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Issue(s): Rate of Return
Witness: Seoung Joun Won, PhD
Sponsoring Party: MoPSC Staff
Type of Exhibit: True-Up Rebuttal Testimony
Case No.: ER-2026-0143
Date Testimony Prepared: September 23, 2026

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

FINANCIAL ANALYSIS DEPARTMENT

TRUE-UP REBUTTAL TESTIMONY

OF

SEOUNG JOUN WON, PhD

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 Seoung Joun Won and my business address is P.O. Box 360, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission ("Commission") as a member of Commission Staff ("Staff") and my title is Regulatory Compliance Manager for the Financial Analysis Department, in the Financial and Business Analysis Division.

Q. Are you the same Seoung Joun Won who filed Direct Testimony on June 30, 2026, Rebuttal Testimony on August 11, 2026, and Surrebuttal / True-up Direct Testimony on September 10, 2026, in this proceeding?

A. Yes, I am.

Q. What is the purpose of your true-up rebuttal testimony?

A. The purpose of my true-up rebuttal testimony is to respond to the surrebuttal / true-up direct testimony of David Murray regarding rate of return ("ROR") related issues including ratemaking capital structure. Mr. Murray sponsored testimonies on behalf of the Missouri Office of the Public Counsel ("OPC").

I. EXECUTIVE SUMMARY

Q. What is an overview of your response to the true-up direct testimony of OPC witness Mr. Murray?

A. In his true-up direct testimony, Mr. Murray introduced a new issue by proposing a link between construction work in progress ("CWIP") and the ratemaking capital structure. For the "all rate base not classified as CWIP"[1] case, Mr. Murray continued to recommend a ratemaking capital structure consisting of 45% common equity and 55% long-term debt, based on his analysis of Evergy Inc.'s ("Evergy") historical capital structure.[2] Applying a 9.25% ROE to the 45% common-equity ratio and applying a 4.54% embedded cost of long-term debt to the 55% long-term-debt ratio results in an overall ROR of 6.66%.[3] Staff continues to recommend that the Commission use Evergy Metro, Inc. d/b/a Evergy Missouri Metro's ("EMM"), a subsidiary of Evergy, actual standalone capital structure, rather than Evergy's capital structure, in establishing EMM's ratemaking capital structure. Staff's response to Mr. Murray's recommended ratemaking capital structure is consistent with the position presented in my rebuttal and surrebuttal testimony.[4]

In addition, Mr. Murray proposed an alternative scenario for EMM's ratemaking capital structure to reflect the Commission's potential decision regarding CWIP. If CWIP is included in EMM's rate base, Murray recommends an alternative ratemaking

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[1] Page 8, line 18, Murray's Surrebuttal / True-up Direct Testimony.
[2] Page 8, lines 17-20, Murray's Surrebuttal / True-up Direct Testimony.
[3] Schedule DM-S-2, Murray's Surrebuttal / True-up Direct Testimony.
[4] Pages 51-56, Won's Rebuttal Testimony and Pages 53-55, Won's Surrebuttal Testimony.

capital structure consisting of 51.59% short-term debt, 22.56% long-term debt, and 25.86% common equity be applied to rate base classified as CWIP.[5] Using a 3.87% cost of short-term debt as of June 2026,[6] this new capital structure results in a 5.41% ROR for this proceeding.[7] Staff disagrees with Mr. Murray's proposed alternative ratemaking capital structure because short-term debt associated with CWIP functions as temporary bridge financing and should not be included in a utility company's permanent capital structure for ratemaking purposes.

II. CAPITAL STRUCTURE, CWIP AND ROR

Q. What concerns does Staff have regarding Mr. Murray's alternative ratemaking capital structure if the Commission includes CWIP in EMM's rate base?

A. Mr. Murray's proposed ROR for EMM, which is based on his alternative capital structure, is unreasonably low relative to the recently authorized RORs of comparable electric utilities. The average allowed ROR for U.S. electric utilities year-to-date in 2026 is approximately 7.1%,[8] more than 160 basis points above the 5.41% ROR proposed by Mr. Murray under an alternative capital structure composed of 51.59% short-term debt considering the amount of CWIP in rate base.[9] More importantly, the rationale for the proposed alternative capital structure does not comport with established regulatory ratemaking principles.

[5] Page 8, lines 20-22, and Schedule DM-S-2, Murray's Surrebuttal / True-up Direct Testimony.
[6] Page 8, lines 1-5, Murray's Surrebuttal / True-up Direct Testimony.
[7] Schedule DM-S-2, Murray's Surrebuttal / True-up Direct Testimony.
[8] RRA, S&P Global Intelligence.
[9] Pages 7-8 and Schedule DM-S-2, Murray's Surrebuttal / True-up Direct Testimony.

Q. Does a utility's use of short-term debt as interim financing for capital investments, or its request to include CWIP in rate base, provide a reasonable basis for the Commission to allow an ROR below the utility's overall cost of capital?

A. No, it does not. Neither interim short-term debt financing nor CWIP in rate base, by itself, justifies an authorized ROR below the utility's overall cost of capital.

Q. Why do utilities use short-term debt to finance infrastructure investments during the construction period rather than relying exclusively on permanent financing sources, including common-equity infusions and long-term debt?

A. In practice, utility infrastructure projects are rarely financed entirely with long-term capital. Raising common equity on a short-term basis is generally impractical, and utilities must maintain balanced capital structures to support investment-grade credit ratings. Requiring CWIP to be financed solely with long-term debt would not reflect the utility's actual financing practices and would distort its overall corporate capitalization. Depriving equity holders of a return on capital tied up in long-term construction weakens financial integrity metrics and risks rating agency downgrades, raising future borrowing costs and ultimately harming ratepayers. While CWIP reduces regulatory lag, construction still carries underlying business and corporate risk that debt holders do not bear alone; equity capital remains exposed to that risk. Accordingly, using short-term debt as bridge financing represents a more practical approach and better serves the public interest.

III. CONCLUSION

Q. What is your conclusion regarding Mr. Murray's proposed alternative capital structure if CWIP is included in rate base?

A. Mr. Murray's alternative capital structure, consisting of 25.86% common equity, 51.59% short-term debt, and 22.56% long-term debt, relies on a temporary, construction-phase capital mix that is heavily weighted toward short-term debt. Short-term debt serves as temporary bridge financing and should not be treated as a component of a utility's permanent capital structure for ratemaking purposes. Applying an artificially high short-term debt ratio depresses the overall authorized rate of return below the utility's actual ongoing cost of capital. Rates should reflect the long-term, balanced capital structure necessary to maintain the utility's financial integrity and access to capital. Applying a temporary construction-financing mix to cash-return determinations artificially penalizes equity investors and undermines long-term capital planning. Mr. Murray's alternative capital structure artificially depresses the authorized return below the utility's actual weighted average cost of capital. If regulatory policy determines that cash recovery of CWIP is appropriate to maintain financial health and reduce overall project financing costs, the return applied to CWIP should reflect the utility's actual cost of capital, rather than diluted short-term financing proxies. Therefore, Staff recommends that the Commission reject Mr. Murray's alternative capital structure.

Q. Does this conclude your true-up 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 SEOUNG JOUN WON, PhD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW SEOUNG JOUN WON, PhD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *True-Up Rebuttal Testimony of Seoung Joun Won, PhD*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Seoung Joun Won

SEOUNG JOUN WON, PhD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 17th day of September 2026.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2029
Commission Number: 12412070

D Suzie Mankin

Notary Public