the facilities' investment costs in rate base as construction work in progress ("CWIP"), pursuant to Section 393.135.2?

A: Yes, the Applicants are able to reflect Buchanan Bluffs Energy Center Unit 2 in rate base per Section 393.135.2. As part of Senate Bill 4, enacted in 2025, Section 393.135 provides for current recovery of CWIP as the alternative to capitalization through Allowance for Funds Used During Construction ("AFUDC") accruals, enhancing the timeliness of cost recovery and reducing financing costs, which benefits customers. The timing of the CCN order in this proceeding in relation to EMM's or EMW's next general rate case should not nullify the statutory authorization for CWIP treatment or deprive customers the benefits of CWIP in rate base. It is well within the Commission's discretion to coordinate the inclusion of CWIP for Buchanan Bluffs Energy Center Unit 2, if necessary.

Given the evidence regarding the Applicants' need for additional dispatchable generation resources, it is both reasonable and prudent to grant approval of CWIP for Buchanan Bluffs Energy Center Unit 2. The Commission recently granted Evergy Missouri West a CCN for Chisholm Trail (Viola) and McNew Generation Stations in No. EA-2025-0075. And the same fundamental reliability and capacity considerations that supported the Commission's approval are relevant to Buchanan Bluffs Energy Center Unit 2.

Q: What are the estimated costs of Buchanan Bluffs Energy Center Unit 2?

A: The estimated total project cost for Buchanan Bluffs Energy Center Unit 2 (to be owned 50% by EMM and 50% by EMW), which reflects the exclusion of any AFUDC and the effect of any CWIP allowed in rate base, is **[redacted]**.

To be clear, the recovery of CWIP will only occur beginning on the effective date of a Commission order that allows for such recovery in a general rate case and will not completely replace AFUDC. AFUDC will still accrue on CWIP balances that are not reflected in retail rates. While Buchanan Bluffs Energy Center Unit 2 will strengthen reliability and expand dispatchable capacity system wide for the benefit of all Missouri customers of EMM and EMW, a material portion of the project costs will ultimately be borne by new large load customers in EMM's and EMW's jurisdiction. This approach is consistent with cost causation principles which will help to mitigate rate impacts on the broader customer base.

Q: Why do EMM and EMW request that CWIP be allowed in rate base under Section 393.135.2, rather than seek approval of AFUDC?

A: Over time the CWIP procedure can cost customers less than the AFUDC process. Under Section 393.135.2, the money invested to build the CCGT will be recognized in rate base as the construction of the facility takes place. Under the CWIP process customers will pay less capitalized interest on the investment as the construction costs are included in rate base. The opposite is the case under the AFUDC procedure where the interest on the funds invested in the plant is capitalized and the CCGT continues to accrue capitalized interest on construction expenditures until the asset goes into service, and that capitalized interest is then paid by customers. Once added to rate base under the AFUDC procedure, both the investment in the plant and the accrued carrying costs earn a rate of return and are depreciated over the life of the facility.

It is true that the CWIP method requires customers to pay construction costs in rate base sooner rather than later when the plant is in service. However, customers will not pay for all of the capitalized interest that would have been accrued under AFUDC accounting which requires rate increases over the long run because of higher depreciation charges and the return on the undepreciated amount of the capitalized interest in rate base.

Q: Are the Applicants requesting immediate recovery of Buchanan County 2032's estimated construction costs?

A: No. In this proceeding, the Applicants are requesting that the Commission determine the amount of CWIP eligible for inclusion in rate base that will be expended during the construction phase of Buchanan County 2032. Any future CWIP recovery will be based on actual expenditures incurred during construction and will be addressed in the Applicants' rate proceedings.

Q: What is the benefit to EMM and EMW customers for including this?

A: As stated above, when the construction costs of a generating facility begins, the project begins to accrue and capitalize AFUDC which ultimately become part of the total construction costs of a project. By including CWIP costs in rate base during a rate case proceeding, AFUDC costs cease accruing and ultimately lower the cost of the construction project. This ultimately lowers the overall costs that are collected from customers.

III. ACCOUNTING FOR JOINTLY OWNED FACILITIES

Q: How will the Applicants formalize their operating and accounting approach for Buchanan Bluffs Energy Center Unit 2?

A: Similar to Evergy's other jointly owned facilities, including Jeffrey Energy Center, LaCygne Energy Center, and Iatan Energy Center, Evergy will put in place a Joint Ownership and Operating Agreement ("JOA") for the CCGT, which will be owned 50% by EMM and 50% by EMW. Evergy is still in the process of developing the JOA. Because the JOA will be agreements between affiliates, Evergy will submit the executed version of each agreement to the Commission once it is finalized and signed. Evergy expects the structure of the JOA to be similar to the most recent agreement executed for a dispatchable, jointly owned plant, which was for the Chisholm Trail (Viola) and the McNew Generating Stations in No. EA-2025-0075 regarding their common facilities.

Q: How will the utilities account for costs related to the jointly owned assets in order to ensure their costs are assigned appropriately based on ownership interest?

A: Evergy will manage the accounting for costs related to the jointly owned assets in the same manner that it currently manages costs for its plants that are jointly owned by its utilities. For example:

- Construction costs, removal costs, and/or net salvage incurred by the operator of each jointly owned facility will be accounted for in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts and with Generally Accepted Accounting Principles ("GAAP"). The joint owners will share all construction costs, removal costs, and/or net salvage in proportion to their ownership share associated with the common facilities.

- Cost of construction, removal and salvage will be specifically identified. The operator of each jointly owned facility will record and track costs directly assignable to the common facilities in separate and distinct projects within its accounting system, to allow for appropriate and accurate reporting and allocations to the co-owners. Allocation of costs will occur on a monthly basis when books are closed. Evergy will use intercompany accounts to record the payables and receivables between affiliates.
- Once the jointly owned facilities are in service, the applicable operator will operate the common facilities pursuant to the JOA and will incur expenses associated with operating and maintaining those facilities. The operator will record and track labor and other costs directly assignable to the jointly owned facilities as separate and distinct items within its accounting system to allow for appropriate and accurate reporting and allocation to the co-owners. The allocation of costs will occur on a monthly basis when books are closed, and the co-owners will use intercompany accounts to record the payables and receivables between affiliates.
- Each co-owner will report to the appropriate taxing authority its ownership share subject to real estate and personal property taxes

and will make timely payment of all taxes levied thereon. Each co-owner will record its property tax expense directly on its own books.

- Each co-owner will own an interest in the inventory of materials and supplies in proportion to its ownership share. At the time of purchase, inventory items will be identified for the facility or asset they relate to. The associated cost of inventory will be allocated to each co-owner based on the respective percentage of ownership share.

Evergy will ensure that the accounting for any capital investment or operating expense related to a jointly owned asset is managed in a way that ensures the appropriate allocation of the responsibility of costs to each owner based on its ownership share.

Q: How will the utilities allocate their respective shares of the costs of the jointly owned facilities?

A: In addition to the JOA, the co-owners of each jointly owned facility will enter into a Reservation Agreement that outlines the respective share of costs between the utilities. For the CCGT, EMM will be the operator, and the Reservation Agreement will govern the sharing of costs between EMM and EMW in proportion to their respective ownership interests.

Q: How will the Applicants ensure allocations are accurate and auditable?

A: Costs will be supported by project-level accounting records, ownership percentages established under the JOA and Reservation Agreement, and normal internal controls applicable to affiliate transactions.

IV. OWNERSHIP AND JURISDICTIONAL ALLOCATION OF THE PROJECTS

Q: What jurisdiction will be allocated the capacity and costs of the Foxtrot BESS Project?

A: Because the Foxtrot BESS Project will be 100% owned by EMW, as stated above, this project will be accounted for on the books and records of EMW. Therefore, Foxtrot's costs will be allocated to Evergy Missouri West's customers in Missouri, the only jurisdiction where it provides regulated utility service.

Q: How will the ownership of the Buchanan Bluffs Energy Center Unit 2 be recorded?

A: The Buchanan Bluffs Energy Center Unit 2 will be owned 50% by Evergy Metro, Inc. and 50% by EMW.

Q: How does Evergy Metro, Inc. intend to allocate or assign the capacity and costs of Buchanan Bluffs Energy Center Unit 2?

A: Evergy Metro, Inc. intends to assign or allocate all of its 50% ownership interest in the CCGT to its Missouri jurisdiction. Accordingly, Evergy Metro, Inc. will assign 100% of its share of the capacity and costs associated with Buchanan Bluffs Energy Center Unit 2 to its Missouri jurisdiction.

Q: How has Evergy Metro, Inc. historically assigned generation assets?

A: Evergy Metro, Inc. has assigned[2] or allocated its generation assets and their associated plant investment and related revenue requirement between its Kansas and Missouri jurisdictions, including their respective Kansas and Missouri

[2] I use the term "assign" to mean allocating or allotting the Project and its costs to a jurisdiction, but not in the legal sense of conveying or transferring property.

customers. In contrast, Evergy Metro, Inc. plans to assign or allocate its interests in Buchanan Bluffs Energy Center Unit 2 directly to the Missouri jurisdiction. Under this approach the costs of the assigned facilities will not be shared between the jurisdictions but instead will be directly assigned to the jurisdiction that will be provided with the associated services and benefits. The assignment approach proposed for Buchanan Bluffs Energy Center Unit 2 is consistent with the assignment approach proposed by Evergy Metro, Inc. for Mullin Creek No. 2 generating station in No. EA-2026-0154. Both projects reflect the Evergy Metro, Inc.'s evolving strategy of aligning generation investment with the jurisdiction that receives the primary benefits of the resource.

Q: Does the Evergy Metro Inc.'s historical practice mean direct assignment is inappropriate?

A: No. Historical allocation approaches were developed under different resource planning assumptions and system conditions. Evergy Metro, Inc.'s current planning analysis supports direct assignment because it more closely aligns costs with the customers receiving the benefits of the resource.

Q: Why is Evergy changing its approach to assigning generation assets associated with the Evergy Metro, Inc. Jurisdictions in its last two CCN filings?

A: Evergy believes the timing is right for several reasons. First, Evergy Metro, Inc. is changing its approach to assigning certain generation assets in order to more closely align costs with the jurisdiction that directly benefits from its assets. Assigning these resources to the EMM jurisdiction is supported by and aligned with the load forecasting and resource planning considerations reflected in its integrated resource plans ("IRP"), particularly to serve the needs of large load customers, as well as to ensure all Evergy Missouri Metro's customers are provided with safe and adequate service. Based on this work and the current operating environment, directly assigning generation assets to a specific jurisdiction is appropriate.

Secondly, the timing of this assignment or allocation will likely help a significant initiative currently being considered by Evergy. Evergy is currently analyzing the impacts of consolidating its jurisdictions, as reported in the working case No. EW-2025-0220. Because Buchanan Bluffs Energy Center Unit 2 will support EMM's long term needs, directly assigning the facility's costs to Missouri will help to advance future jurisdictional consolidation discussions, as well as future decisions. This would remove an aspect of an allocation process that will have significant challenges in getting assets allocated between the Kansas and Missouri jurisdictions. As new generation is added in the future, it can be directly assigned to the jurisdiction for which it will be providing the support. If Evergy Metro, Inc. continues to allocate its assets between Missouri and Kansas as it currently does, this will only compound the difficult and complex issues that EMM faces today. As such, Evergy Metro, Inc. plans to assign 100% of its ownership share, capacity, and associated costs in Buchanan Bluffs Energy Center Unit 2 to its Missouri jurisdiction.

V. <u>CONCLUSION</u>

Q: Please summarize your testimony.

A: My testimony has focused on three accounting issues associated with the Applicants' CCN requests for the Projects. First, I have requested that the Commission determine under Section 393.135.2 the amount of CWIP eligible for rate base inclusion in the Applicants' rate cases for the CCGT, tied to its total costs (excluding AFUDC). Secondly, I have discussed the accounting process that will be used for any jointly owned common plant of the facilities related to Buchanan Bluffs Energy Center Unit 2, including through the JOAs and Reservation Agreements, in order to ensure that costs are appropriately allocated to each common owner. Finally, I explain why Evergy Metro, Inc. is assigning or allocating its interests in Buchanan Bluffs Energy Center Unit 2 and its associated costs to its Missouri jurisdiction. The accounting and allocation approaches discussed in my testimony are consistent with Evergy's existing practices for jointly owned facilities and are intended to ensure that project costs are transparent, auditable, and assigned to the appropriate utility and jurisdiction.

Q: Does this conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Metro, Inc., d/b/a/ Evergy Missouri Metro and Evergy Missouri West, Inc. d/b/a Evergy Missouri West For Permission and Approval of Certificates of Convenience and Necessity Authorizing them to Construct, Install, Own, Operate, Manage, Maintain, and Control Natural Gas and Solar Electrical Production Facilities and a Battery Energy Storage System	)))))))))	Case No. EA-2026-0343

AFFIDAVIT OF RONALD A. KLOTE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronad A. Klote. I work in Kansas City, Missouri and I am employed by Evergy Metro, Inc. as Senior Director - Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of fourteen (14) 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.

____
Ronald A. Klote

Subscribed and sworn before me this 31st 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 West, Inc. d/b/a Evergy Missouri West

Docket No.: EA-2026-0343
Date: August 31, 2026

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Document/Page	**Reason for Confidentiality from List Below**
Klote Direct, p. 5, ln. 23	3, 4, and 6

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