Exhibit No.:
Issues: Property Taxes; Nuclear Production Tax Credit Tracker
Witness: Melissa K. Hardesty
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: Evergy Missouri Metro
Case No.: ER-2026-0143
Date Testimony Prepared: September 23, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2026-0143

TRUE-UP REBUTTAL TESTIMONY

OF

MELISSA K. HARDESTY

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
September 2026

TRUE-UP REBUTTAL TESTIMONY

OF

MELISSA K. HARDESTY

Case No. ER-2026-0143

I. INTRODUCTION AND PURPOSE

Q: Please state your name and business address.

A: My name is Melissa K. Hardesty. My business address is 1200 Main, Kansas City, Missouri 64105.

Q: Are you the same Melissa K. Hardesty who submitted direct testimony on February 6, 2026, rebuttal testimony on August 11, 2026, and true-up direct testimony on September 10, 2026?

A: Yes.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro," "EMM," or the "Company").

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to respond to true-up direct testimony of Missouri Public Service Commission Staff ("Staff") witness Nathan Bailey regarding the property tax tracker.

II. PROPERTY TAX TRACKER

Q: What does Section 393.400 require with respect to property taxes?

A: Section 393.400[1] requires EMM to defer to a regulatory asset or liability account the difference between its "property tax expenses actually incurred" and the property taxes "on which the revenue requirement used to set rates in the corporation's most recently completed general rate proceeding was based." The balance is included in rates through an amortization over a reasonable period in EMM's subsequent general rate proceedings, and the rate base is adjusted to reflect the unamortized balance.

Q: What balance does Staff recommend for the property tax tracker for rate base treatment?

A: Mr. Bailey recommends a balance of $6,516,496 as of June 30, 2026, to be included for rate base treatment. In comparison, the Company recommends a balance of $31,626,790, which includes the $4,052,953 as deferred from August 28, 2022, to January 8, 2023.

Q: Do the Company and Staff agree on prior property tax treatment for prior years?

A: Yes and No. The Company and Staff disagree as it pertains to the stub period - August 28, 2022, the effective date of Section 393.400 through January 8, 2023, the day before EMM rates became effective in Case No. ER-2022-0129.[2] Staff's position is that reaching back to the 2018 rate case is not consistent with the legislation's language of "recently completed general rate proceeding," and that a discrete, agreed-upon base level of property taxes did not exist in the 2018 rate case.[3] However, as discussed in Evergy witness Ron Klote's

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[1] All citations are to the Revised Statutes of Missouri (2016), as amended.
[2] See Klote Rebuttal at 39.
[3] See N. Bailey True-Up Direct at 3.

rebuttal, the amount of property tax from the 2018 rate case, should be used to begin tracking when the law became effective.[4]

For the January 9, 2023, to December 31, 2025, time period, the Company's and Staff's property tax tracker are consistent.[5] See table below for comparison by period of Staff and Company's deferral positions.

Property Tax Deferral Period	Company	Staff	Diff
Aug 28, 2022 - Jan. 08, 2023	4,052,953	0	(4,052,953)
Jan. 09, 2023 - Dec. 31, 2023	5,083,425	5,083,425	0
2024	6,718,159	6,718,159	0
2025	9,137,555	9,137,555	0
2026	6,634,698	(14,422,643)	(21,057,341)
	31,626,790	6,516,496	(25,110,294)

Q: Do the Company and Staff agree regarding property tax treatment in 2026?

A: No. The Company and Staff disagree on the appropriate treatment of 2026 property taxes. Because those taxes will not be paid in full until December 2026, the disagreement was not apparent at the time of Staff's direct filing, which relied on data through December 2025 and therefore did not reflect Staff's proposed treatment for 2026. The issue first became apparent in Staff's true-up direct filing, when Staff updated its adjustment that applied a 2026 methodology that differs from approaches Staff has used in prior dockets.

[4] See Klote Rebuttal at 41.
[5] See N. Bailey True-Up Direct at 2.

Q: How has Staff calculated the 2026 portion of the tracker through the June 30, 2026, true-up date?

A: Staff improperly compares the property tax expense in base rates, prorated through June 30, 2026, to the property taxes EMM paid through the same date.[6] The Company recognizes property tax expense on a generally consistent basis throughout the year. However, the Company pays most of its annual property taxes at the end of the year. Only approximately 24% of EMM's annual property tax payments were made by June 30, 2026, with the remaining expense to be paid in December. Staff prorates the annual property tax expense in base rates to the first half of 2026 but does not align property taxes incurred on a comparable basis. Instead, Staff compares that prorated base-rate level to cash payments that, for most of EMM's 2026 property taxes, had not yet been disbursed by June 30, 2026, but rather only incurred.[7] As a result, Staff compares approximately one-half of the annual property tax expense embedded in base rates to only approximately 24% of the annual property tax payments expected for 2026, thereby understating property tax deferrals through true-up date. The timing mismatch produces a credit to the tracker for 2026 of ($14,422,643) that offsets the $20,939,139 of deferrals that the tracker accumulated from January 9, 2023, through December 31,2025.

Q: Does Section 393.400 measure property taxes when they are paid?

A: No. Section 393.400 refers to property tax expenses actually incurred, not paid. As I explained in my direct testimony, the tracker defers the difference between the actual property tax expense incurred and the property tax expense embedded in base rates from EMM's most recent general rate case, No. ER-2022-0129. An expense is incurred when

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[6] See N. Bailey Surrebuttal/True-Up Direct at 2, 22
[7] <u>Id.</u> at 7.

the obligation to pay it arises, not when the cash is disbursed. EMM property tax assessed values are set based on information available at January 1 each year and is it obligated to pay the taxes based on this value. The value is not set when the taxes are due to be paid. Therefore, under generally accepted accounting rules it incurs and accrues a pro-rata portion of its property tax expense throughout the year based on January 1 assessed values. Therefore, EMM has incurred property taxes through June 30, 2026, but has not paid such expense.

Q: What approach does the Company recommend for the 2026 portion of the tracker?

A: The Company would agree to use EMM's 2025 actual property taxes as the estimate of its 2026 property taxes, with those amounts prorated through June 30, 2026, and compared to the base-rate level for the same period. This approach puts both sides of the comparison on the same basis and is also the same approach that Staff witness Karen Lyons used in the 2024 Evergy Missouri West rate case, No. ER-2024-0189. Under the Company's approach, the 2026 portion of the tracker would be $4,568,778. This represents half the amount of actual 2025 property taxes that exceeded the base level in the 2025 year. Although the Company proposed using the best available estimate of $6,634,698 at June 2026 in its true-up adjustment in calculating the 2026 portion of the tracker, which also reflected putting both sides of the comparison on the same basis, the Company would agree to the approach described above of using the 2025 actual property taxes as the estimate for the portion of 2026 through June 30, 2026, true-up.

Q: Does Staff rely on EMM's last known annual property taxes elsewhere in its testimony?

A: Yes. Mr. Bailey testifies that the base level Staff has recommended for every regulated Missouri utility that has filed a general rate case since the property tax tracker legislation took effect was based on the last known annual amount of property taxes.[8] The Company's approach to 2026 tracker deferrals uses the same measure, i.e., EMM's last known annual property taxes which are its 2025 actual property taxes.

Q: Has Staff used prior-year actual property taxes to estimate a partial year in a prior case?

A: Yes. Staff witness Kimberly Bolin testified in Case No. WR-2020-0344, a Missouri-American Water Company proceeding, that the Commission has a long-standing practice of using a historical test year approach because "customer rates are established using actual past levels of revenues, expenses, and rate base. Test year revenues/expense/rate base amounts are the starting point for rate analysis and are subject to both normalization adjustments to eliminate abnormal test year amounts and annualization adjustment to reflect the latest known trends in the utility's cost structure."[9]

In applying the historical test year, Staff has previously used the "known and measurable standard." Ms. Bolin testified in Case No. ER-2021-0312 that the "known and measurable" standard requires that only the costs associated with events that have actually occurred or are certain to occur, and for which the financial impact can be accurately quantified, should be reflected in utility rates. If adhered to, the known and measurable

[8] See N. Bailey Surrebuttal & True-Up Direct at 3.
[9] See K. Bolin Rebuttal at 2-3, In re Missouri-American Water Co. Rate Case No. WR-2020-0344 (Jan. 15, 2021).

standard precludes the use of budgeted, projected, or forecasted information in setting utility rates.[10]

Here Staff is using an approach for property tax expense that "does not directly reflect forecasted values for revenues, expense or rate base" and is not based on the "known and measurable standard."[11]

Q: What annual amortization amount results from Staff's recommended tracker balance?

A: Mr. Bailey recommended unamortized tracker balance of $6,516,496 as of June 30, 2026, and a four year amortization period, the resulting annual amortization is $1,629,124 per year, .[12]

Q: How do the Company's concerns with Staff's tracker balance affect the annual amortization amount?

A: The Company's concerns relate to the calculation of the unamortized tracker balance, as discussed above, rather than Staff's proposed four-year amortization period. Because the annual amortization amount is derived directly from the unamortized tracker balance, correcting the issues identified by the Company increases the balance subject to amortization and correspondingly increases the annual amortization amount. Under the Company's approach, the annual amortization amount would be approximately $7,906,698 per year, compared to Staff's proposed annual amortization amount of $1,629,124.

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[10] See K. Bolin Rebuttal at 5, In re Empire Dist. Electric Co. Rate Case No. ER-2021-0312 (Dec. 20, 2021).
[11] See K. Bolin Rebuttal at 2-3, No. WR-2020-0344.
[12] Id.

III. NUCLEAR PRODUCTION TAX CREDIT TRACKER

Q: How did Staff's nuclear production tax credit adjustment change from its direct filing to true-up?

A: In its direct filing, Staff's adjustment had two cost of service components: an amortization of the 2025 nuclear PTCs and an assumed annual level of ongoing nuclear PTC benefits. At true-up, Staff removed the amortization associated with the 2025 credits but retained the assumed ongoing level. Although that change addressed one part of the adjustment, it did not resolve the fundamental issue with including an estimated future benefit in current rates.

Q: Why is Staff's remaining ongoing nuclear PTC adjustment incorrect?

A: Staff continues to treat an estimated future tax benefit as though it has already been realized. As of the June 30, 2026, true-up date, the Company had not completed a sale of nuclear PTCs, and the amount ultimately available depends on unresolved tax guidance, the method used to calculate the credits, actual nuclear generation, market conditions, and the price and costs of any future transfer. Staff's estimate therefore is not a known and measurable amount appropriate for inclusion in base rates.

Q: Would approving the nuclear PTC tracker protect customers without Staff's ongoing adjustment?

A: Yes. The tracker records the net benefit when a nuclear PTC is actually used to reduce the Company's tax liability or monetized through a sale, including the actual proceeds and directly related transaction costs. That approach ensures customers receive the benefit actually realized while avoiding a rate reduction based on credits that may be calculated differently, sold at a discount, delayed, or not realized at all. Accordingly, the appropriate amount of assumed ongoing nuclear PTC benefits in the revenue requirement is zero.

Q: Does that 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 MELISSA K. HARDESTY

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Melissa K. Hardesty, being first duly sworn on his oath, states:

1. My name is Melissa K. Hardesty. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Senior Director of Taxes.

2. Attached hereto and made a part hereof for all purposes is my Ture-Up Rebuttal Testimony on behalf of Evergy Missouri Metro consisting of nine (9) 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.

Melissa K. Hardesty

Subscribed and sworn before me this 23rd 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