Exhibit No.:	______________
Issue(s):	Storm Reserve/Rate Case Expense
Witness/Type of Exhibit:	Payne/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2026-0143

SURREBUTTAL TESTIMONY

OF

MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO

CASE NO. ER-2026-0143

September 10, 2026

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OF

MANZELL M PAYNE

EVERGY MISSOURI METRO, INC., D/B/A EVERGY MISSOURI METRO

CASE NO. ER-2026-0143

Q. Please state your name, title, and business address.

A. Manzell Payne, Senior Utility Regulatory Auditor, Office of the Public Counsel ("OPC" or "Public Counsel"), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Manzell Payne who filed direct and rebuttal testimony for the OPC in this case?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro[1] witness, Ronald Klote's rebuttal testimony concerning the Company's proposed storm reserve tracker and Company witness, Darcie Kramer's rebuttal testimony on rate case expense. I will also respond to Staff witness, Keith Majors' rebuttal testimony concerning the Company's proposed storm reserve tracker.

STORM RESERVE

Q. For context, please explain your position on the proposed storm reserve Evergy Missouri Metro has sought to include in this rate case.

A. As stated in my direct testimony, the Company does not need a storm reserve and the Commission should disallow any funds associated with a requested reserve. Furthermore, it is inappropriate for the Company to be allowed a storm reserve, as storms are a normal and recurring cost of doing business for a utility. As such, storm-related costs are already being accounted for in the Company's rate case and included in rates at a normalized level. Creating a separate Storm Reserve in addition to the normalized level of maintenance would provide the Company additional protection from the variability of a normal operating expense and

[1] Heretofore "Company", "Evergy Missouri Metro", or "EMM"

shift that risk from shareholders to customers. Any attempt to track storm costs independently would lead to a disjointed form of rate making; one that violates the matching principle.

The Company's proposal would also require customers to provide funding in advance for future storm costs that are not known and measurable. For truly extraordinary storm events, the existing regulatory mechanisms, such as AAOs and securitization, are available to the Company.

Q. What is Staff's position on the storm reserve tracker for this case?

A. Staff witness, Keith Majors, recommends in his rebuttal testimony that the Commission deny EMM's proposed Storm Reserve. Staff's position is that the Company's proposal asks customers to pay in advance for potential storm costs that have not occurred and therefore do not satisfy the known and measurable concept. Staff further explains that storm costs can be addressed through normal ratemaking concepts such as normalization and annualization and that extraordinary storm costs may be addressed through an AAO. Mr. Majors also notes that Staff's normalized distribution maintenance expense already includes storm related costs, that the Company's $250,000 threshold is not material relative to EMM's total operating expenses, and that the Commission previously rejected a storm reserve proposal for EMM. [2]

Q. Do you agree with Staff's position on the Storm Reserve for this case?

A. Yes. Staff's opposition to the storm reserve proposed by the Company aligns with my own position that the Commission deny the Storm Reserve. Staff and I agree that storm expenses continue to be addressed through traditional ratemaking by establishing a normalized level of expense and that an AAO remains available if EMM experiences a truly extraordinary storm. Mr. Majors' testimony also reinforces an important distinction that denying the storm reserve does not mean excluding storm costs from rates. As noted above, storm costs are already in Staff's normalized level of distribution maintenance expense. The question is whether EMM should receive an additional tracking mechanism that protects the Company from the normal variability associated with those costs. I do not believe so because those costs are a normal cost of doing business for a utility.

[2] Staff witness, Keith Majors, rebuttal testimony, Page 4, Lines 13-30.

Q. How has Company witness Ronald Klote justified the request for a storm reserve in this case in response to your direct testimony?

A. Mr. Klote disagrees with my recommendation. He states that storm restoration expenses are legitimate and necessary costs of providing electric service and argues that the question is not whether those expenses should be recovered but which regulatory mechanism should be used.[3] Mr. Klote asserts that without the storm reserve, EMM must either absorb storm costs until its next rate case or seek an AAO following significant storm events. He argues that the proposed Storm Reserve would provide a more efficient and predictable mechanism for recovery.[4] Mr. Klote further argues that the reserve contains a tracking mechanism that prevents the Company from over-recovering storm restoration costs, that the reserve would smooth storm costs and reduce rate volatility and that the reserve promotes intergenerational equity among customers.[5]

Q. Do you agree with the Company's position on storm reserve?

A. No. As I pointed out in my direct testimony, storms are a reoccurring cost of doing business for a utility and these costs are already accounted for in the Company's rates. The OPC does not dispute prudently incurred storm restoration expenses are legitimate costs of providing electric service. The disagreement concerns whether those costs warrant special ratemaking treatment through a Storm Reserve.

Traditional ratemaking does not guarantee a utility dollar for dollar recovery of every individual expense between rate cases. Instead, rates are established prospectively using normalized and annualized levels of revenues and expenses. Some actual costs will be above the level included in rates and some will be below it. That variability is part of the normal regulatory risk borne by a utility between rate cases.

Creating a reserve that reconciles the Company's actual storm costs to amounts collected from customers would reduce volatility for EMM and transfer that risk to customers by increasing the rates initially for storms that may not occur. That is precisely why I believe the Storm reserve provides the Company and its shareholders with a benefit beyond the normalized storm expense already included in rates. Staff's analysis of year-to-year storm costs are

[3] Company witness, Ronald Klote, rebuttal testimony, Page 29, lines 14-21.
[4] Company witness, Ronald Klote, rebuttal testimony, Page 30, lines 3-16.
[5] Company witness, Ronald Klote, rebuttal testimony, Page 31, lines 1-3 and 19-20, respectfully.

considered in their analysis of maintenance costs. The smoothing of storm costs are normalized or averaged from historical storm costs. Any significant storms that were to occur would not be included as the company can file an AAO where those significant costs can be addressed. The reserve allows for the Company and shareholders to have less skin in the game for their cost of doing business. The reduced earnings volatility for investors comes at the price of increasing rates to customers for storms that are not known and measurable.

Q. Mr. Klote states that the Storm Reserve would prevent the Company from over-recovering storm costs. Does that address your concern?

A. No. My concern is not limited to whether the accounting mechanism ultimately reconciles amounts collected through the reserve to actual storm expenditures. My concern is the allocation of risk between customers and shareholders. As I have mentioned before, under traditional ratemaking, the Company receives a normalized level of storm-related expenses in rates. If actual costs differ from the level between rate cases, the Company generally bears the difference, subject to the availability of an AAO for extraordinary events. Under the Company's proposal, customers would fund the reserve and actual storm costs would be tracked against that amount. The fact that the reserve may prevent an accounting over-recovery does not eliminate the transfer cost variability and timing risk from the Company to customers.

Q. Mr. Klote argues that relying on AAOs may require additional regulatory proceedings and increase administrative costs. Does that justify the Storm Reserve?

A. No. An AAO is intended to address unusual or extraordinary circumstances that warrant treatment outside of normal ratemaking. The fact that an extraordinary event may require Commission review is not, by itself, a reason to establish an ongoing reserve for costs that ordinarily can addressed through normalization and future rate cases.

Staff witness Majors provides historical examples demonstrating that EMM has successfully used AAOs when storm costs were sufficiently extraordinary. Specifically, Mr. Majors identified the 2002 ice storm proceeding, in which the Commission authorized deferral and subsequent amortization of extraordinary storm costs.[6] Therefore, EMM already has and used

[6] Staff witness, Keith Majors, rebuttal testimony, Pages 8 and 9, lines 8-27 and 1-5, respectfully.

a regulatory avenue available to them when storm costs have risen to a level that cannot reasonably be addressed through ordinary ratemaking.

Q. Are storm-related costs already included in the revenue requirement without the Company's proposed Storm Reserve?

A. Yes. As Mr. Majors explains in his rebuttal testimony, Staff normalized non-labor distribution expense using a three-year average of calendar years 2023, 2024, and 2025. That calculation includes FERC Account 593, Maintenance of Overhead Lines, where Staff states the majority of storm-related costs are recorded for EMM.[7] Thus, rejecting the Company's proposed storm reserve does not result in customers providing no recovery for storm costs. Customers are already being asked to pay a normalized level of distribution maintenance expense that includes storm-related costs. The Storm Reserve would provide an additional mechanism to protect the Company from variations between the normalized amount included in rates and actual storm experience.

Q. Does the Company's proposed $250,000 threshold demonstrate the Storm Reserve is limited to extraordinary storms?

A. No. As Mr. Majors noted in his rebuttal testimony, the Company's $250,000 threshold represents approximately 0.03 percent of EMM's total operating expenses.[8] Thus, it can be concluded that the threshold is not material relative to the size of the Company. Further demonstrating why a standing reserve is unnecessary. The Company is not proposing to use the reserve solely for extraordinarily large or financially destabilizing events. Rather, it would apply the mechanism beginning at a relatively low threshold while still retaining the ability to seek an AAO for storms of a greater magnitude.

Q. Mr. Klote states that the Storm Reserve promotes intergenerational equity. Do you agree?

A. No. Storm restoration expenses primarily arise for restoring services following specific storm events. The customers receiving the immediate benefit of that restoration are the customers being served when the storm occurs. More importantly, normal ratemaking already includes a representative annual amount of storm-related expense in rates paid by current customers. The Company's proposal does not simply spread discrete extraordinary storm cost over the

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[7] Staff witness, Keith Majors, rebuttal testimony, Page 6, lines 14-18.
[8] Staff witness, Keith Majors, rebuttal testimony, Page 5, lines 11-14.

customers who benefit from recovery of that even. Rather it creates an ongoing reserve funded by customers for future storms whose timing and magnitude are unknown. I do not believe that the Company's mechanism is necessary to achieve intergenerational equity.

Q. Mr. Klote cites storm recovery following Hurricanes Helen and Milton in Florida as examples of potential customer rate impacts. Do those examples change your recommendation?

A. No. This is a "red herring". As Mr. Klote acknowledges, Missouri does not face the same hurricane exposure as Florida. More importantly, the existence of extraordinary storm events in other jurisdictions does not demonstrate that EMM requires an ongoing Storm Reserve for storms beginning at its proposed $250,000 threshold. Missouri already provides mechanisms, including AAOs and securitization, through which extraordinary events can be considered based on their particular facts and circumstances.

Q. If the Commission were to approve a storm reserve for the Company, how should the reserve be treated in the cost of service?

A. The balance of the storm reserve tracker should be treated as a prepaid item by the customer and therefore be a reduction to rate base and provided the same Weighted Average Cost of Capital ("WACC") that the company receives. In doing so, the Company is not receiving additional money on top of a tracker that benefits them more than the customer.

Q. Would you please summarize your recommendation on the Company's proposed storm reserve?

A. I recommend that the Commission deny the Company's proposed storm reserve tracker. This recommendation is in alignment with Staff. Storm costs are a normal component of providing electric service and are already reflected through normalized level of distribution maintenance expense. Establishing an additional reserve would shift the variability and risk associated with those expenses from the Company and its shareholders to customers. The Company's tracking mechanism does not eliminate that transfer of risk merely because it may prevent an accounting over-recovery. In addition, the Company's $250,000 threshold does not demonstrate that the reserve is limited to extraordinary events, and EMM continues to have the ability to seek an AAO if an extraordinary storm occurs. Traditional normalization of storm costs, together with the availability of extraordinary regulatory relief when justified, provides a more balanced allocation of risk between customers and shareholders.

RATE CASE EXPENSE

Q. What is the Company's position on rate case expense recovery for this case?

A. Company witness, Darcie Kramer, generally agrees with Staff and OPC that a multi-case average should be used to establish rate case expense. Ms. Kramer specifically accepts Staff's use of the two most recently completed EMM rate cases, Case Nos. ER-2018-0145 and ER-2022-0129 but disagrees with Staff's and OPC's recommendations that discretionary rate case expenses be shared equally between customers and shareholders. Instead, the Company recommends 100 percent recovery of its rate case expenses from customers.[9]

Q. What rationale did Ms. Kramer provide for full recovery of rate case expense?

A. Ms. Kramer argues that rate case expenses are a necessary part of operating a regulated electric utility and that customers benefit from the rate case process because it allows the Commission to establish just and reasonable rates. She further argues that rate case expenses should not be disallowed absent evidence of imprudence, and that the Company may reasonably rely on outside legal and consulting resources rather than maintaining permanent staffing levels sufficient to address every area of expertise required during a rate case. [10]

Q. Do you agree that if a rate case expense is prudent, then customers should bear 100 percent of that expense?

A. No. The Company's argument conflates the prudence of an expense with the appropriate allocation of that expense for ratemaking purposes. My recommendation does not depend upon finding that otherwise discretionary rate case expenditures were prudently incurred. Rate cases provide benefits to both customers and shareholders. Customers benefit from Commission review of the utilities rates and operations, while shareholders benefit from the Company's opportunity to seek increased revenues and a reasonable opportunity to earn its authorized return. Because both groups receive benefits from the rate case proceeding, it is reasonable for both groups to share the discretionary costs of that proceeding.

[9] Company witness, Darcie Kramer, rebuttal testimony, Page 5, lines 9-16.
[10] Company witness, Darcie Kramer, rebuttal testimony, Page 5, lines 20-22, and Page 6, 1-6 and 14-19, respectfully.

Q. Has the Commission previously adopted that reasoning?

A. Yes. As discussed in my direct testimony, the Commission has found that it is just and reasonable for both the rate payer and the shareholder who both benefit from a rate case to share in the costs. The Commission's most recent relevant decision on rate case expenses was in the Spire Missouri Rate Case Nos. GR-2017-0215 and GR-2017-0216, where the Commission held Spire Missouri to a 50/50 sharing mechanism with customers. In its Amended Report and Order, the Commission found:

> 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 specific facts in this case, the Commission will require Spire Missouri shareholders to cover half of the rate case expense and the ratepayers to cover half with the exception of the cost of customer notices and the depreciation study.

On February 9, 2021, the Missouri Supreme Court affirmed the Commission's decision.[11]

Q. Do you agree with the Company's acceptance of Staff's two rate case average?

A. Yes. After further reviewing Staff's position and the Company's rebuttal position, I believe Staff's use of the two most recently completed EMM rate cases, Case Nos. ER-2018-0145 and ER-2022-0129, provides a reasonable basis for determining the representative level of rate case expense in this proceeding. Therefore, like EMM, I am modifying my recommendation to adopt Staff's two-rate-case average. My agreement does not change my recommendation that discretionary rate case expenses be shared equally between customers and shareholders.

Q. What is your recommendation for rate case expense in this case?

A. I recommend that the Commission adopt Staff's position for a two-case average for rate case expense, as neither I nor Company disagree with this method. Additionally, both mine and Staff's recommendation for a 50/50 sharing mechanism should be accepted by the Commission. Although I now agree with Staff and the Company regarding the use of a two-rate-case average, I continue to disagree with the Company's proposal that customers bear 100 percent of discretionary rate case expense. Rate cases provide benefits to both customers

[11] Spire Missouri, Inc. v. Pub. Serv. Comm'n, 618 S.W.3d 225, 233 (Mo. banc 2021).

and shareholders, and the Commission has previously determined that sharing the discretionary expenses of those cases between customers and shareholders is just and reasonable.

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 MANZELL PAYNE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Manzell Payne, of lawful age and being first duly sworn, deposes and states:

1. My name is Manzell Payne. I am a Senior Utility Regulatory Auditor for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Manzell Payne
Senior Utility Regulatory Auditor

Subscribed and sworn to me this 9th day of September 2026.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.