FILED
November 9, 2026
Missouri Public
Service Commission

Exhibit No. 101

Staff – Exhibit 101
Direct Testimony of Nathan Bailey, CPA
Case No. ER-2026-0143

Exhibit No.:	
Issue(s):	*Payroll, benefits, Taxes & 401(K), COVID AAO, Customer Education Costs, DSM Program, DSM Opt-outs, Dues & Donations, EEI, EV Charging Amortization, Incentive Compensation, Lobbying, Meter Replacement O&M, Property Tax Expense and Tracker, Prospective Tracking-Amortizations, Renewable Energy Standard Amortization, Severance Costs, Time of Use Costs, Transition Costs*
Witness:	*Nathan Bailey, CPA*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Direct Testimony*
Case No.:	*ER-2026-0143*
Date Testimony Prepared:	*June 30, 2026*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS SERVICES DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY
REVENUE REQUIREMENT

OF

NATHAN BAILEY

EVERGY METRO, INC. d/b/a Evergy MISSOURI METRO

CASE NO. ER-2026-0143

Jefferson City, Missouri
June 2026

** Denotes Confidential Information **

TABLE OF CONTENTS

OF

DIRECT TESTIMONY OF

NATHAN BAILEY

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

CASE NO. ER-2026-0143

TABLE OF CONTENTS I

INTRODUCTION 1

AMI METERS O&M 2

COVID AAO 2

TRANSITION COSTS FROM GPE – WESTAR MERGER 3

DUES AND DONATIONS AND LOBBYING 3

EDISON ELECTRIC INSTITUTE AND LOBBYING 5

PAYROLL 7

WAGES ANNUALIZATION 7

SEVERANCE COSTS 10

PAYROLL BENEFITS, 401(K) 11

PAYROLL TAXES 12

INCENTIVE COMPENSATION 13

PROPERTY TAXES AND TRACKER 16

TIME OF USE CUSTOMER EDUCATION COSTS 19

DSM PROGRAM AND OPT-OUT COSTS 23

RENEWABLE ENERGY STANDARD ("RES") 24

PROSPECTIVE TRACKING AMORTIZATIONS 25

PROSPECTIVE TRACKING ITEMS 28

DIRECT TESTIMONY

OF

NATHAN BAILEY

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

CASE NO. ER-2026-0143

INTRODUCTION

Q. Please state your name and business address.

A. My name is Nathan Bailey. My business address is Fletcher Daniels State Office building, Room 201, 615 East 13th Street, Kansas City, Missouri, 64106.

Q. By whom are you employed and in what capacity?

A. I am a Senior Utility Regulatory Auditor with the Missouri Public Service Commission ("Commission").

Q. Please describe your education.

A. I earned a bachelor's degree from College of the Ozarks in December 2017 and am currently a licensed Certified Public Accountant in the state of Missouri.

Q. Have you previously filed testimony before the Commission?

A. Yes. I have contributed to Staff memorandums and testimony in various cases before the Commission. Please refer to Schedule NB-d1, attached to this direct testimony, for a list of the audits on which I have assisted and a more detailed account of my educational background and occupational experience.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to provide an explanation for adjustments made to Evergy Missouri Metro's ("EMM") test year and certain amounts included in rate base related to the COVID Accounting Authority Order ("COVID AAO", customer education costs, Demand Side Management program ("DSM"), DSM Opt-outs, dues & donations, Edison Electric Institute Dues, electric charging amortization, Incentive compensation, lobbying, meter replacement Operations and Maintenance ("O&M") expense, property tax expense and tracker, prospective tracking-amortizations, renewable energy standard amortization, time of use costs, transition costs and payroll wages, payroll taxes benefits and severance.

AMI METERS O&M

Q. Please briefly explain your adjustment regarding O&M expense for Advanced Metering Infrastructure ("AMI") meters.

A. Staff reviewed expenditures during the test year and annualized costs from ** [redacted] ** for reading EMM AMI meters based upon the 12 months ending, January through December of 2025, the update period in this case. Staff's calculation utilizes the latest available, known and measurable per meter rate. Staff will examine AMI meter counts through the true-up period to determine the appropriate costs.

COVID AAO

Q. Has the Commission approved a COVID AAO for EMM?

A. Yes. The Commission approved an AAO for EMM in EU-2020-0350, allowing deferral accounting of certain cost items related to the COVID-19 pandemic.

Q. What is Staff's recommended treatment of the COVID AAO amortization in the present rate case?

A. The four-year amortization is scheduled to end December 2026 which is before the anticipated effective date of new rates for this case.

Therefore, Staff has removed all amortization costs included in the test year related to this amortization to avoid overcollection. EMM has also proposed the same adjustment to remove the amortization costs.

TRANSITION COSTS FROM GPE – WESTAR MERGER

Q. What are transition costs and does Staff recommend an adjustment to the transition costs amortization?

A. Transition costs were costs necessary to integrate Great Plains Energy Incorporated ("GPE") and Westar Energy, Inc. The Commission authorized the deferral of transition costs in its *Report and Order* in Case No. EM-2018-0012 and ordered a 10-year amortization of the costs in the cost of service beginning December 2018 and ending November 2028, as agreed to by the parties to the *Non-Unanimous Partial Stipulation and Agreement* approved by the Commission in Case No. ER-2018-0145. Staff recommends no adjustment and supports the test year amortization.

DUES AND DONATIONS AND LOBBYING

Q. What are dues and donations expenses?

A. Dues and donations are expenditures made by a utility to different organizations, charitable funds, clubs, economic development programs, and other

groups. Dues are usually defined as amounts a utility pays to organizations to allow the utility or its employees to participate in and benefit from the organization's activities. Donations, on the other hand, are discretionary amounts paid to individuals or organizations for charitable purposes, with no direct benefit to ratepayers.

Q. Please explain Staff's analysis of EMM's dues and donations expenditures.

A. Staff reviewed the list of membership dues paid and donations made to various organizations that EMM charged to its utility accounts during the test year. In the current case, Staff applied the same four criteria it used in Kansas City Power And Light's ("KCPL") 1985 general rate case, Case No. EO-85-185, to establish when dues and donations expenses should not be included in customer rates, which are:

(1) The expenses are involuntary ratepayer contributions of a charitable nature;

(2) The expenses are supportive of activities that are duplicative of those performed by other organizations to which the Company belongs or pays dues;

(3) The expenses are associated with active lobbying activities which have not been demonstrated to provide any direct benefit to the ratepayers; or,

(4) The expenses represent costs of other activities that provide no benefit or increased service quality to the ratepayer.

In regard to the fourth criteria listed above, EMM only had a few items listed "above-the-line" that Staff removed from the cost of service. Items "above-the-line" include expenses incurred in utility's operation that are included in the revenue requirement and are recovered through the utility's rates, unless specially removed. Items included "below-the-line" typically represent non-operating income and expenses

that are not recovered in rates and consequently are not included in the determination of a utility's revenue requirement. EMM removed Chamber of Commerce dues, Missouri Energy Development Association ("MEDA") dues, Rotary dues, Country Club dues, and tuition dues to the Missouri Chamber of Commerce. Staff removed additional line-items for additional rotary clubs, Membership to Natural Gas and Electric Association of Oklahoma("NGEAO") and additional Edison Electric Institute ("EEI") expenses which is further detailed below. Staff removed membership dues for these organizations for their designation as charitable organizations or organizations that participate in governmental advocacy.

In regard to the first criteria, while Staff recognizes the importance of charitable contributions to the communities served by utilities, donations that do not provide any direct benefit to ratepayers and are not necessary for the provision of safe and adequate service should be excluded from EMM's revenue requirement. In addition, recovery in rates of donations made by regulated utilities would constitute an involuntary contribution on behalf of the rate-paying customer, and thus, these donations were removed as an adjustment to Staff Accounting Schedule 9. EMM also removed these charitable donations from the cost of service.

EDISON ELECTRIC INSTITUTE AND LOBBYING

Q. What is the Edison Electric Institute and what services does it provide to utilities?

A. According to information obtained from the EEI website,[1] EEI is an association of investor-owned electric utilities and industrial affiliates. Staff determined based upon its review of EEI information that the primary function of EEI is to represent the interests of the electric utility industry in the legislative and regulatory arenas. This role includes filing LD-2 reports with the federal government that disclose lobbying spending on a quarterly basis. These reports are available via the EEI website or the U.S. Senate Office of Public Records website.[2]

Q. Did the Commission make any rulings in prior cases regarding EEI?

A. Yes. In Case No. ER-82-66, the Commission stated the following:

> *…until the Company [KCPL] can better quantify the benefit and the activities that were the causal factor of the benefit, the Commission must disallow EEI dues as an expense.*[3]

This position has been re-affirmed by the Commission in subsequent rate proceedings,[4] and this is consistent with Staff's recommendation in other cases.

Q. How did EMM treat EEI dues?

A. EMM included most of the EEI expenses above-the-line; however, EMM did not identify or quantify any benefit to ratepayers from participation in EEI.

Q. What is Staff's recommendation regarding EEI dues?

[1] Edison Electric Institute (EEI), https://www.eei.org (last accessed June 11, 2026).
[2] U.S. Senate, Office of Public Records, https://lda.senate.gov/filings/public/filing/10f22dda-0ebe-41bc-8cc9-7f00cc8f6e96/print/?utm_source=chatgpt.com (last visited June 18, 2026).
[3] See *Re: Kansas City Power & Light Co.*, 25 Mo. P.S.C. (N.S.) 229, 245 (1982).
[4] See *In the Matter of Kansas City Power & Light Co.*, 28 MO P.S.C. (N.S.) 228, 259 (1986).

A. Staff removed the amount of EEI dues included "above-the-line" in the test year expense from EMM's cost of service, consistent with prior Commission Reports and Orders.

PAYROLL

Wages Annualization

Q. How did Staff calculate its wage level for the present rate case?

A. Staff used actual employee and wage data as of the update period of December 31, 2025. That is the sum of total payroll less the portion of payroll costs allocated to EMM for shared production facilities including Iatan and Wolf Creek generation stations. This shared cost is known as joint partner billings. A portion of this amount is then allocated to EMM based on the Business Unit Table addressed later in this testimony, adding overtime, then multiplying that sum by the O&M ratio. This total is increased by premium, step-up and rest period pay and by adding in temporary employees to determine the level of expense to distribute to Overhead and Maintenance ("O&M") payroll expense accounts in Staff's Accounting Schedules. Each of these components are addressed below.

Q. How is payroll distributed to the different business units like Evergy Kansas Central ("EKC") and Evergy Missouri West ("EMW")?

A. The distribution is made between four business units. The business units and payroll percentage assigned to each are listed in the following table:

Evergy Business Unit Table Payroll Distribution	
Business Unit	**% of Payroll Assigned**
Evergy Missouri Metro (EMM)	36.42%
Evergy Missouri West (EMW)	14.69%
Evergy Kansas Central (EKC, formerly Westar),	48.34%
Evergy, Inc. and non-regulated operations	0.54%

Q. Is payroll further allocated after this distribution?

A. Yes, payroll is allocated through the jurisdictional allocation in Staff's Accounting Schedules. Staff witnesses Keith Majors addresses jurisdictional allocations in their direct testimony.

Q. What is an Operations & Maintenance ("O&M") ratio?

A. The O&M ratio is a calculation of the split between the amount of payroll that is expensed on the income statement (expense accounts) and the amount that is capitalized on the balance sheet (plant accounts). The balance sheet (plant accounts) is a rate base item which EMM earns a return on and of its investment as compared to the income statement (expense accounts) in which EMM earns only a return of expenses but not a return on these items.

Q. What O&M ratio did Staff apply to Evergy Missouri Metro's payroll?

A. Staff used the last known ratio, calendar year 2025 O&M ratio for EMM because the amount of payroll expenditure on overhead and maintenance since 2022 is

in a confirmed downward trend which is partially due to EMM's Sustainability Transformation Plan[5] and ongoing construction expenditures.

Q. Are any employee wages included in an alternative cost recovery mechanism like the Missouri Energy Efficiency Investment Act ("MEEIA") rider?

A. Yes. Staff removed the salaries of MEEIA-related employees whose salaries are recovered through the MEEIA rider.

Q. How did Staff determine the amount of overtime to include in Staff's recommended payroll annualization?

A. Staff reviewed historical data for the period of 2018-2025 for any trends in the level of overtime expense incurred by EMM. Staff determined the most appropriate method to determine overtime expense to include for EMM was an average of the most recent four-years of the labor reported overtime dollar values. This average recognizes both the general increase in overtime costs since 2021, but also that the significant cost increase in 2025 appears to be an outlier in that trend, as costs jumped compared to previous year increases while employee count remained relatively stable. Staff will continue to monitor this trend and investigate outliers and adjust at true up.

Q. How did Staff determine the amount of temporary employees expense to include?

[5] https://newsroom.evergy.com/news-releases?item=122411 "Evergy Announces 'Sustainability Transformation Plan'.

A. Due to the relative immaterial nature of temporary employee expense, less than 0.2% of wages, Staff accepted EMM's position for temporary employee expenses and reflected that in the payroll adjustment.

Q. How did Staff determine the amount of premium, step-up and rest period pay to include?

A. Premium, step-up and rest period pay are wage adders governed by various union contracts. Due to both the decreasing cost from the previous case and the relatively immaterial nature of premium, step-up and rest period wage expense, collectively 0.58% of wages, Staff accepted EMM's position and reflected that in the payroll adjustment.

SEVERANCE COSTS

Q. What are severance costs?

A. Severance costs refer to expenses associated with terminating or laying off employees. These costs can arise due to various reasons, including restructuring, mergers, or changes in business operations. Severance agreements typically include commitments from the former employee to not pursue litigation against EMM and its officers.

Q. What is Staff's general approach to severance costs?

A. Severance payments are non-recurring in regard to the specific employee. The purpose of incurring severance costs is often to achieve long-term efficiency gains through reduced labor costs, improved operational efficiency, etc. EMM initially incurs the financial burden of severance costs without immediate rate relief. Because of the

unique nature of cost-of-service ratemaking, utilities are able to recover severance payments through regulatory lag. EMM collects both the salary and wages of the terminated employee and benefit costs between the time the employee is terminated and rates are changed in the next rate case. These amounts can accumulate to more than the severance paid. In summary, while regulatory lag initially prevents immediate recovery of severance costs, at the same time, it offsets these costs over the time past between when severance occurred and when new rates take effect.

Q. What portion of Severance did Staff remove from the test year, if any?

A. Staff reviewed the severance agreements and associated payments and removed all severance payments made during the test year including EMM's portion of a former executive's payment.

PAYROLL BENEFITS, 401(K)

Q. What are payroll-related benefits?

A. Payroll-related benefits cover a variety of items such as 401k matching and employee insurance premium contributions made by EMM.

Q. How did Staff determine the level of payroll related benefits to include in Staff's Accounting Schedules?

A. Staff reviewed the actual charges through the update period of December 31, 2025, compared those costs to the test year and reflected the adjustment in Staff's Accounting Schedules.

PAYROLL TAXES

Q. What are payroll taxes?

A. Payroll taxes are Federal Insurance Contributions Act ("FICA"), Medicare, and State and Federal unemployment taxes applicable to payroll.

Q. Does EMM pay state unemployment taxes in Missouri?

A. No, based on information from the past two rate cases, the amount included in the test year, and EMM's adjustment, EMM historically qualifies for the State of Missouri's tax experience rate, which is an employer specific tax rate based on the employer's historical unemployment claims.[6] EMM's tax experience rate is 0% so it does not pay Missouri unemployment taxes. Therefore, Staff did not include Missouri unemployment tax amount in the payroll tax adjustment.

Q. How did Staff calculate the amount of payroll taxes to include in Staff's Accounting Schedule?

A. Staff calculated payroll taxes based on the payroll data discussed in the previous section. Staff applied the current payroll tax rate to each employee's annualized level of payroll, excluding employees whose salaries are recovered through the MEEIA rider since their associated payroll taxes are also recovered in the MEEIA rider. Staff then calculated a composite payroll tax rate by dividing the payroll taxes calculated on the annualized level of payroll by the total annualized payroll. Staff applied the composite payroll tax rate to the normalized Variable Compensation Plan ("VCP"), Power Marketing ("POW") and Wolf Creek incentive compensation ("PAR") amounts that are discussed in

[6] Case No. ER-2024-0189, Data Request No. 0298.

the Incentive Compensation section later in this testimony. For the executive incentive compensation plan Staff assumed the maximum FICA limits were achieved through its base payroll which would only leave the 1.45% Medicare tax rate to apply to its incentive compensation. Staff also applied the current payroll tax rate to overtime (reduced by the O&M percentage), temporary employees and premium, step-up and rest period wages. The compilation of payroll taxes was then reduced for the amount of payroll taxes billed to joint partners and then Staff applied the same O&M ratio that Staff used for payroll to get the annualized level of payroll taxes. Staff compared this annualized amount of payroll taxes to the test year expense amount and reflected the appropriate adjustment in Staff's Accounting Schedules.

INCENTIVE COMPENSATION

Q. What is incentive compensation?

A. Incentive compensation is a structured program with criteria for employees to potentially earn additional compensation if target performance criteria are met.

Q. Will you briefly describe EMM incentive compensation programs?

A. Yes, Evergy offers the following incentive programs:

1. Variable Compensation Plan ("VCP") (for non-executive, non-union employees)
2. Annual Executive Incentive Plan ("AIP") (for senior management employees)
3. Power Marketing Plan ("POW")
4. Wolf Creek Plan ("PAR")

Q. Do the target performance criteria change from year to year?

A. Yes, the target performance criteria are outlined for one calendar year at a time. There are some target performance criteria that remain the same from year to year but the weighting of each criteria may change. For example, earnings per share ("EPS") related metrics may have a 50% rating in one plan year and a 35% weighting in another plan year.

Q. Did Staff include incentive compensation amounts related to EPS in Staff's Accounting Schedules?

A. No, Staff's adjustment removed incentive compensation amounts that were related to EPS based on the last known 2025 plan year goal criteria. EMM also adjusted to remove incentive compensation amounts related to EPS in its filing.

Q. Does EMM offer a stock-based incentive compensation plan?

A. Yes.

Q. Did Staff include the stock-based incentive compensation plan amounts in Staff's Accounting Schedules?

A. EMM witness Ronald Klote testified that EMM removed long-term financial performance incentives with their miscellaneous adjustment.[7] Staff reviewed and adopted this adjustment. Staff's Accounting Schedules reflect the removal of stock-based incentive compensation plan amounts from the test year.

Q. Does EMM capitalize a portion of the stock-based incentive compensation?

[7] Direct Testimony of Klote, p. 15, ll. 21-25.

A. No, Staff reviewed EMM's capitalization for incentive compensation for calendar years 2022, 2023, 2024, and 2025, and stock-based incentive compensation was not capitalized.

Q. Did EMM capitalize any portion of incentive compensation?

A. Yes. A portion of incentive compensation related to EMM financial performance, a metric tied to shareholder interests not ratepayers, is capitalized into plant in service. Staff calculated the plant balance using actual payouts and capitalization rates. Staff calculated the associated reserve using depreciation rates from ER-2018-0143 and ER-2022-0129. Staff captured the pro-rated payments since the cutoff date in the EMM 2022 rate case, May 30, 2022, through the update period in this case, December 31, 2025.

Q. What is Staff's recommendation regarding the capitalized component of incentive compensation?

A. Staff adjusted to remove this amount from plant and associated reserve.

Q. What is Staff's recommendation for incentive compensation?

A. Accounting for the items addressed above, Staff included a four-year average of incentive compensation cash payouts made during 2022, 2023, 2024, and 2025. Staff recommends this method to represent normalized incentive compensation because both plan terms and payouts are subject to change each year with no clear trend in total cost. Using a four-year average of incentives reflects not just actual costs from the time frame in this current case, but a more representative amount that provides more consistency given the lack of trend. Staff used this same method in ER-2022-0129

meaning this method has been based on actual payouts and reflected in rates since 2018.

PROPERTY TAXES AND TRACKER

Q. Please describe property taxes.

A. Property taxes are taxes paid on property owned by individuals or businesses. EMM property taxes are assessed on the property it owns on January 1 of each year. The amount paid by EMM is based on the assessment and the tax rate levy set by the taxing authority and is due each year.

Q. Did Staff review EMM's property tax assessed values and property tax rates?

A. Yes. Staff reviewed the assessed values, property tax rates and the amount of property taxes paid by EMM for the calendar years 2024 and 2025.

Q. What is Staff's recommendation for an annualized level of Missouri property taxes?

A. Staff recommends the Commission adopt an annualized level of Missouri property taxes and implement a tax expense tracker for EMM using actual property taxes paid by December 31, 2025. The annualized level was determined by applying the EMM jurisdictional allocation in Staff's Accounting Schedules. Staff witnesses Keith Majors addresses jurisdictional allocations in his direct testimony. This methodology is similar to that adopted by EMW in case ER-2024-0189. The base amount for this tracker is consistent with the stipulation and agreement in Case No. ER-2022-0130 and discussed later in this testimony.

A. Does Staff intend to true-up EMM's property tax expense?

Q. Yes. Kansas allows half of the property tax assessed in a given year to be paid by May 10th of the following year.[8] Staff anticipates including the first Kansas payment of 2026 in rates if it is made before the true-up period ends. The true-up period in the current case is the 12 months ending June 30, 2026. As previously discussed, EMM will not pay Missouri 2026 property taxes until December 31, 2026, after the true-up period in this case. Any 2026 payments made by EMM after the cutoff would be addressed in a subsequent rate case as part of the property tax tracker established by the Missouri General Assembly.[9]

Q. When was the property tax tracker established by the Missouri General Assembly?

A. The Missouri General Assembly passed property tax legislation which the Missouri Governor signed on June 29, 2022, and became law effective on August 28, 2022. The new legislation, Senate Bill 745, amended Section 393.400, RSMo, which states:

> Electrical corporations, gas corporations, sewer corporations and water corporations shall defer to a regulatory asset or liability account any difference in state or local property tax expenses actually incurred, and those on which the revenue requirement used to set rates in the corporation's most recently completed general rate proceeding was based. The regulatory asset or liability account balances shall be included in the revenue requirement used to set rates through an amortization over a reasonable period of time in such corporation's subsequent general rate proceedings. The commission shall also adjust the rate base used to establish the revenue requirement of such corporation to reflect the unamortized regulatory asset or liability account balances in such general

[8] K.S.A. § 79-2004(a), available at Kansas Revisor of Statutes – K.S.A. 79-2004 (accessed June 11, 2026).
[9] Section 393.400, RSMo.

rate proceedings. Such expenditures deferred under the provisions of this section are subject to commission prudence review in the next general rate proceeding after deferral.

Q. Was a base level of property taxes established for EMM following the passage of the property tax tracker in August 2022?

A. Yes. In Case No. ER-2022-0129, the Commission set a base level of property taxes at $66,275,232.[10]

Q. Does the property tax statute address inclusion of the unamortized balance in rate base?

A. Yes. The property tax legislation states "[t]he commission shall also adjust the rate base used to establish the revenue requirement of such corporation to reflect the unamortized regulatory asset or liability account balances in such general rate proceedings…subject to commission prudence review in the next general rate proceeding after deferral." The unamortized level is the difference between the base level established in a previous rate case and the actual property taxes incurred in a subsequent rate case. This difference is recorded in a regulatory asset ("under recovery") or regulatory liability ("over recovery") and amortized over time.

Q. What is Staff's recommendation for the unamortized balance of property taxes and the amortization period?

A. Staff recommends including an unamortized balance as of the update period, December 31, 2025, in rate base amortized over four years. Staff intends to

[10] Case No. ER-2022-0129, Stipulation and Agreement, page 9, approved by the Commission on September 22, 2022.

update the unamortized balance and corresponding amortization during the true-up phase of this case.

Q. Is the property tax tracker intended to track projected costs?

A. No. Trackers are intended to track actual costs incurred and paid by a utility. Any over recovery or under recovery of the item in rates compared to the actual expenditures made by the utility is then recorded in a regulatory asset or regulatory liability account and may be eligible to be included in the utility's rates set in its next general rate proceeding through amortization to expense.

Q. Did Staff include projections in its recommended property tax deferral balance as of December 31, 2025?

A. No.

Q. Since Staff is excluding property tax estimated payments, does that mean EMM will not recover these costs at some point in the future?

A. No. Any under-recovery or over-recovery of property taxes incurred by EMM will be addressed in a future rate case.

TIME OF USE CUSTOMER EDUCATION COSTS

Q. What types of expenses related to time of use ("TOU") customer education does Staff addressing this rate case??

A. There are three categories of these expenses that Staff adjusts in this case:

- TOU education costs for optional TOU customers – these costs were incurred prior to the 2022 Rate Case;

- TOU education costs for default TOU implementation – these costs were incurred and deferred for recovery after the Commission Order in the 2022 Rate Case regarding default TOU rates; and
- Ongoing TOU education costs – these costs are the ongoing TOU costs not subject to any deferral accounting.

Q. For the optional TOU cost deferral, please describe Staff's adjustment?

A. This cost deferral for voluntary/optional TOU rate implementation was established in the 2022 Rate Case. The test year includes an annual amortization expense set in case ER-2022-0129, which is set to end December 2026. EMM removed identical test year amortization amounts related to customer education regarding rate design in CS-134. Staff has reflected this adjustment in its accounting schedules.

Q. Is there an additional amount of costs to be deferred and amortized in the current case?

A. Yes, there is a small amount of costs to be amortized. Staff has reflected the amortization in its accounting schedules.

Q. For the second category, what is the default TOU education costs deferral?

A. In the *Amended Report and Order* in the 2022 Rate Case, the Commission ordered the tracking of incremental costs associated with the implementation and customer education concerning default TOU rates.

Subsequent to the 2022 Rate Case, the 2024 EMW Rate Case *Unanimous Stipulation and Agreement* modified the provisions of the deferrals, stipulating that 1) MEEIA related TOU costs would not be included in the deferral, 2) $500,000 of TOU

education costs would not be recovered through the deferral, and 3) deferral of TOU costs would cease as of September 30, 2024. Ongoing TOU costs would not be subject to deferral.

EMM included these costs in Adjustment CS-138, and Staff has reflected the adjustment as a four-year amortization of the deferral.

Q. For the third category, what are the ongoing TOU education costs?

A. These costs are similar to the deferred TOU education costs but represent ongoing ratepayer education expenses. Staff reviewed ongoing costs related to ratepayer education and proposes to include a normalized amount of these costs in rates.

Q. How did Staff calculate this adjustment?

A. Staff adjusted to included actual costs included in the 12 months ending December 31, 2025, the update period in this case multiplied by a 48% EMM calculated allocator to reflect a portion of the shared EMM and EMW costs.

Q. Does Staff intend to true-up this amount?

A. Yes.

CUSTOMER EDUCATION PLAN REGARDING RATE DESIGN

Q. Please explain this adjustment.

A. In Case Nos. ER-2022-0129 and ER-2022-0130, Staff included an amortization and regulatory asset balance related to the Commission order from Case Nos. ER-2018-0145 and ER-2018-0146, where the Commission approved a

Non-Unanimous Partial Stipulation and Agreement Regarding Class Revenue Shifts.[11]

As part of this Stipulation, EMM and EMW agreed to the following:

a. The Company agrees to develop and implement a customer education plan regarding the rate design presented in this Stipulation. In the development of the education plan, the Company will examine and evaluate leading educational processes and practices on customer education of rate designs. The Company's rate design education plan may include various forms of tools, marketing and customer education such as mailings, outbound calling, utilization of their Interactive Voice Response Unit ("IVR"), text messaging, website information, media outlets and outreach through various company partners including community action agencies, senior housing centers and others.
b. The Company agrees to provide Staff, OPC, and DE with a report detailing its planned rate design education program within the Q2 of 2019. The Company and interested parties may further address the Company's rate design education program within the stakeholder meetings identified in the Time Of Use ("TOU") Non-Unanimous Stipulation and Agreement filed on September 25, 2018 in these cases.
c. KCP&L and GMO shall be authorized to defer for recovery prudently incurred costs (including marketing, education, evaluation and administration costs) to develop and implement the above-referenced customer education plan. In their next rate case(s), KCP&L and GMO shall be authorized to recover these prudently incurred costs.

The amortization was established in the 2022 Rate Case. These expenses were related to the overall rate design resulting from the 2018 Rate Case. The amortization will end December 31, 2026. Staff has removed the amortization. EMM also removed the amortization in Adjustment CS-133.

[11] Case Nos ER-2018-0145 ER-2018-0146, *Non-Unanimous Partial Stipulation and Agreement Regarding Class Revenue Shifts*, page 3-4, paragraph 4.

DSM PROGRAM AND OPT-OUT COSTS

Q. What are Demand Side Management opt-out costs ("DSM Opt-outs")?

A. Prior to the passage of the Missouri Energy Efficiency Investment Act ("MEEIA"), stakeholders worked with electric utilities to enable and encourage a reduction in overall demand via investment in energy efficiency through Demand Side Management ("DSM") programs. EMM conducted a variety of DSM programs beginning in or around 2005 and was authorized to defer the program costs for recovery in subsequent rate cases. In Case No. EO-2014-0029, EMM obtained approval to defer bill credits issued to commercial and industrial customers who chose to opt-out of paying for the deferred DSM costs.[12] The amount of the bill credits represented the amount of DSM costs built into current rates. KCPL, and subsequently EMM, deferred the bill credits into a regulatory asset account for recovery.

Q. Has Staff included the DSM Opt-out costs in its revenue requirement?

A. Yes. While these costs have been fully recovered before the cutoff date in EMM's 2022 rate case, the unamortized balance of the stub period, December of 2022 is included in the prospective tracking amortization section of this testimony under that title.

Q. Is this balance included in rate base?

A. No. The DSM Opt-out regulatory assets are not, and historically have not been, included in rate base.

[12] Case No. EO-2014-0029, *Non-Unanimous Stipulation and Agreement*. Approved by the Commission on October 3, 2013.

Q. When will EMM cease deferring DSM Opt-out costs?

A. EMM ceased deferring DSM Opt-out costs as of the date of implementation of rates from the ER-2022-0129 rate case.[13]

RENEWABLE ENERGY STANDARD ("RES")

Q. Would you please provide a brief overview of Renewable Energy Standard ("RES") costs?

A. Pursuant to 20 CSR 4240-20.100(6)(D), the RES rule provides a recovery option for compliance costs. The rule provides:

> (D) Alternatively, an electric utility may recover RES compliance costs without use of the RESRAM procedure through rates established in a general rate proceeding. In the interim between general rate proceedings the electric utility may defer the costs in a regulatory asset account, and monthly calculate a carrying charge on the balance in that regulatory asset account equal to its short-term cost of borrowing. All questions pertaining to rate recovery of the RES compliance costs in a subsequent general rate case proceeding will be reserved to that proceeding, including the prudence of the costs for which rate recovery is sought and the period of time over which any costs allowed rate recovery will be amortized. Any rate recovery granted to RES compliance costs under this alternative approach will be fully subject to the rate limit set forth in section (5) of this rule.

On April 19, 2012, the Commission authorized EMM's use of an accounting order in Case No. EU-2012-0131 to:

> (a) record all incremental operating expenses associated with the cost of solar rebates, the cost to purchase renewable energy credits, the cost of standard offer and other related costs incurred as a result of compliance with Missouri's Renewable Energy Standard Law in USOA Account 182; (b) include carrying costs based on the Company's short term debt rate on the balances in those regulatory assets; and (c) defer such amounts in a separate regulatory asset with the disposition to be determined in the Companies' next general rate cases.

[13] Case No. ER-2022-0129, Data Request No. 349.

Since 2012, EMM amortized RES compliance costs with various amortization periods. All Vintages have been fully amortized as of March 2021.

Q. What is Staff's recommendation regarding RES costs in this case?

A. Since all Vintages were fully amortized by March 2021, Staff recommends removing all test year expenses from the cost of service and setting amortization amounts to zero. Staff further recommends including the retirement of remaining regulatory liability for RES in prospective tracking offset by renewable energy credit related fees[14] ("REC fees") and returning this amount to ratepayers.

PROSPECTIVE TRACKING AMORTIZATIONS

Q. What is prospective tracking?

A. In prior rate cases, Case Nos. ER-2018-0145 and ER-2018-0146 ("2018 Rate Cases" and ER-2022-0129the parties agreed that the asset and liabilities listed in Exhibit A of the *Non-unanimous Partial Stipulation and Agreement* will be tracked so that the utility is allowed to fully recover deferred costs, or fully return deferred benefits, from customers but no more and no less than the amounts deferred.

In ER-2022-0129, various regulatory assets and regulatory liabilities have been established and embedded in rates by amortizing the deferred costs. The time period that the deferred costs are amortized was an appropriate period for the underlying cost. After each asset or liability is fully amortized through rates, the prospective tracking adjustment captures the amortizations passed on to customers so that EMM will not over

[14] REC fees are the expense of utilizing the commission-approved tracking system.

or under collect costs due to regulatory lag. Staff did not include assets or liabilities that are experiencing ongoing cost deferrals. Instead, Staff tracked the amortizations of legacy assets and liabilities in its prospective tracking adjustment, which can be broken into three types of amortizations.

Q. What is the first type of amortization that Staff tracked?

A. The first type of amortization tracked by Staff is related to the "stub period" of the 2022 Rate Case. The true-up date in the 2022 Rate Case was May 31, 2022. Generally, assets and liability balances were measured at that date for ratemaking purposes and if an amortization was complete, an adjustment was made to remove it from rates. However, removal of the amortization from rates was not passed to customers until the effective date of rates from that case, January 9, 2023.[15] In the current case, Staff captured the amortizations of fully amortized assets and liabilities from June 1, 2022 through January 9, 2023 (stub period), for inclusion in the current prospective tracking adjustment.

Q. What is the second type of amortization that Staff tracked?

A. The second type of amortization tracked by Staff is related to asset and liability amortizations that were included in the 2022 Rate Case, but will be fully amortized prior to the June 30, 2026, true-up date, or are expected to be fully amortized by the effective date of rates in the current case. Since these amortizations are embedded in current rates, Staff will remove expiring amortizations and include any over

[15] Order approving compliance tariffs issued December 30, 2022, effective January 9, 2023, EFIS item #679 in ER-2022-0129

or under collections before the true-up date. Staff will review any over or under collections beyond the true-up date in any future rate case.

Q. What is the third type of amortization Staff tracked?

A. Renewable Energy Standard deferred liability which is discussed elsewhere in this testimony.

Q. What point in time did Staff select to measure the assets and liabilities?

A. Since Staff limited its adjustment to legacy assets and liabilities, the monthly amortizations and balances are known and measurable throughout the remainder of the current rate case. As such, Staff used the June 30, 2026, asset and liability balances of each legacy deferred cost, the true-up date, and consolidated the balances into one "prospective tracking" asset/liability. The consolidated balance is amortized over a four year period.

Q. What are the specific legacy assets and liabilities Staff included in the prospective tracking adjustment?

A. Staff included balances created from amortizations included in prior rate cases for the assets and liabilities in the table below. Since these amortizations were captured in the prospective tracking adjustment, Staff also made adjustments to remove the amortization expense from the test year when applicable:

PROSPECTIVE TRACKING ITEMS
Renewable Energy Standards
2011 Flood Costs
Wolf Creek Refuel #18
Wolf-Creek Mid-Cycle Outage
Iatan 2 O&M Tracker
STB Settlement
LaCygne Obsolete Inventory
DSM Advertising
DSM Program Costs
Lease Abatement
Excess OSS Margins
Time of Use Customer Education Costs Amortization
EV Charging

Q. Does this conclude your direct 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 NATHAN BAILEY, CPA

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW NATHAN BAILEY, CPA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony-Revenue Requirement*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

NATHAN BAILEY, CPA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 24 day of June 2026.

TINA PETERSON
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES MARCH 4, 2030
JACKSON COUNTY
COMMISSION #26812480

Notary Public

Nathan Bailey, CPA

I have been employed as a Senior Utility Regulatory Auditor for the Missouri Public Service Commission since January 2023. Previously I was employed by Myers and Stauffer LC as an auditor specializing in government medical provider reimbursement. I completed my undergraduate degree in Accounting at the College of the Ozarks in 2018 and graduated Cum Laude. Having met the licensure requirements under section 326.280 RSMo, I am currently qualified to practice as a CPA in the state of Missouri and have maintained this qualification since 2021.

As a Senior Utility Regulatory Auditor, I perform audits and prepare filings for the Commission in conjunction with members of the Commission Staff. This includes professional review of current and prior testimony, documents, files and exhibits as necessary to produce workpapers and documentation supporting the staff position.

Year	Case/Tracking Number	Company Name	Type of Testimony/Issue
2026	ER-2026-0143	Evergy Metro, Inc. d/b/a Evergy Missouri Metro	Property Tax expense and Tracker, Time of Use Costs ("TOU") Tracker, Renewable Energy Standard Amortization, EV Charging Amortization, Meter Replacement O&M, Transition Costs, Customer Education Costs, Dues/Donations, Lobbying, EEI, Prospective Tracking-Amortizations, Winter Storm Uri Amortization, DSM Program, DSM Opt-outs, COVID AAO, Severance Costs, Incentive Compensation, Payroll, benefits, Taxes & 401(K)
2025	GR-2025-0107	Spire Missouri Inc. d/b/a Spire's	Advertising, Plant In Service and Depreciation Reserve, Payroll, Payroll Taxes, Overtime, Bonuses, Payroll Lobbying Removal, Severance, Employee Benefits (Medical, Dental, Vision, 401k), Dues and Donations

Year	Case/Tracking Number	Company Name	Type of Testimony/Issue
2024	ER-2024-0261	Empire District Electric Company d/b/a Liberty	Training and Travel Expenses, Tornado AAO Amortization, Amortization of Ice Storm Costs, Amortization of PeopleSoft Intangible Asset, Amortization of Stock Issuance Costs, Iatan and Plum Point Carrying Costs Amortization, SWPA Amortization, SWPA Hydro Reimbursement, Rate Case Expense, Vegetation Management Tracker Regulatory Asset, EMS Run, DSM Cost Recovery, COVID AAO, Winter Storm Uri Amortization, Rate Case Sharing Ongoing Amortization Tracker
2024	GR-2024-0369	Union Electric Company d/b/a Ameren Missouri	Customer Convenience Fees (Credit Card Fees), Injuries & Damages - Possible Non-Issue, Corporate Franchise Tax
2025	WM-2025-0065	Confluence Rivers Utility Operating Company, Inc.	Staff Memorandum
2024	ER-2024-0189	Evergy Missouri West	Account Receivable Fees, Cash Working Capital, Injuries and Damages, Insurance, Lobbying, Maintenance (Generation, Transmission, Nuclear, Distribution, General and Major), Material and Supplies, PSC and FERC Assessment
2024	SM-2024-0130	Confluence Rivers Utility Operating Company, Inc.	Staff Memorandum
2024	GA-2024-0100	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum
2024	WR-2024-0014	Gascony Water Company, Inc.	Staff Memorandum
2023	GA-2023-0389	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum
2023	GA-2023-0374	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum

Year	Case/Tracking Number	Company Name	Type of Testimony/Issue
2023	GT-2023-0229	Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty (MNG)	Staff Recommended ISRS Revenues Calculation