Exhibit No.:	
Issue:	Capital Structure & Cost of Debt
Witness:	Geoffrey Ley
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Evergy Missouri Metro
Case No.:	ER-2026-0143
Date Testimony Prepared:	September 10, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2026-0143

SURREBUTTAL TESTIMONY

OF

GEOFFREY LEY

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
September 2026

TABLE OF CONTENTS

Page

SURREBUTTAL TESTIMONY

OF

GEOFFREY LEY

Case No. ER-2026-0143

I. INTRODUCTION AND PURPOSE

Q: Please state your name and position.

A: My name is Geoffrey Ley. I am Senior Vice President, Corporate Planning and Treasurer for Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("EMM" or the "Company").

Q: Have you previously filed testimony in this proceeding?

A: Yes. I filed direct testimony on February 6, 2026, and rebuttal testimony on August 11, 2026, addressing capital structure, cost of debt, and overall rate of return for EMM.

Q: What is the purpose of your surrebuttal testimony?

A: The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of David Murray on behalf of the Office of the Public Counsel ("OPC") and Seoung Joun Won on behalf of the Staff of the Missouri Public Service Commission ("Staff") as it relates to EMM's proposed capital structure, return on equity ("ROE"), cost of debt, double leverage, overall rate of return ("ROR"), and ROE relating to vertically integrated companies with nuclear generation facilities.

EMM requests an overall rate of return (weighted average cost of capital) of 7.6546%. This is derived from our proposed capital structure of 52.0749% equity and 47.9251% long-term debt, an ROE of 10.5%, and an embedded cost of long-term debt of 4.5628%. This overall rate of return is just and reasonable, and it is sufficient to maintain EMM's financial integrity while allowing the Company to attract capital on reasonable terms for the benefit of its customers. Mr. Murray's capital structure and ROE recommendations would produce a significantly lower overall rate of return. Dr. Won's recommendations produce an overall rate of return of approximately 7.23%. While Dr. Won is closer to the Company's position, his lower ROE recommendation results in a rate of return that would not adequately compensate investors for the risks associated with EMM's operations and capital program. Therefore, the Company's requested 7.6546% rate of return properly reflects EMM's risk profile, nuclear ownership responsibilities, and capital market conditions.

II. CAPITAL STRUCTURE

Q: Mr. Murray recommends a capital structure of 45% common equity and 55% long-term debt. Do you agree?

A: No. EMM proposes a capital structure of 52.0749% common equity and 47.9251% long-term debt, based on EMM's projected capital structure as of the June 30, 2026, true-up date, which "Staff has no concerns with."[1] As discussed in my rebuttal, EMM's average equity ratio for Q1 through Q4 of 2025 was approximately 52.87%, which is above the Company's proposed equity.[2]

Mr. Murray's proposal of 45% equity, however, is markedly below the national average. Dr. Won found Mr. Murray's recommendation to be "inconsistent with recent regulatory practice" because the average equity ratios for vertically integrated regulated electric utilities nationally ranged from 48.71% to 50.91% between 2024 through June 2026.[3][4]

---

[1] See Won Rebuttal at 47.
[2] Id. at 51.
[3] Id. at 51-52.
[4] Id.

Q: Mr. Murray's recommendation is derived from Evergy, Inc.'s consolidated capital structure. Is this common regulatory practice?

A: No. As discussed in my rebuttal, Mr. Murray's 45% common-equity and 55% long-term-debt recommendation is incorrectly based on Evergy, Inc.'s consolidated capital structure.

EMM satisfies all four Society of Utility and Regulatory Financial Analysts ("SURFA") guidelines for using its own standalone capital structure: (1) it issues its own long-term debt, (2) it has its own bond credit ratings, (3) it has a reasonable capital structure, and (4) it has no evidence of double leverage.[5]

EMM is a separately organized and rated public utility. EMM issues its own long-term debt and manages its capital structure independently. It also has its own credit ratings — A- from Standard & Poor's ("S&P") and Baa1 from Moody's ("Moody's") — which are superior to Evergy, Inc.'s ratings of BBB+ and Baa2, respectively.[6]

Further, Mr. Murray's characterization of the Company's structure as "leverage arbitrage" is not supported. As I explained in my rebuttal testimony, my review of 109 rate cases found no instance in which holding-company debt was attributed to a regulated subsidiary in determining that subsidiary's capital structure. EMM's use of the money pool is a standard, regulated practice governed by Generally Accepted Accounting Principles ("GAAP"), by Federal Energy Regulatory Commission ("FERC") reporting requirements, and by the rules of this Commission. Such practice does not constitute double leverage.[7]

---

[5] See Won Direct at 41 (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)); Won Rebuttal at 51-54.
[6] See Ley Rebuttal at 4-5; Won Rebuttal at 51-54.
[7] See Ley Rebuttal at 4-5.

Mr. Murray's recommendation is fundamentally inconsistent with the standalone principle that utility commissions across the country, including this Commission and its Staff, have consistently applied.[8]

III. RETURN ON EQUITY

Q: Is Evergy Missouri Metro's requested ROE reasonable?

A: Yes. EMM requests a 10.5% ROE. As explained in Ms. Bulkley's and my testimonies, the current and anticipated capital market conditions, including elevated long-term treasury yields and a correspondingly higher cost of capital, support the need for a forward-looking ROE. EMM also faces moderately higher business and regulatory risks than many of its peers because of significant capital expenditures, plant-in-service accounting, nuclear power operations, and a 95% pass-through fuel adjustment clause.

Therefore, EMM's requested ROE, which is at the lower end of the 10.25% to 11.25% range supported by Ms. Bulkley's cost of equity analysis, is reasonable.

Q: Is Mr. Murray's recommendation of 9.25% ROE reasonable?

A: No. Mr. Murray's 9.25% recommendation is inadequate and would not allow EMM to attract capital on reasonable terms in the current market environment.[9] Mr. Murray's ROE exceeds his cost of equity by only 125 basis points. However, his underlying cost of equity estimate appears unreasonably low, given current capital market conditions, including elevated interest rates, persistent inflation concerns, and increased demand for utility equity capital to fund the generational capital investment cycle the industry is undertaking.

Moreover, Mr. Murray's recommended ROE of 9.25% is significantly below the national average authorized ROE of 9.85% in the first half of 2026 for electric utility cases,

---

[8] See Won Rebuttal at 52-54.
[9] See Murray Rebuttal at 42, 49.

as well as the approximately 9.84% for all vertically integrated electric utility cases.[10] Authorizing an ROE that far below the national average would send a negative signal to investors regarding Missouri's regulatory environment and would likely increase EMM's cost of capital over time.

Q: Mr. Murray raises the argument in support of his lower ROE that the Evergy Kansas Central's ("EKC") Unanimous Settlement Agreement implies a 9.7% ROE.[11] How do you respond?

A: Evergy Kansas Central's black-box settlement, regarding which Mr. Murray cited an article that "implied" a 50/50 capital structure and 9.7% ROE, was a product of negotiation and compromise among the parties. The Unanimous Settlement Agreement does not represent a litigated determination of the appropriate ROE or capital structure. Settlements reflect considerations beyond the merits of any single issue, so the implicit ROE derived from the overall revenue requirement does not constitute evidence that 9.7%, or any other specific figure, is the correct ROE for EMM, a completely different operating utility in this proceeding.

Q: Is Dr. Won's recommended ROE of 9.73% reasonable?

A: No. While Dr. Won's 9.73% ROE is closer to the national average than Mr. Murray's recommendation, it remains below the 10.5% that EMM requires. Dr. Won notes that no authorized ROEs in the first half of 2026 fall within Ms. Bulkley's recommended range of 10.25% to 11.25%.[12] However, the appropriate ROE for a specific utility must reflect that

[10] See Won Rebuttal at 4, 31.
[11] See Murray Rebuttal at 6-7.
[12] See Won Rebuttal at 7.

utility's specific risk profile, capital needs, and market conditions — not simply the arithmetic average of all recent rate case outcomes nationally.

EMM faces a combination of risks that justify an ROE at the upper end of the reasonable range: it co-owns and operates a nuclear generating facility (Wolf Creek), as discussed below, it is in the midst of a substantial capital investment program, it is experiencing rapid load growth from data center customers that brings both opportunities and risks, and it must finance these investments in a capital market environment characterized by elevated interest rates relative to historical norms. These factors collectively support an ROE of 10.5%.

V. COST OF DEBT

Q: What is EMM's proposed cost of long-term debt?

A: EMM proposes an embedded cost of long-term debt of 4.5628%, projected as of the June 30, 2026, true-up date. "Staff has no major concerns" with EMM's proposed long-term debt because it "was computed based on the actual terms of EMM's existing and forecasted long-term debt issuances that fund its regulated operations and reflects the embedded weighted-average cost of long-term debt projected to be outstanding as of the June 30, 2026, true-up date."[13]

VI. NUCLEAR ROE ANALYSIS

Q: Does Evergy Missouri Metro own nuclear generation?

A: Yes. Evergy Missouri Metro owns a 47% interest in Wolf Creek Nuclear Generating Station ("Wolf Creek"), a 1,255 MW nuclear facility that has been operating since 1985. This is a material ownership interest in a nuclear facility which contributes to EMM's risk

[13] See Won Rebuttal at 46.

profile. Wolf Creek's continued operation exposes EMM to nuclear-specific risks including operational safety requirements, regulatory compliance costs, waste management obligations, and potential decommissioning liabilities. These are ongoing business realities that differentiate EMM from utilities that do not own nuclear generation.

Q: Does the data support the conclusion that nuclear operations warrant an ROE premium for EMM?

A: Yes. As discussed in my direct testimony and as demonstrated in Figure 1 and Figure 2 therein, states with vertically integrated nuclear utilities have authorized an average ROE of approximately 10.04%, compared to approximately 9.67% across all states — an average 37 basis point premium in those states where electric utilities have nuclear operations.[14] The data confirm that individual vertically integrated utilities with nuclear operations receive authorized ROEs at or above the national average. Dr. Won's attempt to attribute this premium entirely to other risk factors does not withstand scrutiny, as other risk factors are cumulative with nuclear risk, not a replacement for it.

EMM's requested ROE of 10.5% is consistent with the returns authorized for other vertically integrated utilities with nuclear operations and is appropriate given EMM's risk profile, including its 47% ownership interest in Wolf Creek.

Q: What criticism does Dr. Won raise regarding your analysis of ROE for utilities with nuclear operations?

A: Dr. Won argues that my analysis of authorized ROEs for states with nuclear operations reflects a "correlation versus causation" confusion.[15] He contends that the higher

---

[14] See Ley Direct at 4; EMM Response to Staff Data Request ("DR") No. 0134 (spreadsheet Q0134_S&P Past Rate Case Download - 2020-2024.xlsx, Graph Sourcing tab).
[15] See Won Rebuttal at 38.

authorized ROEs observed in states with nuclear operations are attributable to other risk factors, such as wildfires, hurricanes, population growth, and storm-hardening requirements, rather than to nuclear operations themselves.[16]

Q: How did you develop the nuclear ROE analysis presented in your direct testimony?

A: As described in EMM's response to Staff Data Request No. 0134, the analysis followed a two-step process. In Step 1, I used S&P Global Market Intelligence / Regulatory Research Associates data for the period October 1, 2020, through September 24, 2024, which provided authorized ROE data by state. In Step 2, I cross-referenced those states with vertically integrated regulated utilities that have nuclear operations.[17] The results showed that the average authorized ROE for states with vertically integrated nuclear utilities was approximately 10.04%, compared to approximately 9.67% across all states — a consistent premium of 37 basis points.[18]

Q: Does Dr. Won's state-by-state analysis disprove the nuclear premium?

A: No. Dr. Won's state-by-state analysis actually conflates issues rather than resolving them. He identifies various risk factors present in each state, such as wildfire liability in California, hurricane exposure in Florida, population growth in Georgia and North Carolina, and winter storms in Michigan,[19] and attributes the higher ROEs in those states entirely to those factors. However, these risk factors are cumulative, not mutually exclusive. A state can have both hurricane risk and nuclear risk.

Critically, Dr. Won does not and cannot demonstrate that removing nuclear operations from any of these states would result in the same authorized ROE. He identifies

[16] See Won Rebuttal at 38-45.
[17] See EMM Response to Staff Data Request No. 0134 attached as Schedule GL-3.
[18] Id. (spreadsheet Q0134_S&P Past Rate Case Download - 2020-2024.xlsx, Graph Sourcing tab).
[19] See Won Rebuttal at 38-45.

other risk factors that exist in those states, but he does not show that nuclear operations contribute nothing to the risk profiles of the utilities in question. For example, Georgia Power operates Plant Vogtle with four nuclear units, and faces hurricane risk and population growth, but it also faces the operational, regulatory, and financial risks associated with nuclear generation. These risks exist simultaneously and cumulatively.

Q: Dr. Won points to Illinois as the number one nuclear-producing state with an ROE of 8.72-8.91%, well below the national average. How do you respond?

A: Illinois is not relevant to my analysis because the interconnected utilities with nuclear generation facilities — Commonwealth Edison and Ameren Illinois — are distribution-only utilities.[20]

The fact that distribution utilities in Illinois have lower ROEs does not disprove the nuclear premium for vertically integrated utilities, such as EMM, that incur nuclear operational risk. Distribution-only utilities face a fundamentally different risk profile than vertically integrated utilities that own and operate nuclear generation.

Q: Dr. Won argues that nuclear risks are already factored into credit ratings and therefore should not warrant an ROE premium. Do you agree?

A: No.[21] Both credit ratings and authorized ROE are complementary, not substitute, components of the overall rate of return framework. Credit ratings reflect the probability of default and recovery, while ROE compensates equity investors for their incurred risk. Simply because a rating agency has considered nuclear risk in evaluating a utility's

[20] See Schedule GL-3 (spreadsheet Q0134_S&P Past Rate Case Download - 2020-2024.xlsx, Graph Sourcing tab); Won Rebuttal at 45.
[21] See Won Rebuttal at 36-37.

creditworthiness does not eliminate equity investors' need for additional compensation to bear that same risk.

Indeed, both Moody's and Standard & Poor's discuss nuclear-specific risk factors in their ratings methodologies, including waste storage obligations, operational complexity, decommissioning liabilities, and environmental compliance.[22] A utility that operates nuclear generation faces risks that a similarly rated utility without nuclear operations does not. These are real risks borne by equity investors, and the ROE must reflect them.

VIII. CONCLUSION

Q: Please summarize your surrebuttal testimony.

A: In summary, the Company's cost of capital request is just and reasonable, and is supported by the evidence in this proceeding.

First, EMM's standalone capital structure of approximately 52% equity should be used because EMM satisfies all four SURFA guidelines, issues its own debt, has its own superior credit ratings, and there is no evidence of double leverage. Dr. Won agrees with the standalone approach. Mr. Murray's recommendation of 45% equity, based on Evergy's consolidated capital structure, is inconsistent with established regulatory practice and is specifically rejected by Staff.

Second, an ROE of 10.5% is appropriate given current capital market conditions, EMM's nuclear ownership, its substantial capital investment program, and the risks and opportunities presented by large load growth. Both Mr. Murray's 9.25% and Dr. Won's

---

[22] See Won Rebuttal at 36-37.

9.73% are insufficient to maintain EMM's financial integrity and attract capital on reasonable terms.

Third, the overall rate of return of 7.6546% properly compensates investors for the risks of investing in EMM while allowing the Company to continue providing safe and reliable service to its customers.

Q: Does this conclude your surrebuttal 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 Surrebuttal Testimony on behalf of Evergy Missouri Metro consisting of eleven (11) 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 10th day of September 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