FILED
November 9, 2026
Missouri Public
Service Commission

# Exhibit No. 42

Evergy Missouri Metro – Exhibit 42
Rebuttal Testimony of Ronald A. Klote
Case No. ER-2026-0143

| | |
|---|---|
| Exhibit No.: | |
| Issue: | Revenue Requirement Model and Schedules; Test Year; Misc. Accounting Adjustments including Pensions and Other Post Employment Benefits, Security Tracker, Storm and I&D Reserves; |
| Witness: | Ronald A. Klote |
| Type of Exhibit: | Rebuttal Testimony |
| Sponsoring Party: | Evergy Missouri Metro |
| Case No.: | ER-2026-0143 |
| Date Testimony Prepared: | August 11, 2026 |

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2026-0143**

# REBUTTAL TESTIMONY

**OF**

**RONALD A. KLOTE**

**ON BEHALF OF**

**EVERGY MISSOURI METRO**

**Kansas City, Missouri**
**August 2026**

**Table of Contents**


| | |
|---|---|
| I. INTRODUCTION AND PURPOSE | 1 |
| II. ALIGNING INTERESTS THROUGH A SHARED BENEFITS FRAMEWORK | 2 |
| III. CONSTRUCTION WORK IN PROGRESS (CWIP) | 5 |
| IV. PLANT IN SERVICE REPORTING REQUIREMENTS | 11 |
| V. RATE BASE VALUE OF RETIRED PLANT | 15 |
| VI. MISCELLANEOUS ADJUSTMENTS/ EQUITY COMPENSATION | 21 |
| VII. STORM RESERVE | 29 |
| VIII. CYBERSECURITY COSTS AND TRACKER | 32 |
| IX. SEVERANCE COSTS | 33 |
| X. INCENTIVE COMPENSATION | 38 |
| XI. PROPERTY TAX STUB PERIOD | 39 |
| XII. PENSIONS | 41 |

**REBUTTAL TESTIMONY**

**OF**

**RONALD A. KLOTE**

**Case No. ER-2026-0143**

## I. INTRODUCTION AND PURPOSE

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

A: My name is Ronald A. Klote. My business address is 1200 Main St., Kansas City, Missouri 64105.

**Q: By whom and in what capacity are you employed?**

A: I am employed by Evergy Metro, Inc. I serve as Senior Director – Regulatory Affairs for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("EMM" or the "Company")), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("EKC") the operating utilities of Evergy, Inc.

**Q: Are you the same Ronald A. Klote who previously filed direct testimony in this case?**

A: Yes.

**Q: On whose behalf are you testifying?**

A: I am testifying on behalf of EMM.

**Q: What is the purpose of your testimony?**

A: The purpose of my rebuttal testimony is to respond to various witnesses from the Missouri Public Service Commission Staff ("Staff"), MECG, Google LLC, and the Office of Public Counsel ("OPC"). Specifically, I respond to the following:

| Topic | Witness |
|---|---|
| Aligning Interests Through a shared Benefits Framework | Google LLC – Dr. Carolyn A. Berry |
| Construction Work In Progress (CWIP) | OPC – John A. Robinett |
| Plant-in-Service Reporting Requirements | Staff – Trevor Rucker |
| Rate Base Value of Retired Plant | Staff – Matthew R. Young |
| Miscellaneous Adjustments/Equity Compensation | Staff – Keith Majors |
| Storm Reserve | OPC – Manzell Payne |
| Cybersecurity Costs and Trackers | OPC – Angela Schaben |
| Severance Costs | Staff – Nathan Bailey |
| Incentive Compensation | Staff – Nathan Bailey |
| Property Tax Stub Period | Staff – Nathan Bailey |
| Pensions | Staff – Keith Majors |

Please note that the Company has attempted to address all substantive issues raised by Staff and OPC or other parties which the Company contests. If the Company inadvertently failed to address an issue raised by any party, the absence of a response does not constitute agreement by the Company with the party, and the Company may respond on the topic in subsequent testimony including at hearing.

## II. ALIGNING INTERESTS THROUGH A SHARED BENEFITS FRAMEWORK

**Q: Please summarize Google witness Dr. Carolyn Berry's recommendation regarding the treatment of projected LLPS revenues.**

A: Dr. Berry recommends that the Commission adopt a temporary earnings-sharing mechanism based on the Company's earned return on equity. Under her proposal, the Company would retain all earnings up to 25 basis points above its authorized return on equity. Any earnings above that level would be shared, with 75 percent credited to customers and 25 percent retained by the Company. Dr. Berry recommends that this mechanism remain in place until cost-based rates are established for Schedule LLPS in a future general rate case. Dr. Berry states that this proposal is intended to ensure that existing

customers receive the benefits associated with projected revenues from new large load customers. Dr. Berry notes that certain Schedule LLPS customers are in the early stages of ramping operations and that the timing of that growth creates uncertainty regarding the level of revenues and costs that may materialize after rates from this case become effective. As a result, she suggests the Commission consider an earnings sharing mechanism as a means of addressing those uncertainties.

**Q: What is your response to Dr. Berry's proposal for an earnings sharing mechanism?**

A: The Company recognizes that an earnings sharing mechanism is one regulatory tool that commissions may choose to consider in situations where significant growth or changing operating conditions create uncertainty regarding future earnings. The Company does recognize that the timing of this case is being filed during a ramp phase of a large customer and increased revenues and expenses may be incurred between the true-up phase of this case and when rates are ultimately in place for this rate case proceeding. The Commission has broad discretion in determining regulatory policy, and earnings sharing mechanisms have been adopted in this and other jurisdictions. While Dr. Berry's proposal is largely motivated by anticipated revenues associated with large load customers, the Company's actual earnings will ultimately depend upon both the revenues received, but also on the costs, capital investments and operational requirements necessary to serve that growth, together with the many other factors that affect utility financial performance from day to day. For that reason, any earnings review should be based on the Company's overall results and not solely on the performance of a particular customer class and the many factors impacting a Company’s cost of service.

The Company believes this broader approach would provide a more balanced and comprehensive assessment of whether actual earnings differ materially from the level contemplated in this proceeding while preserving the appropriate regulatory framework for evaluating utility performance.

**Q: Has Evergy agreed to an earnings sharing mechanism in another jurisdiction?**

A: Yes. In Kansas, Evergy Kansas Central currently operates under an Earnings Review and Sharing Plan that was adopted as part of a unanimous settlement agreement approved by the Kansas Corporation Commission. Under that mechanism, the Company files an annual earnings review to determine whether its earned return on equity exceeds the established threshold. The existence of this mechanism demonstrates that the Company is not opposed, as a matter of principle, to a regulatory framework that reviews utility earnings and provides for customer sharing under specified circumstances. Importantly, the Kansas mechanism is based on Evergy Kansas Central's overall earned return and overall financial performance rather than focusing in on just revenues or one single customer class.

**Q: If the Commission were to consider an earnings sharing mechanism in this proceeding, what principles should guide its design?**

A: Any earnings sharing mechanism should evaluate EMM's overall earnings rather than focusing on a single customer class or a single source of revenues, such as revenues associated with Large Load customers. EMM's overall Company earnings reflect the combined effects of revenues, operating expenses, depreciation, taxes, financing costs, and capital investments across the jurisdiction's operations. Evaluating only one component of the Company's operations would not provide a complete picture of whether the Company has earned more than its authorized return. In addition, as stated previously, the Company

has entered into an Earnings Review Sharing Mechanism in the State of Kansas which provides a framework that could be discussed and appropriately implemented in the State of Missouri.

**Q: Why is it important to consider the Company's overall earnings rather than focusing solely on Large Load customers?**

A: Utility earnings are not determined by revenues alone. They are the result of the Company's total revenues and the associated operating expenses, depreciation, taxes, financing costs, and capital investments across all customer classes. Accordingly, if the Commission elects to adopt an earnings sharing mechanism, it should be based on EMM's overall financial performance rather than the financial results associated with a particular group of customers.

Additionally, I would point the Commission to the sharing methodology employed in Evergy's Kansas jurisdiction. That sharing mechanism is generally much more balanced than the approach recommended by Dr. Berry and similar application in Missouri would more appropriately balance costs and incentives associated with the addition of large load economic development customer additions in Missouri.

## III. CONSTRUCTION WORK IN PROGRESS (CWIP)

**Q: What CWIP issues are you addressing?**

A: I address the accounting and ratemaking treatment of Adjustment RB-21, which includes CWIP associated with new natural gas generation. Specifically, I respond to arguments from OPC Witness Robinett that: (1) turbine reservation fees are ineligible because they were incurred before physical construction began, and (2) CWIP should not be reflected in

rates until the Commission issues a final Certificate of Convenience and Necessity ("CCN") decision for the project.

**Q: What amount did the Company include in rate base for RB-21?**

A: My direct testimony rate base schedule includes $86,363,196 for CWIP in rate base.

**Q: What types of costs are included in RB-21?**

A: RB-21 consists mostly of turbine reservation fees incurred to secure manufacturing and delivery capacity for a potential new natural gas-fired generating facility. It also includes estimated initial capital spend and AFUDC expected to be incurred through June 30, 2026, the true-up date in this rate case.

**Q: Why are those costs important to the project?**

A: Major generation equipment is subject to manufacturing lead times, supplier constraints, and delivery-slot availability. Reservation fees are incurred to preserve manufacturing capacity, equipment availability, and pricing. They are therefore part of the cost path necessary to develop and construct the new gas-generation resource.

**Q: OPC relies on your description of turbine reservation fees as "pre-construction costs." Does that description mean the costs are ineligible for CWIP treatment?**

A: No. The phrase "pre-construction costs" was used to describe the timing of those costs relative to physical construction activity. It was not intended to concede that the costs are legally or ratemaking ineligible for CWIP treatment. From an accounting and project-development standpoint, costs incurred to secure major equipment for a generation facility are part of the capital project's development and construction cost stream.

**Q: How should the Commission evaluate whether those costs belong in CWIP?**

A: The Commission should evaluate whether the costs are project-specific, capital in nature, necessary to develop the generation facility, properly recorded, and subject to the statutory limitations and refund protections. The fact that an invoice or payment occurs before visible field construction does not make it unrelated to the construction project.

**Q: Does FERC accounting support a broader understanding of construction-related activities than OPC's active-site-construction interpretation?**

A: Yes. FERC guidance on AFUDC recognizes that activities necessary to get a construction project ready for its intended use include activities prior to physical construction, such as development of plans and obtaining permits, although preliminary survey and investigation activities are treated separately until appropriate transfer to CWIP. This supports a practical distinction between truly preliminary feasibility costs and project-specific costs incurred after the Company is moving forward with a construction project.

**Q: Why is FERC's AFUDC guidance relevant to the Commission's consideration of CWIP treatment?**

A: Because Missouri's enabling statute expressly treats CWIP in rate base as a substitute for AFUDC. Section 393.135 RSMo. provides that CWIP inclusion in rate base is to occur "in lieu of" otherwise applicable AFUDC accruals. In other words, the statutory framework does not create an entirely separate construction accounting concept. Rather, it substitutes current recovery through CWIP for financing costs that otherwise would have been capitalized through AFUDC.

**Q: Would it make sense for a cost to be eligible for AFUDC but simultaneously ineligible for CWIP because physical construction has not yet begun?**

A: No. That outcome would create an illogical inconsistency. Under OPC's interpretation, a utility could accrue AFUDC on project costs because the project has advanced beyond the preliminary feasibility stage and activities are underway to prepare the facility for its intended use, yet those same costs would be excluded from CWIP in rate base treatment solely because active site construction had not yet commenced. Nothing in the statute suggests the Legislature intended such a disconnect between CWIP and AFUDC treatment. To the contrary, the statute establishes CWIP in rate base as the alternative recovery mechanism to AFUDC. Therefore, consistency between the two approaches is both reasonable and appropriate.

**Q: Applying that framework here, how should the Commission evaluate turbine reservation fees?**

A: The Commission should evaluate whether the costs are project-specific expenditures incurred as part of moving the Mullin Creek No. 2 project toward its intended use. The record demonstrates that the turbine reservation fees were incurred to secure manufacturing capacity and delivery slots for major generating equipment associated with the proposed facility. My direct testimony explained that the reservation fees preserve equipment availability and pricing while the project proceeds through regulatory review. The CWIP balance also includes initial project capital expenditures and AFUDC, which no party has challenged. Those activities are not preliminary concept studies unrelated to a specific resource decision. They are actions undertaken to advance a particular generating project toward construction and eventual operation. Under the FERC accounting principles, such

activities are consistent with the type of project-development efforts that move a facility toward its intended use and therefore support construction-related accounting treatment.

**Q: Does inclusion of RB-21 create a risk that the Company will recover more than the project budget approved in the CCN case as asserted by OPC witness Robinett?**

A: No. The RB-21 amounts associated with the Mullin Creek No. 2 generation facility represent an early-stage amount of a multi-year construction project for costs incurred through the June 30, 2026 true-up date in this rate case proceeding. It is not the full project cost. Once the CCN budget is approved, the Company will compare the RB-21 amount to the approved project budget and demonstrate that the rate case CWIP balance is well below the budget cap. Even if the Commission accepts OPC's concern that CWIP must be limited by the project budget ultimately approved in the CCN case, the amount included in this rate case is far below the anticipated project budget and are to be expected to be included in the requested project budget in the CCN case. Therefore, there is no realistic risk that the CWIP amount reflected in this rate case will exceed the Commission-approved project-cost limitation.

**Q: Do existing customer protections address OPC's concerns?**

A: Yes. The CWIP statute provides refund protection with interest if costs included in CWIP are later determined imprudent or if the project is not placed in service within a reasonable time.

**Q: Do you agree with Mr. Robinett's suggestion that the Commission must wait until the CCN proceeding is concluded before considering CWIP in this rate case?**

A: No, I do not.. Section 393.135 RSMo. expressly authorizes the inclusion of CWIP associated with new natural gas generating units in rate base and includes specific

safeguards for customers if costs are later determined to be imprudently incurred or if the project is not completed within a reasonable period. Those protections demonstrate that the statute contemplates ongoing Commission oversight after CWIP is reflected in rates. The Legislature specifically provided for subsequent review and refund authority if warranted.

More importantly, inclusion of CWIP in this proceeding does not limit or diminish the Commission's authority in the pending CCN proceeding. Denial of a CCN for the Project would trigger the statutory protections ensuring any collection of unapproved costs would be returned to customers. The Commission retains full authority to determine the appropriate project budget, establish any conditions it deems necessary, evaluate the estimated construction period, and review the prudence of expenditures. Application of CWIP as requested by the Company is fully supported by the statutory safeguards, recognizes the inherent timing differences between general rate case filings and project CCN case filings, and acknowledges the substantial long lead time required when constructing generating resources for customers and the reality that not all regulatory approvals can be finalized before some level of construction contracting must be undertaken in order to appropriately balance approval risks and prudent project cost management.

Importantly, Mr. Robinett does not identify evidence that the amount included in Adjustment RB-21 exceeds the anticipated project budget, nor does he demonstrate that the expenditures included in RB-21 are inconsistent with the development of the Mullin Creek No. 2 project. His concerns are primarily procedural with respect to the timing of the CCN proceeding and he provides a very strictly confined definition of construction that

I believe does not fit the General Assembly's intent or reconcile with the nature of construction costs included in a multi-year construction project.

The Company is prudently advancing the project through the normal development, regulatory, engineering, and procurement process. The timing of the CCN proceeding does not change the fact that project-specific expenditures are being incurred to move the project toward construction and eventual operation. Accordingly, I believe this Commission has the authority to consider CWIP costs in rate base in this rate case being in the best interest of customers.

## IV. PLANT IN SERVICE REPORTING REQUIREMENTS

**Q: Please summarize Staff witness Trevor Rucker's testimony concerning Plant in Service Reporting Requirements.**

A: Staff witness Rucker recommends reducing the existing reporting threshold from projects exceeding $5 million to projects exceeding $1 million and requiring quarterly reporting of substantially expanded documentation, including purchase orders, change orders, supporting documentation, and referenced documents.

**Q: Does the Company oppose providing information regarding projects between $1 million and $5 million?**

A: No. The Company routinely provides information regarding projects of all sizes through discovery responses, audits, capital budget proceedings, prudence reviews, and rate cases. And the Company could comply with the reporting requirements proposed by Staff if ordered by the Commission.

The issue is not whether Evergy can provide the information. The issue is whether lowering the reporting threshold from $5 million to $1 million would materially improve regulatory oversight and provide benefits that justify the significant increase in reporting volume.

Even if the purpose of the reporting requirement is broader than identifying imprudent expenditures, the Commission should consider whether the additional information would materially improve Staff's ability to conduct oversight. Staff already possesses broad discovery authority, conducts prudence reviews, participates in capital budget proceedings, and reviews plant additions in every rate case. Staff has not demonstrated that those existing oversight tools are insufficient.

**Q: Why does the Company believe the existing $5 million threshold should be maintained?**

A: The current threshold appropriately focuses regulatory attention on projects that are most likely to have a meaningful impact on customer rates. A $5 million project represents a significant capital investment and warrants enhanced reporting. By contrast, projects between $1 million and $5 million often consist of recurring infrastructure replacement, reliability, information technology, and system improvement projects that are already reviewed through existing regulatory processes and can be reviewed through sample testing in general rate case filings when in-service projects are brought into rate base as I believe was done by Mr. Rucker in this case. The current threshold therefore strikes a reasonable balance between transparency and efficient regulatory administration.

**Q: Has Staff identified instances where Evergy failed to comply with its existing reporting obligations?**

A: No. Staff's testimony identifies differences in how certain blanket projects and jurisdictionally allocated projects were reflected in reporting. Those differences arise from interpretation of the reporting requirement rather than any failure by Evergy to provide required information. The existing reporting requirement applies to projects exceeding the applicable threshold, and Evergy has complied with that requirement. If additional clarification regarding the treatment of blanket projects or jurisdictional allocations would be beneficial, such clarification could be addressed without fundamentally restructuring the reporting process.

**Q: Did Staff identify evidence that the current reporting threshold has prevented effective oversight?**

A: No. Although Staff recommends expanding reporting requirements, witness Rucker does not identify a pattern of unreasonable or imprudent spending associated with projects between $1 million and $5 million. Staff expressly states that, apart from one project where they question a limited amount of spend, it had not identified other costs that may not have been reasonable or prudent as of the date the testimony was prepared. Accordingly, Staff has not demonstrated that the existing $5 million reporting threshold has prevented appropriate oversight capability.

**Q: Did Staff have access to information concerning projects between $1 million and $5 million during this case?**

A: Yes. As reflected in Mr. Rucker's testimony, Staff requested and received information regarding projects over $1 million, selected projects for further review, and obtained

additional project documentation through discovery. The fact that Staff was able to conduct that review demonstrates that the existing reporting framework did not prevent Staff from obtaining information it believed necessary to evaluate plant additions.

**Q: Does the existence of reporting requirements for other utilities mean the same requirements should automatically apply to Evergy?**

A: No. Reporting requirements should be tailored to the circumstances of each utility and based on the evidentiary record in each proceeding. Different utilities have different operational footprints, capital investment profiles, organizational structures, reporting systems, and settlement histories. The fact that another utility agreed to a particular reporting requirement as part of a negotiated settlement does not establish, nor need to establish, that the same requirement is necessary or appropriate for Evergy. For instance, the Ameren reporting provisions cited by Staff were from negotiated settlement terms. Settlement provisions often reflect compromises among parties resolving numerous contested issues and do not represent Commission findings that a particular reporting requirement is necessary for all utilities. Accordingly, Ameren's settlement provisions should not be treated as a presumptive regulatory standard applicable to EMM.

**Q: Would Staff's proposal significantly increase the amount of effort and volume of reporting?**

A: Yes. The reporting requirements for each project are substantial and include items such as purchase orders, change orders, supporting documentation, attachments, referenced documents, and other associated materials. Many of those documents contain multiple layers of supporting information and often reference additional vendor materials, technical specifications, proposals, drawings, and project records. For instance, EMM's filed

February 2026 5-year investment plan included 4,155 pages for 10 projects over $5 million. Since there are significantly more projects between $1 million and $5 million, the increase in reporting volume will be substantially greater. Any increased volume of reporting requirements lends itself much better to the sampling methodology suggested by EMM and employed by Mr. Rucker in this general rate case than submitting as a recurring, required reporting process.

## V. RATE BASE VALUE OF RETIRED PLANT

**Q: What Staff recommendation are you addressing in this portion of your rebuttal testimony?**

A: I am responding to Staff witness Matthew Young's proposal to remove approximately $43.9 million of Missouri-jurisdictional plant from rate base based upon his conclusion that EMM has experienced an increase in early retirements of mass property assets following implementation of plant in-service accounting ("PISA").

**Q: Before addressing the fundamental issue of Mr. Young's recommendation, have you reviewed Staff's quantification of this recommended rate base adjustment?**

A: Yes I have.

**Q: Did you identify any serious flaws in Staff's analysis?**

A: Yes. Witness Young's analysis includes glaring errors that materially overstate his adjusment. For example, the analysis includes an incorrect depreciation rate on 135 line items, which overstates Staff's recommended rate base adjustment by 16% (EMM allocated rate base of $7 million of the $43.9 million). As another discrete example, to exemplify the flaw, Company witness Mulvany reviewed only the top seven largest projects in Staff's filtered dataset. These top seven line items (out of 500,000 lines of data

provided) represent $13.0 million (EMM allocated portion), or 30%, of the total recommended adjustment by Staff. Witness Mulvany's testimony lists these specific projects and identifies an additional Company witness, Witness Hollingsworth, that further support the specifics of the retirement circumstances to demonstrate that the retirement decisions were prudent and that PISA was not an influential factor in the retirement decisions. Staff's broad swipe methodological approach which only considered asset age is easily refuted by witness Hollingsworth's specific descriptions of the operational reasons for these retirement decisions.

Said another way, a cursory review of Staff's quantitative analysis immediately reduced the rate base adjustment from $43.9 million to $23.9 million (45% reduction). These initial assessments demonstrate Mr. Young's analysis is not reliable for a rate base adjustment and should be summarily disregarded by the Commission.

**Q: Regarding Staff's fundamental issue, do you agree with Staff's theory supporting the proposed rate base adjustment?**

A: No. The rate base adjustment should be rejected because it is disconnected from the depreciation evidence in this case, inconsistent with Staff's own depreciation testimony, inconsistent with historical regulatory treatment of retirement experience, and creates a ratemaking result that is fundamentally incompatible with group depreciation principles.

**Q: How does Mr. Young's proposal relate to the depreciation issues addressed by Company witness Spanos?**

A: Mr. Spanos demonstrates that the issue identified by witness Young is fundamentally an issue more appropriately addressed through establishment of depreciation rates in a depreciation study. Witness Young's concern is regarding retirement timing, service lives,

survivor characteristics, reserve relationships, and recovery of investment over time. Those are precisely the topics addressed through depreciation studies.

**Q: Does Mr. Young identify a flaw in the depreciation methodology utilized by Mr. Spanos?**

A: No. Witness Young does not recommend new survivor curves, revised average service lives, revised depreciation rates, reserve adjustments associated with his proposal, nor does he identify errors in the depreciation study. Instead, he bypasses the depreciation framework entirely and proposes a rate base adjustment.

**Q: Why is that important?**

A: Because if the underlying concern is retirement experience, the first question should be whether the approved depreciation assumptions remain reasonable. That is the question depreciation studies are specifically designed to answer. However, witness Young assumes the depreciation issue exists and immediately jumps to a rate base remedy.

**Q: Have you reviewed Staff witness Amanda Arandia's depreciation testimony?**

A: Yes.

**Q: What methodology does Staff use to evaluate retirement experience?**

A: Staff explains that retirement experience is analyzed through: survivor curves; average service lives; remaining life calculations; reserve levels; depreciation rates; and ultimately full blown depreciation studies. Effectively, the traditional depreciation framework used throughout the utility industry and before this Commission.

**Q: Does witness Arandia conclude that retirement experience requires a dramatic reduction in service lives for Evergy's distribution assets?**

A: No. In fact, she continues to support substantial lives for major distribution plant categories.

**Q: Why is that significant?**

A: Because those recommendations are difficult to reconcile with witness Young's theory. Staff witness Young is effectively claiming that assets are retiring materially earlier than expected and that this creates a severe enough problem to justify removing investment from rate base. Yet Staff's own depreciation witness continues recommending long service lives for the same asset classes that are allegedly causing the problem. Those two positions move in opposite directions.

**Q: Can you elaborate?**

A: Certainly. If retirement experience truly demonstrated the type of widespread early-retirement problem alleged by witness Young, one would ordinarily expect to see that concern reflected first in the depreciation study. One would expect: shorter service lives; different survivor curves; different reserve positions; or higher depreciation rates. Instead, none of that occurred. The alleged problem appears independent of Staff's depreciation analysis. That strongly suggests that witness Young's proposal is not being driven by depreciation fundamentals.

**Q: How has retirement experience traditionally been addressed in regulatory proceedings?**

A: Historically, retirement experience has been addressed through depreciation studies. Which is exactly what both witnesses Spanos and Arandia did in this case.

**Q: Has Staff historically addressed retirement experience through selective rate base removals of mass property assets?**

A: Not to my knowledge. The traditional response has been to evaluate the depreciation assumptions underlying recovery of the asset population. That is why depreciation studies exist.

**Q: Why is that distinction important?**

A: Because Staff effectively creates a second depreciation mechanism outside the depreciation process. The Company would first be subject to depreciation rates intended to recover investment over the lives established through depreciation studies. Then the Company would be subject to a separate rate base adjustment based on many of the same retirement characteristics already reflected in depreciation accounting. That is not how the asset retirement framework has historically operated.

**Q: Has Staff identified the actual reason unrecovered balances exist on some retired assets?**

A: Not fully. Witness Young focuses almost exclusively on the existence of early retirements. However, unrecovered balances exist whenever approved depreciation rates do not fully recover investment before retirement occurs. The relevant question therefore becomes whether the approved service lives and depreciation assumptions accurately reflect actual retirement behavior. That is fundamentally a depreciation question.

**Q: Why is that distinction important in this case?**

A: Because Staff's adjustment implicitly assumes the existence of unrecovered balances is evidence of improper behavior by the Company. That is not necessarily true. The balances may instead reflect differences between actual retirement experience and depreciation

assumptions that have been approved over time by this Commission. The existence of an unrecovered balance does not establish that PISA caused the balance or that the balance should be removed from rate base.

**Q: What ratemaking result does Staff's proposal ultimately produce?**

A: It produces a separation between return of investment and return on investment. Under Staff's proposal, the Company would continue recovering the investment through depreciation expense while simultaneously being denied a return on that same investment.

**Q: Why is that problematic?**

A: Because the proposal is neither traditional depreciation treatment nor traditional rate base treatment. Under traditional depreciation principles, recovery issues are addressed through depreciation rates. Under traditional rate base principles, prudently incurred and used-and-useful investment remains in rate base. Witness Young's proposal combines elements of both approaches but does not fit either framework.

**Q: What is your recommendation?**

A: The Commission should reject witness Young's proposed rate base adjustment. Witnesses Mulvany and Hollingsworth demonstrate that the investment increases relied upon by Mr. Young cannot simply be attributed to PISA and that the replacement projects were driven by legitimate reliability, condition, capacity, resiliency, and aging infrastructure needs. Witness Spanos demonstrates that the issue identified by witness Young is fundamentally a depreciation issue and explains the proper analytical tools for addressing changing retirement experience. Staff witness Arandia confirms those same depreciation principles by evaluating retirement experience through depreciation lives, survivor curves, reserve levels, and depreciation rates. Witness Young's recommendation is not supported by the

depreciation record, it is not supported by Staff's own depreciation witness, it is inconsistent with traditional treatment of retirement experience, and it creates an unsupported ratemaking result.

## VI. MISCELLANEOUS ADJUSTMENTS/ EQUITY COMPENSATION

**Q: Please summarize Staff member Keith Majors' testimony concerning Miscellaneous Adjustments, specifically around equity compensation.**

A: Staff witness Keith Majors recommends removal of all equity compensation, both time and performance based restricted stock units ("RSUs") recorded during the test year. Staff's adjustment reduces operating expenses by approximately $2.3 million total Metro. Staff does not identify these costs as excessive, unreasonable, imprudent, or outside industry norms. Rather, the adjustment is based solely on the fact that the compensation is delivered through equity-based compensation programs.

**Q: Can you describe the time-based vested and performance-based RSUs in more detail?**

A: Evergy's incentive compensation is one component of employees' broader Total Rewards package, which includes both pay and benefits. Maintaining a competitive Total Rewards program is necessary to attract and retain talented, high-performing employees in a competitive labor market. Incentive compensation is structured as "pay at risk," meaning it is not guaranteed and is earned only when established performance measures are achieved. This design aligns a portion of employee compensation with the achievement of key financial, operational, and strategic objectives that are important to the Company's performance.

Evergy uses both short-term and long-term incentive opportunities for eligible employees. For non-union employees and executive officers, a portion of total

compensation is delivered through incentive pay, with the percentage of compensation at risk generally increasing with the employee's level of responsibility. This structure is intended to strengthen accountability and link compensation outcomes to Company performance.

As part of Evergy Missouri Metro's long-term incentive program, executive-level employees at the director level and above may receive restricted stock units ("RSUs"). These awards generally include both time-based vested RSUs and performance-based RSUs. Time-based vested RSUs are earned through continued employment over a specified vesting period and therefore support retention of key leadership talent. Performance-based RSUs are earned only if pre-established performance goals are met over the applicable performance period, thereby tying a portion of executive compensation directly to Company performance outcomes. Together, these RSU awards are designed to promote retention, focus leadership on sustained performance, and align executive compensation with the long-term interests of the Company and its stakeholders.

**Q: How has the Company handled equity compensation in its rate request in this case?**

A: It is important for the Commission to understand that Evergy's long-term equity compensation program provides tangible benefits to customers, and therefore it is reasonable to recover a reasonable portion of those costs from customers. I acknowledge that, in addition to customer benefits, shareholders of Evergy also benefit from positive aspects of the long-term equity compensation plan for many of the same reasons discussed above related to customer benefits. In recognition of these shared benefits, in the Company's filed revenue requirement, regarding long-term incentive compensation plans, EMM removed 100% of performance-based long-term equity compensation paid to all

executive-level employees and 50% of time-based long-term equity compensation paid to officer-level employees and the board of directors. The amount of long-term equity compensation costs remaining in the Company's revenue requirement are related to director level performance based and 50% of director, executive and board time-based RSUs totaling $2.3 million total Metro.

**Q: Do you agree with Staff's proposed adjustment?**

A: No, I do not. In my opinion, Staff's adjustment improperly focuses on the form of the compensation rather than the purpose of the compensation. RSUs are an important part of overall compensation that strives to be competitive in the market. Staff has not argued that the Company's director compensation expense is unreasonable or imprudent. Rather, Staff witness Majors has isolated and suggests disallowance of specific components of overall Director compensation, specifically those paid in RSUs. Contrary to Mr. Majors' position and as explained below, it is misguided to simply assume that because RSUs are equity-based variable compensation that they are focused exclusively on financial aspects of the Company's business, or that they do not provide or relate to benefits provided to customers. Disallowing all or a portion of such compensation on the basis that it is tied to financial performance is no different than disallowing all or a portion of cash based compensation expenses incurred by the Company to hire and retain employees in the provision of safe and reliable service to its customers. Long-term equity compensation is a prudent and necessary component of Evergy's overall compensation strategy.

**Q: Why is long-term equity compensation included as part of Evergy's compensation program?**

A: Long-term equity compensation is a standard component of compensation programs used throughout the utility industry and designed to ensure Evergy remains competitive with other employers seeking the same talent. Employees evaluate employment opportunities based on total compensation, including salary, retirement benefits, annual incentives, healthcare benefits, and long-term incentive opportunities.

Accordingly, compensation programs are generally designed and benchmarked on a total compensation basis. The relevant question is whether compensation is reasonable and competitive in the aggregate, not whether a particular component is delivered through cash compensation or equity compensation.

**Q: Is long-term equity compensation commonly utilized by regulated utilities?**

A: Yes. Long-term equity compensation programs are a standard component of compensation structures and widely utilized throughout the investor-owned utility industry. These programs are not unique to Evergy and are commonly used by utilities operating in competitive labor markets and are generally viewed as a normal component of market-based compensation practices. The Company's use of long-term equity compensation is consistent with common industry practice and reflects the realities of competitive workforce recruitment and retention for specialized skill sets and leadership talent in the industry we operate.

**Q: How do customers benefit from these compensation programs?**

A: Competitive and attractive compensation plans are absolutely necessary to attract and retain high-quality employees and leaders to any organization. Quality employees and

leaders directly benefit Evergy's customers in numerous ways. Specifically, quality workforce and leadership produce broad-based benefits by carrying out corporate direction and strategy that focused on aspects of safety, reliability, and overall efficiency of customer service at reasonable and affordable costs to customers. High quality employees and leaders allow Evergy to excel in many important measures, including safety, quality and efficiency of operations, quality of customer service, as well as financial performance. By excelling in all of these categories, EMM produces direct benefits to customers in the form of safe, reliable, and affordable service.

The utility industry is increasingly dependent upon highly specialized personnel with expertise in areas such as generation operations, transmission planning, cybersecurity, nuclear operations, environmental compliance, grid modernization, and regulatory compliance. Long-term equity compensation helps ensure Evergy can recruit and retain qualified employees in these highly competitive labor markets. Quality employees and leaders generate customer benefits through operational excellence, cost management, reliability, safety performance, and customer service.

**Q: Are compensation costs recoverable when they are associated with employee performance that benefits customers?**

A: Yes. Regulators have historically recognized that compensation costs may be recoverable when they support employee performance that benefits utility customers. The compensation costs at issue here support the attraction, retention, and motivation of employees whose efforts contribute directly to safe, reliable, and efficient electric operations.

**Q: Does the form of compensation determine whether it should be recoverable in rates?**

A: No. In my opinion, the appropriate ratemaking inquiry is whether the underlying expense is reasonable, prudent, and incurred to provide utility service. The economic purpose of compensation does not change simply because a portion of compensation is delivered through RSUs rather than cash compensation. If a reasonable level of compensation would be recoverable when paid through base salary or annual incentive compensation, the method through which compensation is delivered does not alter the underlying business purpose of the expense.

**Q: Do time-based restricted stock units provide customer benefits?**

A: Yes. Time-based restricted stock units are primarily a retention tool. Unlike annual cash compensation, these awards typically vest over multiple years and encourage employees to remain with the Company.

The utility industry depends heavily on institutional knowledge that is accumulated over many years. Employee turnover can lead to increased recruiting costs, training costs, onboarding expenses, and losses in organizational knowledge and operational efficiency. Time-based RSUs help reduce those costs by encouraging employee retention and promoting workforce stability. As a result, customers benefit from continuity of operations, reduced turnover costs, and retention of experienced personnel who are responsible for providing utility service.

**Q: Does the fact that compensation is equity-based mean that it is focused solely on shareholder interests?**

A: No. I disagree with the notion that equity compensation should automatically be viewed as exclusively benefiting shareholders. Positive financial performance is not independent of

customer interests. Strong financial performance is supported by operational excellence, effective cost management, reliability, workforce productivity, and customer service, all of which directly benefit customers.

Moreover, a financially healthy utility is generally better positioned to maintain investment-grade credit metrics, access capital markets efficiently, and finance infrastructure investments necessary to serve customers. Those outcomes provide tangible customer benefits.

For that reason, it is inappropriate to simply categorize all equity compensation as a shareholder-only expense without considering the operational and customer benefits associated with the employees receiving such compensation.

**Q: Do long-term compensation programs encourage a different perspective than annual compensation programs?**

A: Yes. Electric utility operations involve assets with useful lives measured in decades. Decisions regarding generation resources, transmission infrastructure, reliability programs, cybersecurity initiatives, vegetation management, environmental compliance, and nuclear operations often have long planning horizons.

Long-term incentive programs encourage employees and leaders to focus on sustained operational performance and long-term value creation rather than solely on short-term results. This alignment supports prudent asset management, operational excellence, reliability performance, and long-term customer interests. Short-term compensation alone may not create the same degree of alignment with long-term operational performance and prudent management of utility assets.

**Q: Has Staff demonstrated that the compensation levels themselves are unreasonable?**

A: No. Staff has not identified any evidence demonstrating that Evergy's total compensation levels are excessive, imprudent, outside market norms, or unsupported by business needs. Staff does not dispute that Evergy operates in competitive labor markets or that qualified employees are necessary to provide utility service. Instead, Staff's adjustment removes the costs solely because the compensation is equity-based. The fact that compensation is delivered through long-term equity awards does not provide a sufficient basis to conclude that the related costs are unreasonable or should be excluded from rates.

**Q: What is your overall recommendation regarding Staff's adjustment?**

A: I recommend that the Commission reject Staff's adjustment. Long-term equity compensation is a prudent component of Evergy's overall compensation strategy and is consistent with common utility industry compensation practices. These programs support recruitment and retention of highly skilled employees, promote workforce stability, encourage long-term operational performance, and contribute to the Company's ability to provide safe, reliable, and efficient electric service. Because these compensation costs support employee performance and workforce capabilities that directly benefit customers, they represent reasonable costs of doing business and should remain reflected in Evergy's revenue requirement. The Company's filed treatment for short- and long-term incentive compensation already effectively acknowledges the balance of customer and shareholder benefits from the compensation design and is aligned with recent historical treatment by the Commission. The Commission should not further remove incentive compensation from recovery in this case especially as Staff has made no showing of imprudence in the Company's level of compensation expense.

## VII. STORM RESERVE

**Q: Please summarize OPC Witness Manzell Payne's testimony concerning Storm Reserve.**

A: OPC witness Manzell Payne recommends that the Commission deny the Company's request to establish a Storm Reserve. Mr. Payne states that storm costs are a normal cost of providing electric service and should continue to be addressed through traditional ratemaking rather than through a reserve mechanism. He further contends that a Storm Reserve would improperly shift risk from shareholders to customers, reduce the Company's business risk without a corresponding reduction in its authorized return on equity, and that existing regulatory mechanisms, such as an Accounting Authority Order ("AAO"), remain available to address extraordinary storm events

**Q: Do you agree with Mr. Payne's recommendation to deny the Company's proposed Storm Reserve?**

A: No. Storm restoration costs are a legitimate and necessary cost of providing safe and reliable electric service. Following major storms, the Company is expected to restore electric service as quickly and safely as possible, regardless of the magnitude of the restoration costs. These costs are prudently incurred to restore service to customers and, like other prudently incurred operating expenses, should be recoverable through rates.

The issue presented in this case is not whether storm restoration costs should be recovered, but rather the most appropriate regulatory mechanism for recovering those costs.

**Q: How does the Company's proposed Storm Reserve improve the recovery of storm restoration costs?**

A: Without a Storm Reserve or similar regulatory mechanism, the Company has only two options.

First, the Company could absorb storm restoration costs until its next general rate case. Depending on the timing and severity of storms, this could result in a significant gap in the Company's ability to recover prudently incurred costs associated with restoring electric service.

Alternatively, the Company could seek recovery through an Accounting Authority Order ("AAO") proceeding following significant storm events. While AAOs remain an appropriate tool for extraordinary circumstances, repeated AAO proceedings require additional regulatory proceedings, increase administrative costs, and create uncertainty regarding the timing of cost recovery.

The proposed Storm Reserve provides a more efficient and predictable mechanism for recovering prudently incurred storm restoration costs while preserving the Commission's oversight of those costs.

**Q: Does the proposed Storm Reserve increase the amount of storm costs recovered from customers?**

A: No. The Storm Reserve does not authorize the Company to recover more than its actual prudently incurred storm restoration costs. Rather, it changes the timing of recovery for costs that customers ultimately would be responsible for paying under traditional ratemaking.

In addition, the proposed accounting mechanism includes a tracking feature that records actual storm restoration costs charged against the reserve. As a result, the Company cannot over-recover storm restoration costs. Any amounts recovered through rates are offset by actual storm restoration expenditures recorded in the reserve, ensuring that customers pay no more than the Company's prudently incurred costs.

**Q: What other benefits does the Storm Reserve provide?**

A: Storm restoration costs can vary significantly from year to year, resulting in potentially significant rate impacts when large storm costs are recovered through a single proceeding.

For example, following Hurricanes Helene, and Milton in 2024, Duke Energy Florida incurred substantial storm restoration costs. The Florida Public Service Commission approved a temporary storm restoration rider to recover those costs, resulting in an increase of approximately $33 per month for the average residential customer. While Missouri is not exposed to the same hurricane risk as Florida, Missouri utilities nevertheless experience periodic severe weather events that can produce significant storm restoration costs. A Storm Reserve helps smooth the recovery of those costs over time, reducing the potential of large one-time rate adjustments in rate cases following severe weather events.

**Q: Are there additional customer benefits associated with the proposed Storm Reserve?**

A: Yes. The proposed Storm Reserve also promotes greater intergenerational equity among customers. Storm restoration costs are incurred to maintain and restore the electric system used by both current and future customers. Recovering those costs over time through a reserve better aligns the period over which customers receive the benefits of a reliable electric system with the period over which storm restoration costs are recovered.

## VIII. CYBERSECURITY COSTS AND TRACKER

**Q: Please summarize OPC's testimony related to the criteria for establishing a cost tracking mechanism.**

A: OPC witness Angela Schaben defines regulatory trackers as mechanisms that defer costs to future rate cases. She generally concludes that regulatory trackers should only be approved when: 1) the associated cost are large; 2) the costs can cause volatile swings in income; 3) utilities have little control over the costs or revenues; 4) the trackers can be readily verifiable; 5) the trackers adhere to the matching principle.

**Q: Please summarize OPC's testimony related to the Cybersecurity Costs and Tracker**

A: OPC witness Schaben recommends that the Commission reject the Company's proposed Cybersecurity Cost Tracker. She testifies that regulatory trackers should only be approved under limited circumstances adhering to the five characteristics she believes such mechanisms should satisfy as described above.

**Q: Do you agree with Ms. Schaben's recommendation?**

A: I agree that regulatory tracking mechanisms should be used judiciously and only when supported by the facts and circumstances. However, I disagree with Ms. Schaben's conclusion that the Company's proposed Cybersecurity Cost Tracker should be rejected. In my opinion, the proposed tracker satisfies each of the characteristics Ms. Schaben identifies.

**Q: Why do you believe a Cybersecurity Cost Tracker is appropriate?**

A: Cybersecurity has become one of the most significant operational risks facing electric utilities. The Company must continually respond to evolving cyber threats and comply with changing federal reliability and cybersecurity requirements, including the North American

Electric Reliability Corporation ("NERC") Critical Infrastructure Protection ("CIP") standards. These requirements can result in significant and unpredictable costs that are largely outside of the Company's control. In addition, Company witness Charles King expands on the risks facing electric utilities in this area.

**Q: How does the proposed tracker satisfy the criteria identified by Ms. Schaben?**

A: The Company's proposed Cybersecurity Cost Tracker satisfies each of those criteria. Cybersecurity expenditures are significant, they can vary materially from year to year as new threats and compliance requirements emerge, the Company has limited ability to control many of the external requirements driving those costs, the costs are readily identifiable and verifiable through the Company's accounting records, and the tracker includes a true-up mechanism to ensure that only actual prudently incurred costs are recovered.

**Q: Does the proposed tracker create an opportunity for the Company to over-recover its cybersecurity costs?**

A: No. The proposed tracker is a true-up mechanism that reconciles amounts collected with the Company's actual prudently incurred cybersecurity costs. As a result, the Company cannot recover more than its actual eligible costs, and those costs remain subject to Commission review.

## IX. SEVERANCE COSTS

**Q: Please summarize Staff member Nathan Bailey's testimony concerning Severance Costs.**

A: Staff witness Nathan Bailey recommends removal of all severance payments made during the test year, including EMM's portion of a former executive's payment. Staff's position

is that severance payments are non-recurring with respect to a specific employee and that the Company recovers those costs through regulatory lag because base rates continue to reflect salary, benefits, and payroll taxes for positions that may have been vacated before new rates are established.

**Q: Does the Company agree with Staff's approach to handling severance costs?**

A: No. Witness Bailey's testimony takes a very narrow focus regarding severance costs by stating that severance costs are nonrecurring in regard to a specific employee and states that companies recover severance costs through regulatory lag. However, Staff's approach would intentionally apply a regulatory lag to the recovery of these costs rather than account for them accurately, in a timely manner. In fact, many situations in which severance costs are incurred require an immediate replacement of the severed employee.

Staff also asserts that severance payments are not a reoccurring cost; however, this statement is incorrect. Some level of ongoing severance cost will exist and is normal for the Company to incur in the normal course of business, as shown by Figure 1 below.

FIGURE 1 – SEVERANCE COSTS BY YEAR – Total Metro

| Severance Costs: | Test Year | 2025 | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Non-Executive Severance | $1,009,415 | $413,210 | $1,039,103 | $72,056 | $1,888,444 |
| Executive Severance | $550,594 | 0 | $550,594 | 0 | $868,714 |
| Total Severance | $1,560,012 | $413,210 | $1,589,697 | $72,056 | $2,757,184 |

Severance costs are part of the normal and recurring cost structure of operating a utility with a large workforce. While a severance payment may be non-recurring for a particular

employee, severance costs are a reoccurring category of expense incurred in the ordinary course of managing the workforce. Many recoverable utility costs vary by year and by circumstance, including injuries and damages, storm-related expenses, overtime, legal costs, and other workforce-related costs. The fact that the precise employee and amount may change does not make the category non-recurring. Where severance costs are actually incurred, reasonable, and representative of an ongoing operating cost category, they should not be categorically excluded. Staff's approach would intentionally deny timely recovery of prudently incurred operating costs based on an isolated assumption that the Company receives an offsetting benefit from regulatory lag.

**Q: Please explain why severance costs should be included in the revenue requirement.**

A: The Company has included only non-executive severance payments in the cost of service. Executive severance payments have been excluded from the Company's cost of service. Severance payments are a necessary and recurring annual business expense and part of total operating expense associated with the Company's employment of individual employees. Severance costs may be one-time payments to individual employees but are an annual recurring expense to the utility cost structure and should be included in its cost of service with the exception of executive severance payments which are usually more significant and have a variety of purposes.

**Q: Why is Staff's regulatory-lag rationale incomplete?**

A: Regulatory lag can be positive or negative depending on the facts. Staff focuses only on the possibility that the Company may continue to recover salary and benefit costs for a vacant position until rates are reset. But that is only one part of the payroll cost picture. Payroll expense is generally established in rate cases using filled positions and

compensation levels at a point in time. When vacant positions are filled after that point, or when replacement employees are hired at higher compensation levels, or when new positions are created to meet new service needs, the Company experiences negative regulatory lag until those costs are reflected in rates. The same is true for wage increases, benefit cost changes, and other payroll-related costs that occur between rate cases. It is not appropriate to isolate one potential source of positive regulatory lag and use it as the basis to disallow a prudently incurred payroll-related cost while ignoring the broader payroll-related regulatory lag that the Company experiences.

**Q: Please explain how severance costs should be viewed?**

A: Severance costs are a form of payroll costs which compensates employees. Severance costs, like other costs, are dynamic and change the instant a level is set in cost of service since the level of severance costs fluctuates from year to year. As such, severance costs similar to payroll costs has instances of both positive and negative regulatory lag. The Commission should look at the whole picture of payroll and payroll related costs in determining whether to allow or disallow certain costs. Payroll costs suffer from negative regulatory lag the first instance that a payroll rate increase occurs which establishes a level of payroll that is not recovered through base rates. Secondly, payroll costs are usually established in rate cases using only filled positions at a point in time. At any given point in time there are budgeted positions that are vacant within any company. The first day that an open position is filled, negative regulatory lag begins to occur until the newly filled position is included in rates. The reverse can happen as well, filled positions included in rates can become vacant and positive regulatory lag then exists. As such, identifying positive

regulatory lag in a minimal cost area such as severance costs should not be used by this Commission as a reason to disallow those costs.

**Q: Why do companies enter into severance agreements?**

A: Severance agreements serve legitimate business purposes. One of the reasons severance agreements are put in place is to minimize the potential liability that future costs could be incurred through actions of the severed employee. This relatively minimal cost incurred as compared to total payroll costs in order to avoid potential future costs that could possibly be significant to the Company further supports inclusion of severance costs in cost of service. Avoiding or mitigating employment-practices litigation is a reasonable business objective. The cost of defending even meritless claims can be significant, and a severance agreement may be a cost-effective way to manage that risk. Disallowing reasonable severance costs would create a disincentive for utilities to use a prudent risk-mitigation tool that can reduce future costs.

**Q: Should the Commission allow severance cost in EMM's cost of service?**

A: Yes. The Company has not sought recovery of executive severance payments in cost of service. The Company's proposed treatment is limited to non-executive severance payments, which are normal payroll-related operating costs. That distinction addresses the types of concerns that may arise with larger or more individualized executive severance arrangements while preserving recovery of reasonable severance costs incurred in the ordinary course of managing the utility workforce. The severance cost requested to be included in the cost of service in this case is a reasonable amount when considering total payroll and payroll-related benefits costs. In addition, regulatory lag exists both positively

and negatively for payroll and payroll related costs and should not be viewed in a vacuum when considering the recoverability of severance costs.

## X. INCENTIVE COMPENSATION

**Q: Please summarize Staff witness Nathan Bailey's testimony and recommendation with regard to capitalized incentive compensation.**

A: Staff witness Nathan Bailey explains that a portion of incentive compensation related to EMM financial performance, is capitalized into plant in service. Staff estimated the plant balance using actual payouts and capitalization rates, and calculated the associated reserve using depreciation rates from prior EMM rate cases. Staff recommends removing the capitalized portion of incentive compensation tied to EMM financial performance from plant in service, along with the associated accumulated depreciation reserve.

**Q: Does the Company agree with Staff's adjustment?**

A: Generally, yes. The Company agrees with Staff's recommendation to remove the capitalized component of incentive compensation tied to EMM financial performance from plant in service.

**Q: Does the Company agree with Staff's calculation of the adjustment?**

A: Not entirely. While the Company agrees with the adjustment conceptually, the Company recommends that Staff utilize the actual amounts provided by the Company in response to Data Request 0168T rather than relying on the estimate process used in Staff's Direct workpaper. The actuals provided in DR 0168T are the best available known and measurable information and should be used to calculate the adjustment at true-up.

**Q: Would the proposed approach be consistent with Staff's treatment in past cases?**

A: Yes, in the 2024 Evergy Missouri West rate case Staff's true up workpaper for capitalized incentives include the Company's actuals that were provided via DR, rather than their estimation process.

## XI. PROPERTY TAX STUB PERIOD

**Q: What property tax issue are you addressing in this testimony?**

A: Witness Hardesty addresses the Company's overall property tax position in this case. My testimony is limited to the property tax stub period issue arising from the differing dates on which the Company and Staff began implementing the property tax tracker following the enactment of Section 393.400, RSMo.

**Q: When did Staff Witness Bailey begin to apply the property tax tracker?**

A: Even though the property tax tracker law (section 393.400 RSMo.) became effective on August 28, 2022, Staff Witness Bailey did not begin to apply the property tax tracker until January 9, 2023 with the amount of property tax that was included in the Company's rate case ER-2022-0129

**Q: Did Staff Witness Bailey state in testimony why the Staff did not begin the property tax tracker until January 9, 2023?**

A: No. He only stated it was the base level established for EMM following the passage of the property tax tracker in August 2022.

**Q: Why do you believe Staff Witness Bailey did not start the tracker on August 28, 2022?**

A: I can only speculate and only Staff witness Bailey can provide that answer. It is possible that he did not include a deferral beginning in August 2022 as he felt an amount of property tax was not able to be determined from the Company's prior rate case in 2018.

**Q: Does the Company believe an amount of property tax was determined from the Company's 2018 rate case (ER-2018-0145)?**

A: Yes . Although the 2018 rate case resulted in a settled case resolving all differences between the parties, property tax was not one of those differences. Both the Company and Staff included in their revenue requirement an amount of property tax that they were in agreement on (other than an immaterial difference related to Staff removing Charging Stations from Plant in-service which is an input into calculating the actual property tax ratio). As such, an amount of property tax included in base rates was determinable and the Company implemented a property tax tracker on August 28, 2022, the effective date of the legislation which provided for the availability of the property tax tracker to commence.

**Q: What amount of property tax was established in the 2018 rate case ER-2018-0145?**

A: It was $55,970,864 in Staff's True-up EMS and $56,042,950 in Company's True-up resulting in a difference of $72,086 all related to the adjustment for charging stations referred to earlier. The Company tracked against a more conservative, slightly higher base which resulted in an immaterial $26k less in deferral for the period August 28, 2022 through January 8, 2023.

**Q: What is the amount of the deferral that Staff failed to calculate in their revenue requirement calculation?**

A: The amount of the deferral that occurred from August 28, 2022 to January 8, 2023 was $4,052,953. This amount should follow what was provided and allowed for in the law which is to be included in rate base and provide an amortization over a four-year period.

**Q: What is the Company requesting in this rate case?**

A: The Company is asking the Commission to establish a tracker on the effective date of the statute and not delay the implementation of property tax tracking until rates were set in the Company's 2022 rate case. An amount of property tax was determinable from the 2018 rate case and the Company and Staff's final provided revenue requirement models (with the one known and determinable adjustment to Staff's final amount for the removal of Charging Stations as noted above) and should be used to begin tracking property taxes included in rates when the law became effective.

## XII. PENSIONS

**Q: Please summarize Staff witness Keith Major's pension adjustment.**

A: Staff witness Keith Majors included an adjustment related to pension expense and rate base. Staff's model was based on balances as of December 31, 2025; however, Staff did not include the prepaid pension asset that was on the Company's books as of that date.

**Q: Please explain the prepaid pension asset adjustment.**

A: This asset represents the cumulative difference between pension expense computed under FAS 87 and contributions to the pension trusts. In the Company's direct filing, the prepaid pension asset adjustment was made to roll forward the prepaid pension regulatory asset to June 30, 2026 to determine the proper amount of the prepaid pension asset to be included in rate base.

**Q: Did the Company include the prepaid pension asset in its direct filing revenue requirement?**

A: No. The Company's Direct revenue requirement reflected a prepaid pension asset of $0 because, at the time the revenue requirement was developed, contribution levels for 2025

had not yet been estimated. However, as explained in the Company's direct testimony, a year-end entry for 2025 would be, and was recognized for the excess contribution as a Prepaid Pension Regulatory Asset, which resulted in a balance that should be included in the true-up.

**Q: Does the Company plan to include this amount for at true-up?**

A: Yes. The Company will include the prepaid pension asset in rate base at true-up, consistent with the treatment described in direct testimony and the guidance provided by the Non-Unanimous S&A from the ER-2022-0129 case.

**Q: Should Staff also include the prepaid pension asset in its true-up model?**

A: Yes Staff should prepare its true-up model to include the prepaid pension asset in rate base, consistent with the Company's true-up treatment.

**Q: Does this conclude your 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 RONALD A. KLOTE**

**STATE OF MISSOURI )**
**) ss**
**COUNTY OF JACKSON )**

Ronald A. Klote, being first duly sworn on his oath, states:

1. My name is Ronald A. Klote. I work in Kansas City, Missouri and I am employed by Evergy Metro, Inc. as Sr. Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro consisting of forty-two (42) 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.

Ronald A. Klote

Subscribed and sworn before me this 11th day of August 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