Exhibit No.:	
Issue(s):	*Bad Debt and Forfeited Discounts, Rate Case Expense, True Up Adjustments*
Witness:	*Sydney Ferguson*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal / True-Up Direct Testimony*
Case No.:	*ER-2026-0143*
Date Testimony Prepared:	*September 10, 2026*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL / TRUE-UP DIRECT TESTIMONY

OF

SYDNEY FERGUSON

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

CASE NO. ER-2026-0143

Jefferson City, Missouri
September 2026

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Q. Please state your name and business address.

A. My name is Sydney Ferguson, and my business address is 615 East 13th Street, Kansas City, Missouri 64106.

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

A. I am a Senior Utility Regulatory Auditor employed by the Staff ("Staff") of the Missouri Public Service Commission ("Commission").

Q. Are you the same Sydney Ferguson who previously provided testimony in this case?

A. Yes. I provided direct and rebuttal testimony in this case concerning various topics.

Q. What is the purpose of your surrebuttal / true-up direct testimony?

A. I will respond to the rebuttal testimony of Evergy Missouri Metro ("EMM") witnesses concerning these issues:

- Bad debt and forfeited discounts factor up
  - Darcie G. Kramer-EMM Rebuttal Testimony pages 2-4.
- Rate Case Expense
  - Darcie G. Kramer-EMM Rebuttal Testimony pages 4-6.

I will also discuss my assigned issues that have been trued-up.

SURREBUTTAL TESTIMONY

BAD DEBT AND FORFEITED DISCOUNTS FACTOR UP

Q. What is EMM's recommendation for bad debt and forfeited discounts?

A. Ms. Kramer, witness for EMM on this issue, recommends that the ratio used to calculate the bad debt expense and forfeited discounts amounts also be applied to the revenue requirement increase as she states that bad debt expense and forfeited discounts are directly tied to customer billings. Staff and EMM generally agreed on the methodology used to calculate the bad debt expense and forfeited discounts amount, the disagreement is the use of a "factor up" for these issues based on an increased revenue requirement. Ms. Kramer claims that "If customer billings increase as a result of rates authorized in this case, both bad debt expense and forfeited discounts are expected to increase as well."[1]

Q. What analysis did Staff perform comparing bad debts to revenues?

A. In my rebuttal testimony for this case, I provided several tables and graphical analyses to demonstrate the fallacy of EMM's assumption that increased revenues lead to increased bad debt. In theory, this assumption may appear to be reasonable. In practice, this theory simply does not hold true.

Staff performed the following comparative analyses of bad debt and revenues:

- An analysis of the monthly change in retail revenues and bad debts

[1] Darcie Kramer Rebuttal Testimony pg. 3 ER-2026-0143

- An analysis of the monthly percentage change in retail revenues and bad debts
- An analysis comparing a 12-month period of bad debt to the corresponding retail revenues, on a quarterly rolling basis
- Graphical analysis of the items above

All of these tables and graphs are attached to my rebuttal testimony in this case.

Q. Is revenue tied to bad debt expense?

A. Yes, in the sense that in order to have bad debt, a company must have a source of revenue. However, the level of revenue is not the primary driver of bad debt expenses. Other factors, which are beyond the control of the utility, also drive levels of bad debt. One important driver of bad debt expense is the overall condition of the local economy.

Q. Would Staff require evidence of a perfect correlation between bad debt and revenues to recommend the inclusion of a bad debt factor up?

A. No. However, Staff's evidence shows not only lack of a perfect correlation, but also lack of a general correlation. Again, EMM has not presented an analysis that demonstrates a correlation of bad debts and revenues that would justify including an additional amount of bad debt expense in the cost of service. EMM's contention is that when revenues increase as a result of a rate case, bad debts will increase proportionately. If that were true, I would expect the graphs attached to my rebuttal to show this relationship. Staff's analyses do not examine the change in bad debts or revenue dollars; they measure the change of the ratio between the two. Even if bad debts were somewhat correlated, EMM's proposed bad debt factor up, and similarly, late payment factor up, are not known and measurable.

Q. How is the bad debt factor up not a "known and measurable" change in expense?

A. The anticipated effective date of rates in this case is January 2027. The revenue requirement authorized by the Commission, if any, will be collected in the following 12 months. Because of the bad debt expense lag, 12 months of bad debt expense related to the increase in revenues will not be fully realized until six months after this date which is July 2028, 18 months beyond the operation of law date, and 25 months beyond the true-up date in this case. EMM's adjustments are intended to collect in rates expenses that may or may not be fully realized 18 months past the effective date of rates. The level of bad debt expense 18 months past the effective date of rates is certainly not known and measurable.

Q. Should the results of Staff's approach to normalization bad debts in its direct filed case be considered as known and measurable?

A. Yes. Staff's direct filed bad debt annualization captured the latest bad debts as of the 12 months ending December 2025, which correspond with the actual revenues as of June 2024. The ratio between the two is applied to the annualized, normalized revenues as of December 2025. Bad debts and revenues are routinely included in the true-up process and will be in this case as well. Staff's method will capture the most up to date information as of June 2026, the end of the true-up period.

Q. The Commission authorized EMM's request for a bad debt factor up in the 2006 EMM rate case. Why is that case not relevant to this currant case?

A. The 2006 EMM rate case was EMM's first case in 20 years. There was no data available that would confirm or deny whether bad debts increase with a general rate increase. However, in examining the data and graphs for EMM, the data shows that there is no correlation between rate increases and bad debts for an extended period. The data Staff reviewed does not support EMM's assumptions and does not support its adjustment to factor up bad debt expense or forfeited discounts.

RATE CASE EXPENSE

Q. What is EMM's recommendation for rate case expense?

A. EMM's witness for rate case expense, Ms. Kramer, recommends 100% recovery of all reasonable and prudently incurred rate case expense for this current rate case. Their direct filing recommends a four-year amortization for this expense.

Q. What is OPC's recommendation for rate case expense?

A. OPC's witness for rate case expense, Manzell Payne, recommends full recovery of rate case expenses incurred to comply with statutory requirements and a 50% sharing of discretionary rate case expenses between shareholders and customers, normalization of the expenses from the current case and the previous two cases over a four-year period.

Q. What is Staff's recommendation for rate case expense in direct testimony?

A. In my direct testimony, I stated that Staff recommends full recovery of rate case expenses incurred to comply with statutory requirements and a 50/50 split of remaining discretionary rate case expense between ratepayers and shareholders with a normalization period of two years using the average of the past two EMM rate cases. Staff does not agree with EMM's and OPC's use of current case costs.

Q. Does Staff agree with EMM's recommendation for rate case expense?

A. No, Staff continues to recommend the sharing of rate case expense. Sharing 50% of discretionary rate case expenses between customers and shareholders assigns the cost to the beneficiaries of a rate case and encourages cost control for rate case expense.

Q. How does the rate case process benefit ratepayers and shareholders?

A. The rate case process allows the Commission to ensure consumers receive safe and adequate service at just and reasonable rates and allows the Commission to ensure the utility's shareholders have the opportunity to earn a reasonable return on their investment.

Q. Has the Commission acknowledged in any reports and orders that ratepayers and shareholders should share rate case expense?

A. Yes. The Commission has consistently supported some version of rate case expense sharing for large utilities in the last ten years. Aside from any stipulation and agreements where rate case expense was settled among the parties, the Commission has addressed rate case expense sharing in the Empire District Electric Company d/b/a Liberty general rate case Case No. ER-2019-0374 and in the EMM (formerly Kansas City Power & Light ("KCPL")) general rate case docket ER-2014-0370.

Q. Did the Commission decision from the Report and Order in a previous EMM rate case discuss the reasonableness of shareholders sharing a portion of rate case expense?

A. Yes. The Commission decision beginning on page 70 of the *Report and Order* from Case No. ER-2014-0370 provided a foundation for the reasonableness of shareholders sharing a portion of rate case expense:

> Instead, the Commission will consider whether it is reasonable that KCPL shareholders cover a portion of KCPL's rate case expense. In one sense, rate case expense is like other common operational expenses that a utility must incur to provide utility service to customers. Since customers benefit from having just and reasonable rates, it is appropriate for customers to bear some portion of the utility's cost of prosecuting a rate case.
>
> However, rate case expense is also different from most other types of utility operational expenses, in that 1) the rate case process is adversarial in nature, with the utility on one side and its customers on the other; 2) rate case expense produces some direct benefits to shareholders that are not shared with customers, such as seeking a higher return on equity; 3) requiring all rate case expense to be paid by ratepayers provides the utility with an inequitable financial advantage over other case participants; and 4) full reimbursement of all rate case expense does nothing to encourage reasonable levels of cost containment. The Commission has the legal authority to apportion rate case expense between ratepayers and shareholders. Under Missouri law, the Commission must set just and reasonable rates, and rates that include all of the utility's rate case expense, for the reasons set forth above, may not be just and reasonable. Moreover, this Commission has already found rate case expense sharing to be just and reasonable in at least one prior case. In a 1986 decision, *In the Matter of Arkansas Power and Light Company,* the Commission "adopted Public Counsel's proposed disallowance of one-half of rate case expense." It is also important to note that there are a number of other cases where the Commission acknowledged it has this authority.

Q. Did the Commission's Report and Order from the Empire District Electric Company d/b/a Liberty Case No. ER-2019-0374 address the 50/50 split of rate case expense?

A. Yes. On page 83 of the Commission's *Amended Report and Order* states:

> Therefore, it is just and reasonable that the shareholders and the ratepayers, who both benefited from the rate case, share in the rate case expense. The Commission finds that in order to set just and reasonable rates under the facts in this case, the Commission will require Empire's shareholders to cover a portion of Empire's rate case expense. The Commission will assign Empire's discretionary rate case expense to both ratepayers and shareholders based upon a 50/50 split.

Q. Has the Missouri Court of Appeals acknowledged that ratepayers and shareholders should share rate case expense?

A. Yes, they have. EMM appealed the Commission's rate case expense decision from Case No. ER-2014-0370 to the Missouri Western District Court of Appeals. The court's decision in *In the Matter of Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv. v. Missouri Pub. Serv. Comm'n*, 509 S.W.3d 757, 778 (Mo. Ct. App. 2016), affirmed the Commission's decision and acknowledged rate case expense sharing between ratepayers and shareholders. Page 31 of the decision states:

> Regarding rate case expenses, the PSC recognized that rate cases are both beneficial to shareholders of a utility and also utility customers, but in different ways. Shareholders benefit from the rate case expenses as the costs are incurred to increase the utility's revenues and profitability. Customers benefit by having a healthy utility. In this case, the PSC found that a standard prudency review of each expenditure in the rate case would not be possible and, even if conducted, would not provide a strong incentive for KCPL to impose cost controls because the utility holds all the information needed to identify imprudence. Therefore, the PSC did not identify any line item expense as explicitly imprudent, but rather found that the costs incurred by KCPL, as a whole, in pursuing its litigation strategy that in large part incurred to the sole benefit of shareholders, were imprudent. An expert testified for the Staff of the PSC that, in similar context, highly discretionary costs that do not benefit customers, such as

charitable donations, political lobbying expenses, and incentive compensation tied to earnings per share are typically allocated entirely to shareholders.

Q. Has EMM provided written testimony or evidence in this case to prove their rate case expense are prudent and solely for the benefit of ratepayers to the extent there should be no sharing?

A. No. EMM witness Darcie Kramer's rebuttal testimony only claims without periodic rate cases, the shareholders would not have the opportunity for a reasonable return that they are supposed to be afforded, and it would make no sense to disallow, in absence of any evidence or allegation of imprudence, costs which benefit both the shareholders and the customers. The 50% sharing approach is the most commonly implemented method that allows for some type of equitable sharing for rate case expense.

TRUE-UP DIRECT TESTIMONY

Q. What cost of service items did you true-up?

A. I trued-up the following issues:

- Wolf Creek Nuclear Refueling Outage
- Bad Debt Expense
- Forfeited Discounts
- PAYS Program
- Income Eligible Program
- Lease Expense

- Rate Case Expense
- Injuries and Damages
- Low Income Solar Subscription Program

Q. How did you true-up the issues listed?

A. I trued-up the PAYS program, income eligible program, bad debt expense, forfeited discounts, Wolf Creek nuclear refueling outage, lease expense, injuries and damages, and the low-income solar subscription program to the true-up period of June 30, 2026. For rate case expense, I trued-up the depreciation study cost.

Q. Does this conclude your surrebuttal/true up direct 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 SYDNEY FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW SYDNEY FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Surrebuttal / True-Up Direct Testimony of Sydney Ferguson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

SYDNEY FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City MO, on this 2nd day of September 2026.

TINA PETERSON
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES MARCH 4, 2030
JACKSON COUNTY
COMMISSION #26812480

Tina Peterson
Notary Public