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| Exhibit No.: | |
| Issues: | Capital Structure & Cost of Debt; Rate of Return on CWIP |
| Witness: | Geoffrey Ley |
| 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

# GEOFFREY LEY

**ON BEHALF OF**

**EVERGY MISSOURI METRO**

**Kansas City, Missouri**
**September 2026**

# TRUE-UP REBUTTAL TESTIMONY

# OF

# GEOFFREY LEY

# Case No. ER-2026-0143

## I. INTRODUCTION AND PURPOSE

**Q: Please state your name and business address.**

A: My name is Geoffrey Ley. My business address is 1200 Main, Kansas City, Missouri 64105.

**Q: Are you the same Geoffrey Ley who submitted direct testimony on February 6, 2026, rebuttal testimony on August 11, 2026, and surrebuttal 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 the true-up portions of the true-up direct testimony of Office of the Public Counsel ("OPC") witness David Murray and Missouri Public Service Commission Staff ("Staff") witness Seoung Joun Won.

## II. TRUE-UP OF CAPITAL STRUCTURE, COST OF DEBT, AND RATE OF RETURN

**Q: What capital structure does Staff recommend?**

A: Dr. Won updated Staff's recommended ratemaking capital structure to EMM's actual standalone capital structure as of June 30, 2026, which is 52.19% common equity and

47.81% long-term debt.[1] Staff concludes that EMM's capital structure is reasonable for setting its rate of return, and in doing so, "meets the guidelines for using its own standalone capital structure."[2]

**Q: What capital structure does OPC recommend?**

A: Mr. Murray continues to recommend a ratemaking capital structure of 45% common equity and 55% long-term debt for all rate base not classified as construction work in progress ("CWIP"). His recommendation is unchanged from his direct testimony, where he bases his recommendation on Evergy, Inc.'s consolidated capital structure.[3]

**Q: Does the Company agree with Staff's and OPC's capital structures?**

A: The Company agrees with Dr. Won's proposed capital structure of 52.19% equity and 47.81% long-term debt. These amounts are consistent with the 7.651% return on rate base cited in Company witness Klote's direct true-up testimony (Schedule RAK-6). As discussed in my rebuttal and surrebuttal, the Company does not agree with Mr. Murray's capital structure of 45% common equity and 55% long-term debt because it is based on Evergy, Inc.'s consolidated capital structure.

**Q: Dr. Won recommends a cost of long-term debt of 4.54% based on EMM's actual embedded cost as of June 30, 2026.[4] Do you agree?**

A: The Company agrees with Dr. Won's recommended cost of long-term debt of 4.54%. This amount is consistent with the 7.651% return on rate base cited in Company witness Klote's direct true-up testimony (Schedule RAK-6).

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[1] See Won True-Up Direct at 62.
[2] Id.
[3] See D. Murray True-Up Direct at 8.
[4] See Won True-Up Direct at 63.

## III. RATE OF RETURN ON CONSTRUCTION WORK IN PROGRESS

**Q: Mr. Murray presents a net present value comparison of construction work in progress ("CWIP") compared to allowance for funds used during construction ("AFUDC") regarding the Mullin Creek #2 Generation Facility ("Mullin Creek #2").[5] What does he conclude?**

A: Mr. Murray testifies that EMM's nominal analysis suggests that ratepayers would save $95.8 million by including Mullin Creek #2 CWIP in rate base, but the Company's calculation fails to account for the time value of money because ratepayers value current savings more than future savings, and so a proper net present value analysis using the Company's weighted average cost of capital must be applied. He claims that when this methodology is used, the purported savings evaporate, and ratepayers would actually be harmed by $35.09 million compared to continuing AFUDC treatment.

**Q: What is the Company's response?**

A: Mr. Murray's conclusion is flawed by utilizing the Company's weighted average cost of capital ("WACC") as the discount rate for customer impacts. The WACC represents the Company's cost of financing and is already reflected in both the revenue requirements with AFUDC and the revenue requirements with CWIP recovery.

Utilizing nominal dollars (today's dollars) as the Company's workpaper supports, or utilizing no discount rate, meaning present costs and benefits are valued equally to future costs and benefits, is the appropriate comparison for customer impacts. Using no discount rate considers intergenerational equity by considering impacts on future customers as well as current customers.

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5 See D. Murray True-Up Direct at 5-6.

**Q: If a net present value analysis was conducted what is a more appropriate discount rate to use?**

A: If a net present value analysis was conducted, the more appropriate discount rate for evaluating customer impacts is a societal discount rate. A social discount rate is a discount rate used to evaluate costs and benefits from the perspective of society or consumers rather than investors. A social discount rate reflects customers' time preference for consumption rather than investors' required return on capital. Because the CWIP versus AFUDC comparison is fundamentally a timing-of-payments issue for customers, a societal discount rate is more appropriate than the Company's WACC. A social discount rate is typically estimated to be between 0% to 3%, and the current estimate used by the U.S. Office of Management and Budget is 2.0%.[6]

**Q: Does Mr. Murray's net present value analysis change the fundamental economics of CWIP?**

A: No. Regardless of the discount rate selected, CWIP reduces the accumulation of AFUDC during construction. By reducing the amount of financing costs that are capitalized into the project and later recovered from customers, CWIP lowers the nominal financing costs associated with the facility. Consequently, while different discount-rate assumptions may produce different present value estimates, they do not change the fundamental conclusion that CWIP avoids substantial AFUDC costs and reduces the overall financing costs customers ultimately pay.

[6] Office of Management and Budget, Circular A-4 Appendix (Nov. 9, 2023)

**Q. Are there additional policy considerations that support this conclusion?**

A. Yes. Evaluating customer impacts using nominal dollars, or alternatively employing a very low societal discount rate, recognizes the principle of intergenerational equity. The customers who benefit from a long-lived generating asset include both current and future customers. CWIP helps spread costs more evenly among the customers who receive the benefits of the facility, rather than deferring a larger share of those costs to future customers through the accumulation of AFUDC.

**Q: What does Mr. Murray recommend regarding how CWIP should be included in rate base?**

A: Mr. Murray recommends applying a pre-tax rate of return of 5.08% on CWIP in rate base while applying the traditional rate of return to the remaining rate base.[7] In doing so, Mr. Murray claims that a rate of return of 5.08% would ensure the present value cost of CWIP regarding Mullin Creek #2 to EMM's customers would not exceed the costs under AFUDC.

**Q: What is the Company's response?**

A: The Company, as should the Commission, does not agree with applying a different pre-tax rate of return for CWIP, as compared to the rest of rate base. The Company does not believe that this is the type of regulatory policy the Missouri legislature intended when it enacted Section 393.135.2, which states that an "electrical corporation may be permitted … to include construction work in progress for any new natural gas-generating unit in rate base … in lieu of any otherwise applicable allowance for funds used during construction."

[7] Id. at 7.

Simply applying a completely different rate of return to a statutorily authorized mechanism "is not a typical step in developing the revenue requirement."[8]

**Q: Does Mr. Murray propose alternatives to his 5.08% rate of return?**

A: Yes. If the Commission rejects his 5.08% recommendation, Mr. Murray proposes either a rate of return based on the current yield to maturity on EMM's long-term bonds or a rate of return based on the Federal Energy Regulatory Commission Uniform System of Accounts AFUDC formula, using average capital structure ratios of 25.859% common equity, 51.585% short-term debt, and 22.555% long-term debt. He calculates that this would produce a pre-tax rate of return of 6.16%.[9]

**Q: What is the Company's response to those alternatives?**

A: Neither alternative addresses the concern underlying Mr. Murray's primary recommendation, which is his assertion that CWIP should receive a reduced rate of return in order to achieve customer net present value neutrality relative to AFUDC treatment. In fact, Mr. Murray expressly acknowledges that neither alternative would produce the result he identifies as the basis for his 5.08% recommendation, namely an estimated net present value of approximately zero for customers.

In addition, neither alternative provides a reasonable basis for determining the return on CWIP included in rate base. One alternative is based primarily on debt financing costs, while the other is derived from an AFUDC financing methodology developed for capitalizing financing costs during construction. Both approaches would apply a unique return solely to CWIP balances rather than the return otherwise applied to utility investment included in rate base.

[8] See D. Murray True-Up Direct at 7.
[9] Id. at 8.

Finally, Section 393.135.2 authorizes the inclusion of CWIP in rate base in lieu of AFUDC. Nothing in the statute suggests that CWIP included in rate base should be assigned a separate, reduced rate of return. For these reasons, I do not support either of Mr. Murray's alternative proposals.

**Q: Does that conclude your true-up rebuttal testimony?**

A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

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| 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 True-Up Rebuttal Testimony on behalf of Evergy Missouri Metro consisting of seven (7) 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 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