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Service Commission

# Exhibit No. 105

Staff – Exhibit 105
Direct Testimony of Sydney Ferguson
Case No. ER-2026-0143

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| *Exhibit No.:* | |
| | *Issue(s): Bad Debt Expense, Cash Working Capital, Critical Needs & Rehousing Program, Economic Relief Pilot Program, Forfeited Discounts, Income Eligible Weatherization Program, Injuries and Damages, Lease Expense, Low Income Solar Subscription Pilot Program, Misc. Revenues, PAYS Program Expense and Revenue, Rate Case Expense, Revenue (Eliminate FAC, RESRAM, MEEIA, Unbilled, GRT), Wolf Creek Decommissioning, Wolf Creek Nuclear Refueling Outage, Wolf Creek Water Contract* |
| *Witness:* | *Sydney Ferguson* |
| *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 & BUSINESS ANALYSIS DIVISION

## AUDITING DEPARTMENT

## DIRECT TESTIMONY
## REVENUE REQUIREMENT

## OF

## SYDNEY FERGUSON

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

## CASE NO. ER-2026-0143

***Jefferson City, Missouri***
***June 2026***

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**DIRECT TESTIMONY**

**OF**

**SYDNEY FERGUSON**

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

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

Q. Please state your name and business address.

A. My name is Sydney Ferguson, and my business address is 615 East 13th Street, Kansas City, Missouri 64106.

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

A. I am employed by the Public Service Commission as a Senior Regulatory Auditor.

Q. Please describe your educational background.

A. I earned a Bachelor's of Arts in Business Administration with a focus in Management from Truman State University in May 2023. I am currently pursuing a Master's of Business Administration at University of Central Missouri. I have been employed by the PSC since June 2023.

Q. Have you previously filed testimony before this Commission?

A. Yes, a list of cases and issues that I have addressed is attached to this testimony as Schedule SF-d1.

**EXECUTIVE SUMMARY**

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to discuss Staff's recommendations in this case regarding: Bad Debt Expense and Forfeited Discounts, Cash Working Capital, Critical Needs & Rehousing Program, Economic Relief Pilot Program, Income Eligible Weatherization Program, Injuries and Damages, Lease Expense, Low Income Solar Subscription Pilot Program, Test Year Revenue Adjustments, PAYS Program Expense and Revenue, Rate Case Expense, Wolf Creek Decommissioning, Wolf Creek Nuclear Refueling Outage, and the Wolf Creek Water Contract.

**BAD DEBT EXPENSE AND FORFEITED DISCOUNTS**

Q. What is bad debt expense?

A. Bad debt expense is the portion of retail revenues Evergy Missouri Metro ("EMM") is unable to collect from retail customers because of bill non-payment.

Q. How did Staff calculate a normal level of bad debt expense for EMM?

A. Staff calculated the annualized bad debt expense by examining the ratio between billed revenues, net of gross receipt taxes, for the twelve-month period ended December 31, 2025, and the actual 12-month history of billed revenues that were never collected (net write-offs) for the twelve months ended June 30, 2025. From this information a bad debt ratio was derived, which was then applied to Staff's adjusted weather normalized level of retail revenues to obtain the annualized level of bad debt expense. The six-month lag time between the net retail sales and actual net write-off calculations used by Staff to derive a net write-off percentage is consistent with how bad

debt write-offs are accounted for by EMM. It takes approximately six months for a customer's unpaid bill to be written off after the customer receives service.

Q. What is Staff's recommended bad debt expense in this case?

A. Staff's adjustment for bad debt expense adjusts the test year results to reflect a level of bad debt expense that is consistent with Staff's annualized and normalized level of retail revenue.

Q. What are forfeited discounts?

A. They are commonly referred to as late payment fees. EMM charges a late payment fee to customers who fail to pay bills in a timely manner.

Q. What is Staff's recommended forfeited discounts amount in this case?

A. Staff's adjustment for forfeited discounts adjusts the test year results to reflect a level of forfeited discounts that is consistent with Staff's annualized and normalized level of retail revenue.

**CASH WORKING CAPITAL**

Q. What is cash working capital ("CWC")?

A. Cash working capital is the amount of cash necessary for a utility to pay the day-to-day expenses incurred to provide utility services to its customers. When EMM expends funds to pay an expense before its customers provide the cash, the shareholders are the source of funds. Shareholders supplied CWC is reflected as an addition to rate base, which compensates shareholders for their supply of CWC. Alternatively, customers supply CWC when they pay for electric services received before EMM pays expenses incurred to provide that service. Customer supplied CWC is

reflected as a reduction to rate base, which compensates customers for their supply of CWC.

Q. How is CWC determined?

A. CWC is determined by a lead/lag study which measures the timing of when customer utility service is provided as well as when customers provide funds to the utility for their utility service received, then compares that to when the utility must pay for expenses incurred to provide the utility service to the customer.

Q. Did EMM perform a lead/lag study for this case?

A. No, EMM used the lead/lag study that was prepared for the last general rate case (Case No. ER-2022-0129) with certain updates discussed below.

Q. Does Staff agree with EMM's lead/lag study?

A. Yes. Staff agrees with the methodology that was used to conduct the lead/lag study for the past general rate case. EMM updated the retail revenue lag factor to reflect the appropriate collection lag during the test year. EMM also updated the collection lag in this case. The percentage of receivables sold in the test period was revised for the current case and the average number of days that bills are outstanding was recalculated for this case.

Q. Are there any non-cash items included in the CWC schedule?

A. Yes, bad debt and depreciation expense are two items where the utility collects revenue for the expense but there are no subsequent payments. Since there is no cash flow impact associated with bad debt expense and depreciation expense, Staff reflected a zero (0) day lag to remove any impact of those items from CWC.

Q. What does a positive CWC requirement indicate?

A. A positive CWC requirement indicates that in the aggregate, shareholders provided the CWC.

Q. What does a negative CWC requirement indicate?

A. A negative CWC requirement indicates that in the aggregate, customers provide the CWC.

Q. Does Staff's CWC schedule result in an overall positive or negative CWC requirement?

A. The overall CWC schedule results in a negative CWC requirement which means that in the aggregate, the customer provided the CWC to EMM. Therefore, the customers should be compensated for the CWC that they provide, which is done by a reduction to EMM's rate base reflected in Staff's Accounting Schedules.

**CRITICAL NEEDS AND REHOUSING PROGRAMS**

Q. What is the Critical Medical Needs Program ("CMNP") and what is the current program's level of funding?

A. The CMNP is a three-year pilot program that is designed to support medically and cognitively vulnerable customers through a community-based information resource network that coordinates services and helps customers. The Commission-approved budget is $300,000, split equally between shareholders and ratepayers.[1]

[1] *Order Approving Four Partial Stipulations and Agreements*, Case No. ER-2022-0129 pg. 14

Q. What is Staff's recommended treatment of CMNP?

A. Staff adjusted EMM's test year balance to ensure the required amount of ratepayer funding, $150,000, is included in rates.

Q. What is the Rehousing Pilot Program and what is the current program's level of funding?

A. The Rehousing Pilot Program assists customers with arrearages as they transition into or maintain stable housing. In Case No. ER-2022-0129, EMM agreed to establish the Rehousing Pilot Program.[2] It is funded by a 50/50 sharing of costs between customers and shareholders for a minimum of three years for a total of $250,000 per year for EMM.

Q. What is Staff's recommendation concerning the Rehousing Pilot Program?

A. Staff adjusted EMM's Rehousing Pilot Program test year balance to ensure the required amount of ratepayer funding, $125,000, is included in rates.

**ECONOMIC RELEIF PILOT PROGRAM**

Q. How long has the ERPP been active and what is the current programs' level of funding?

A. EMM began collecting ERPP funds through rates in Case No.ER-2012-0174. ERPP funding was also included in rates resulting from EMM's subsequent rate cases. The current program funding is $1,260,000 for EMM annually, which is split 50/50 between ratepayers and shareholders.

[2] *Order Approving Four Partial Stipulations and Agreements*, Case No. ER-2022-0129 pg. 14

Q. What is Staff's recommendation concerning ERPP?

A. Staff adjusted EMM's test year balance to ensure the required amount of ratepayer funding is included in rates. Staff recommends that any unspent ERPP funding collected from ratepayers be made available for future ERPP funding.

**INCOME ELIGIBLE WEATHERIZATION PROGRAM**

Q. What is the Income Eligible Weatherization ("IEW") program?

A. Per the *Non-Unanimous Partial Stipulation and Agreement* in Cases Nos. ER-2018-0145 and ER-2018-0146, the annual budget for the IEW program was set at $573,888 for EMM. EMM committed to secure contracts with Community Action Program agencies to spend the unspent amounts with any unspent funds to be recorded as regular liability accruing interest at the Allowance for Funds Used During Construction ("AFUDC") rate and carried over for use in future program years. EMM also agreed to not recover through-put disincentive in its IEW programs.

Q. How did Staff evaluate the IEW program funding and expenses?

A. Staff compared the total funding EMM has collected from customers through rates for IEW through December 2025 and compared the total funding to the actual IEW costs over the same period. Staff included the IEW program liability at December 2025 as a reduction to EMM's rate base. Additionally, an adjustment was made to reflect the amortization of any unspent funds at December 2025, over a four-year period. Staff also adjusted EMM's test year expense to match the required level of IEW program funding of $573,888 annually.

**INJURIES AND DAMAGES**

Q. What are injuries and damages expenses?

A. Injuries and damages expense is related to insurance claims and represent the portion of legal claims against a utility that is not subject to reimbursement under the utility's insurance policies. Injuries and damages claims usually consist of claims associated with general liability, worker's compensation, and auto liability.

Q. What is Staff's recommendation concerning injuries and damages?

A. Staff's recommended treatment of injuries and damages is to normalize the costs associated with injuries and damages by using a four-year average of calendar years 2022, 2023, 2024, and 2025 cash payments made by EMM to entities that had an injury and/or claim against EMM.

**LEASE EXPENSE**

Q. What did Staff review for lease expense?

A. Staff reviewed EMM's lease expenses in the test year 12 months ending June 30, 2025, and through the update period of December 31, 2025. Staff reviewed whether the leases were currently in effect and whether the lease expense amounts included in the test year were planned to remain in effect at the same rate in order to determine an appropriate level of lease expense to include in the cost of service.

Q. Does Staff recommend any adjustments to the test year amount for lease expense?

A. Yes, Staff recommends an adjustment to the test year to update the lease expense to 12 months ending December 2025. Staff will review this issue in true up as well.

**LOW INCOME SOLAR SUBSCRIPTION PROGRAM**

Q. What is the Low-Income Solar Subscription Program ("LI SSP")?

A. The purpose of this program is to provide a limited number of low-income residential customers with the opportunity to voluntarily subscribe to the generation output of a solar resource and receive electricity from solar resources.

Q. What was agreed to in Case No. ER-2022-0129 regarding this program?

A. According to the *Stipulation and Agreement Regarding Programs and Electric Vehicle Charging Tariffs*:

> As part of the Low-Income Solar Subscription Pilot ("LI SSP"), it is the Company's goal that no subscribing residential customer shall at any time pay more than the average retail rate for power. Any costs incurred through the LI SSP in excess of the revenues generated will be shared between customer and shareholders with shareholders bearing 50 percent of the cost and customers bearing the remaining 50 percent.

Q. When did EMM start monitoring revenues and costs for LI SSP?

A. EMM started monitoring revenues and costs of this program February 1, 2025.

Q. What is Staff's recommendation concerning this program?

A. Staff analyzed the revenues and costs associated with this program and found that there is a revenue shortfall. Consequently, the shareholders must be

allocated 50% of the revenue shortfall. Staff has included an adjustment accordingly. Staff will review this issue in true-up as well.

**TEST YEAR REVENUE ADJUSTMENTS**

Q. What revenue adjustments are you responsible for?

A. I am responsible for the adjustments to remove revenue amounts recorded for the Missouri Energy Efficiency Investment Act ("MEEIA") and the FAC (Fuel Adjustment Clause). These revenues are accounted for in other proceedings and should not be considered revenues for the establishment of base rates. I also removed unbilled revenue from the test year revenue amounts.

Q. Did Staff review the amounts EMM booked in its Misc. Revenues accounts?

A. Yes, I did. These revenues include temporary installation profit, rent from electric property, and miscellaneous electric revenues. In Case No. EE-2025-0084 the *Order Approving Unanimous Stipulation and Agreement*, EMM agreed to replace the existing reconnect fee and collection fee with a $5.00 disconnect fee for residential customers. EMM used a three-year average of actual disconnect activity and assumed $5.00 disconnect fee to estimate disconnect fee revenue. An adjustment was made for the difference between the projected revenues and the test year revenues.

**PAYS PROGRAM EXPENSE AND REVENUE**

Q. Please explain Pay as You Save ("PAYS®") program costs.

A. In Case No. EO-2019-0132 EMM filed tariff sheets designed to implement a PAYS® program. The parties to the case accepted the pilot program with the exception of the earning opportunity and administrative cap limits for the program.

On September 2, 2021, the parties entered into *a Stipulation and Agreement Resolving PAYS® Earnings Opportunity Issues*, which was approved by the Commission. EMM began offering the program on October 1, 2021.

Q. What is the purpose of the PAYS® program?

A. The purpose of the PAYS® program is to promote the installation of energy efficiency measures and create long-term energy savings and bill reduction opportunities for residential participants through a monthly service charge.

Q. How long will the participant be charged for the monthly service charge?

A. The monthly service charge will remain on a participant's bills until Evergy Metro recovers all the costs associated with the installation of the equipment, not to exceed 12 years.

Q. Does EMM recover any costs associated with the PAYS® program in its MEEIA rider?

A. Yes. EMM recovers the difference between the 3% financing cost and their weighted average cost of capital return through the MEEIA rider. This cost is recovered in the MEEIA rider, beginning when a participant initiates the installation of the equipment until the costs are included in base rates. Once the cost is included in base rates, it is no longer recoverable through the MEEIA rider.

Q. What types of cost are included in the PAYS® program and how are they recorded?

A. EMM records the investment, financing charges, and revenues in a regulatory asset. The regulatory asset balance is included in rate base and recovered over

a 12-year period. This is consistent with the PAYS® program offered by other Missouri utilities.

Q. What is Staff's recommendation concerning the costs of this program?

A. Staff analyzed the expenses and revenues related to this program during the test year to determine the appropriate rate base amount and adjustments for the update period revenue and amortization expense.

**RATE CASE EXPENSE**

Q. What is rate case expense?

A. Rate case expense is the sum of the costs a utility incurs in preparing and filing a rate case.

Q. What is Staff's recommended treatment of rate case expense in this case?

A. Staff recommends using the same treatment of rate case expense as in EMM's prior rate case, Case No. ER-2022-0129, which is to include a 50% share of the average incremental external rate case expense from the two most recent EMM rate cases and normalizing that cost level over a four-year period as EMM tends to come in for a rate case every 4 years. Staff then added the full amount of the depreciation study cost since this cost is not split. This amount was then normalized over a four-year period.

Q. Why does Staff recommend a 50/50 sharing of the rate case expense?

A. Staff recommends this sharing of expenses in this proceeding for the following reasons:

1. Rate case expense sharing creates an incentive on the utility's part to control the rate case expense and not spend excessively on rate case expenses since 50% of the costs incurred would be borne by shareholders;
2. Generally, both ratepayers and shareholders benefit from the rate case process. The process ensures ratepayers receive safe and adequate service at a just and reasonable rate and the process ensures shareholders receive an opportunity to receive an adequate return on investment;
3. It is reasonable for shareholders to contribute to at least some of the expenses since ratepayers pay for all regulatory and legal internal payroll costs regardless of the sharing mechanism; and
4. It is probable that some recommendations advocated by utilities in the rate case process will ultimately be found by the Commission to not be in the public interest.

**NUCLEAR DECOMMISSIONING**

Q. Please describe the nuclear decommissioning adjustment.

A. The owners of the Wolf Creek nuclear plant, including EMM, contribute to a trust in order to accumulate the estimated decommissioning costs of retiring the power plant. Pursuant to Commission Rule 20 CSR 4240-20.070, every three years, electric utilities with decommissioning trust funds must perform a study of the estimated retirement costs.

Q. When was the most recent study performed?

A. EMM filed the most recent cost study to the Commission in Case No. EO-2024-0056 along with an analysis prepared by EMM of funding levels contributions necessary to defray the decommissioning cost estimated in the study. The Commission approved the continuation of the annual accrual at the current level and found the current decommissioning costs for Wolf Creek are included in EMM's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes. As such, the test year nuclear decommissioning cost also represents the going-forward cost, and no adjustment is necessary.

**WOLF CREEK NUCLEAR REFUELING OUTAGE**

Q. Why is the nuclear refueling outage adjustment necessary?

A. Every 18 months, an extended outage of the Wolf Creek Nuclear facility is necessary in order to allow for nuclear refueling of the plant. Costs associated with the refueling are deferred by EMM and amortized over 18 months when the next refueling is expected.

Q. What is Staff's recommendation concerning this cost?

A. Staff included an annualized level of refueling cost for refueling outage #26 for which the amortization began during the test year.

**WOLF CREEK WATER CONTRACT**

Q. What is the Wolf Creek water contract?

A. The Wolf Creek water contract is a monetary agreement with the Kansas Water Office to use water from the Neosho River (supplied by the John Redmond

Reservoir) at the Wolf Creek nuclear generation facility. The water usage is metered and is used for sanitary (restroom and sink), reactor circulating cooling and steam supply purposes.

Q. Will you briefly describe the contract charges?

A. Yes, there is a minimum annual billed amount required regardless of usage plus a surcharge. The minimum billed amount is due annually on or before February 28th of that calendar year. The minimum charge entitles EMM to use up to half of the maximum annual water allocation and is calculated by multiplying that volume by the standard volumetric rate, plus an interest-based charge on the remaining half of the contracted water. Any water usage exceeding this initial 50% allocation is billed at the volumetric rate at the end of the calendar year, or within 30 days thereafter. When this excess usage occurs, EMM receives a proportionate credit against the interest charge previously paid on that remaining portion of water. Total billed usage under these terms is capped at the contract's maximum allowed water volume.

Q. Will you briefly describe your adjustment?

A. Yes, I reviewed water usage reports and the most current contract to determine the new minimum contractual payment beginning January 2026 and the total 2026 contract cost. I made an adjustment to the test year expense to bring it to the new contractual cost.

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 SYDNEY FERGUSON**

STATE OF MISSOURI )
) ss.
COUNTY OF Jackson )

**COMES NOW SYDNEY FERGUSON** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony-Revenue Requirement*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

**SYDNEY FERGUSON**

**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 23rd day of June 2026.

CHERYL LEVERETTE
MY COMMISSION EXPIRES
9-7-2027
NOTARY SEAL
#01404338
JACKSON COUNTY
NOTARY PUBLIC, STATE OF MISSOURI

Notary Public

# Sydney Ferguson

## Educational and Employment Background and Credentials

I am currently employed as a Senior Utility Regulatory Auditor for the Missouri Public Service Commission (PSC). I earned a Bachelor of Arts in Business Administration with a focus in Management from Truman State University in May 2023. I am currently working on a Master's in Business Administration from the University of Central Missouri. I have been employed by the PSC since June 2023.

As a Senior Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. I also review data related to assigned issues, develop adjustments, and issue positions that are supported by work papers and testimony. I am also responsible for preparing Staff Recommendations Memorandums.

Cases in which I have participated and the scope of my contributions are listed below:

| Case/Tracking Number | Company Name-Type of Case: Issues |
|---|---|
| GO-2023-0432 | **Spire Inc.**<br>Infrastructure System Replacement Surcharge (ISRS) |
| WA-2023-0450 | **Confluence Rivers Utility Operating Company Inc**.<br>Application for Certificate |
| SA-2023-0451 | **Confluence Rivers Utility Operating Company Inc**.<br>Application for Certificate |
| SM-2024-0130 | **Confluence Rivers Utility Operating Company Inc.**<br>Acquisition |

| | |
|---|---|
| GO-2024-0214 | **Spire Inc.**<br>Infrastructure System Replacement Surcharge (ISRS) |
| ER-2024-0189 | **Evergy Missouri West**<br>Customer advances, customer deposits, Economic Relief Pilot Program, lease expense, payroll and payroll taxes, payroll benefits, prepayments, and dues and donations. |
| GR-2025-0026 | **Spire Inc.**<br>Infrastructure System Replacement Surcharge (ISRS) |
| GR-2024-0369 | **Ameren Missouri Gas**<br>Materials and Supplies excluding fuel inventory, prepayments, customer deposits, and customer advances. |
| ER-2024-0261 | **Empire Electric**<br>Advertising expense, credit card fees, lease expense, low income pilot program, and critical medical needs program. |
| GR-2025-0107 | **Spire Gas**<br>PSC assessment, non-labor distribution maintenance, rate case expense, and property taxes/Kansas property taxes. |
| GR-2025-0206 | **Spire Inc.**<br>Infrastructure System Replacement Surcharge (ISRS) |
| GR-2026-0133 | **Spire Inc.**<br>Infrastructure System Replacement Surcharge (ISRS) |