FILED
November 9, 2026
Missouri Public
Service Commission

Exhibit No. 117

Staff – Exhibit 117
Direct Testimony of Lindsey Smith
Case No. ER-2026-0143

Exhibit No.:	
Issue(s):	*Accounts Receivable Bank Fees, Advertising Expense, Customer Advances, Customer Deposits and Interest Expense, Maintenance Expense, IT Software Maintenance, Prepayments, Regulatory Assessments, Iatan II Construction Account Regulatory Asset, Materials and Supplies, CIP and Cybersecurity*
Witness:	*Lindsey Smith*
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

LINDSEY SMITH

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

CASE NO. ER-2026-0143

Jefferson City, Missouri
June 2026

TABLE OF CONTENTS OF

DIRECT TESTIMONY OF

LINDSEY SMITH

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

CASE NO. ER-2026-0143

EXECUTIVE SUMMARY 1

ACCOUNTS RECEIVABLE BANK FEES 2

ADVERTISING EXPENSE 3

CUSTOMER ADVANCES 5

CUSTOMER DEPOSITS AND INTEREST EXPENSE 6

MAINTENANCE EXPENSE 8

IT SOFTWARE MAINTENANCE 9

PREPAYMENTS 10

REGULATORY ASSESSMENTS 11

IATAN II CONSTRUCTION ACCOUNTING REGULATORY ASSET 12

MATERIALS AND SUPPLIES 13

CIP AND CYBERSECURITY 14

DIRECT TESTIMONY

OF

LINDSEY SMITH

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 Lindsey Smith. 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 Missouri Public Service Commission ("Commission" or "MOPSC") as a Senior Utility Regulatory Auditor.

Q. Please describe your educational background and experience.

A. I attended the University of Central Missouri where I earned a Bachelor of Science degree in finance and a Bachelor of Science degree in economics. I am currently pursuing a Master of Business Administration degree at the University of Central Missouri as well. I have been employed by the Commission since June 2023 with the Auditing Department.

Q. Have you previously filed testimony before this Commission?

A. Yes, I have. Please refer to Schedule LS-d1, attached to this direct testimony, for a list of the audits on which I have assisted.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to discuss Staff's position in this case regarding: accounts receivable bank fees, advertising expense, customer advances, customer deposits and interest expense, maintenance expense, information technology ("IT") software maintenance, prepayments, regulatory assessments, Iatan II construction accounting regulatory asset, materials and supplies, and critical infrastructure protection ("CIP") and cybersecurity.

ACCOUNTS RECEIVABLE BANK FEES

Q. What are accounts receivable bank fees?

A. Evergy Missouri Metro ("EMM") sells its accounts receivable to Evergy Missouri Metro Receivables Company, formerly known as Kansas City Power & Light Receivables Company, an affiliated entity. The sale of accounts receivable increases immediate cash flow to EMM and provides access to funds through lines of credit. The impact of the sale of accounts receivable on EMM's cash working capital ("CWC") requirement is a reduction to the collection lag component of the overall revenue lag. This is because EMM receives money faster when accounts receivable are sold, shortening the revenue lag and reducing EMM's revenue requirement. It is the entity purchasing the accounts receivable from EMM that must wait for the customers to pay amounts due within the normal time frame set out in the Commission's billing rules. EMM pays The Toronto-Dominion Bank certain fees associated with the selling of the accounts receivable. The amount of fees EMM pays to accelerate cash recovery through the sale of its receivables is to be less than the reduction in CWC, resulting from the shorter collection lag. In other words, there must be a customer net benefit of selling the accounts receivable.

Q. Please explain Staff's adjustment related to EMM's sale of the accounts receivable.

A. For the test year, the fees paid to accelerate cash recovery of the receivables were less than the reduction to CWC, thus Staff included an adjustment for bank fees. Staff annualized bank fees using the 12 months ending December 31, 2025, actual data. Staff's recommended levels are reflected in Staff's Accounting Schedules for EMM.

ADVERTISING EXPENSE

Q. What is Staff's approach to advertising expense?

A. In forming its recommendation on the allowable level of advertising expense, Staff relied on the principles the Commission set forth in the 1985 Kansas City Power & Light rate case, Case No. EO-85-185: *In Re: Kansas City Power and Light Company*, 28 MO P.S.C. (N.S.) 228 (1986), in which the Commission adopted an approach that classifies advertisements into five categories and provides separate rate treatment for each category.

Q. Please briefly describe the five advertisement categories.

A. The five categories of advertisements recognized by the Commission are:

1. General: advertising that is useful in the provision of adequate service;
2. Safety: advertising which conveys the ways to safely use electricity and to avoid accidents;
3. Promotional: advertising used to encourage or promote the use of electricity;
4. Institutional: advertising used to improve the company's public image; and
5. Political: advertising associated with political issues.

The Commission adopted these categories of advertisements in lieu of the previously applied New York Rule so that Staff and interested parties can properly categorize advertisements. The Commission determined that general and safety advertisements are properly included when they are beneficial to the ratepayers. However, institutional or goodwill advertisements and political advertisements are not beneficial to ratepayers and should not be included in the revenue requirement. Further, the Commission decided that promotional advertising can be beneficial to the ratepayers and should not be arbitrarily disallowed, but any benefit must be cost justified. The benefits from those expenditures must be demonstrated to exceed the costs of the promotional advertising itself.[1]

Q. How did Staff develop its recommended level of advertising expense?

A. In response to Staff data requests issued in this case, EMM provided supporting documentation for its advertising costs and copies of the actual advertisements. Staff examined each advertisement and classified them into the individual categories the Commission has used in prior cases to determine the advertisements that should be either included or excluded from EMM's cost of service. The purpose of Staff's review of EMM's advertising costs is to ensure that only advertising costs for programs necessary for the provision of safe and adequate utility service are included in EMM's cost of service. For example, all direct and indirect costs associated with safety advertising are included as well as other costs necessary for EMM to communicate with its customers on utility matters (i.e., general advertising).

[1] (Report and Order in KCPL Case No. EO-85-185, 28 Mo.P.S.C. (N.S.) 228, 269-271 (April 23, 1986)).

Q. Did Staff disallow any costs related to promotional, institutional or political advertising?

A. No. Staff did not find any advertising in the test year that would be categorized as promotional, institutional or political.

Q. Did EMM make any advertising adjustments?

A. Yes, EMM adjusted test year expense for advertising costs related to jurisdictions other than Evergy Missouri Metro.

Q. What is Staff's recommendation regarding advertising expense for EMM?

A. Staff reflected the adjustments EMM excluded from the test year relating to jurisdictions other than Evergy Missouri Metro. Staff adjustments are identified on Schedule 10 of Staff's Accounting Schedules.

CUSTOMER ADVANCES

Q. Please describe customer advances.

A. Customer advances are funds typically provided by construction developers to EMM in order to ensure that EMM builds electric infrastructure in areas that have potential for future development. These advances are also used by the utility to establish electric service for potential future customers without investing a substantial amount of money at the risk of the utility and its other customers. Unlike customer deposits, where EMM receives these payments from prospective customers to obtain access to utility service, customer advances are provided to EMM from certain customers that obligate EMM to provide future electrical infrastructure and service for those affected customers. Customer advances represent a recorded liability to recognize, in most

instances, the obligation to eventually return the funds advanced by customers to EMM. The infrastructure constructed with these funds is not financed with debt or equity and, thus, ratepayers should not be obligated to pay a return on these plant investments. Consequently, customer advances are a reduction to EMM's rate base.

Q. What is Staff's recommended treatment of Customer Advances?

A. Staff's recommended treatment of customer advances is to deduct from EMM's rate base a 13-month average of customer advances account balances ending December 31, 2025. Staff utilized a 13-month average as the monthly balances for EMM did not exhibit a discernable upward or downward trend. Staff's recommended level of customer advances are included as a reduction to EMM's rate base on Accounting Schedule 2.

CUSTOMER DEPOSITS AND INTEREST EXPENSE

Q. What are customer deposits?

A. Customer deposits are funds required to be provided by certain customers in order to initiate service as security against potential losses from failure to pay the utility for service provided. Since deposits are supplied by the customers, a representative level is deducted from EMM's rate base to ensure that the utility does not earn a return on the value of these deposits.

Q. Is EMM required to return the deposits to customers after a period of time?

A. Yes. After satisfactory payment over a 12-month period, EMM must return the deposit including accrued interest.[2]

Q. Is customer deposit interest included in EMM's cost of service?

A. Yes. Since EMM is required to refund the deposits including interest, an appropriate level of expense should be included in the utility's cost.

Q. How is interest expense determined?

A. Consistent with EMM's tariff, Staff applied the most current prime interest rate published in the Wall Street Journal (6.75%) plus 100 basis points, for a total of 7.75% to its recommended customer deposit balance.

Q. Please explain Staff's recommended level of customer deposits included in rate base and the corresponding adjustment for customer deposits.

A. The amount Staff reflected for customer deposits on Accounting Schedule 2, Rate Base, is the balance as of December 31, 2025, for EMM. The balance reflected on the Rate Base Accounting Schedule is the Missouri jurisdictional total for customer deposits. The December 2025 balance was used because of a downward trend in customer deposits during the test year and update period was noted for EMM. In addition to the amount deducted from rate base for customer deposits, an amount for interest on customer deposits has been included as an adjustment to the income statement, Staff's Accounting Schedule 9.

[2] Evergy Missouri Metro, P.S.C. MO. No 1, Rules and Regulations, Section 2, Rule 2.04(E)

MAINTENANCE EXPENSE

Q. What is maintenance expense and what costs are included in it?

A. Maintenance expense is the cost of maintenance chargeable to the various operating expenses and clearing accounts. It includes labor, materials, overheads, and any other expense incurred in maintaining a utility's assets – including power plants, the transmission and distribution network of the electric system, the nuclear plant, and the generation plant. Specific types of maintenance work tied to specific classes of plant are listed in functional maintenance expense accounts in the FERC Uniform System of Accounts ("USOA") for the various types of utilities. Maintenance expense normally consists of costs of the following activities:

- Direct field supervision of maintenance;
- Inspecting, testing, and reporting on condition of plant, specifically to determine the need for repairs and replacements;
- Work performed with the intent to prevent failure, restore serviceability or maintain the expected life of the plant;
- Testing for, locating, and clearing trouble; Installing, maintaining, and removing temporary facilities to prevent interruptions;
- Replacing or adding minor items of plant, which do not constitute a retirement unit.

Q. Are labor costs included in maintenance adjustments?

A. No. Because EMM and Staff separately include payroll (labor) costs in their respective revenue requirement models, maintenance is analyzed on a non-labor basis. Staff witness Nathan Bailey addresses EMM's payroll in his direct testimony in this case.

Q. How did Staff approach maintenance expense adjustments?

A. Staff analyzed non-labor maintenance costs from January 1999 through December 31, 2025, for EMM, by functional area for generation, transmission, distribution,

and nuclear power plants by FERC account. Several steps were taken to analyze the maintenance data including examining the non-labor maintenance amounts to identify any fluctuations or trends from one period to another. Each of the costs by year for maintenance were compared to results for the test year, the 12-month period ended June 30, 2025, and the update period ended December 31, 2025. Staff's review of EMM's maintenance data was to establish a maintenance level that is anticipated to result in a reasonable annualized and normalized level of EMM's maintenance costs to include in rates.

Q. What is Staff's recommended approach for each of the mentioned maintenance categories?

A. Staff's recommended approach for each category of maintenance expense is a three-year average including 2023, 2024, and 2025 for its direct case filing for EMM.

IT SOFTWARE MAINTENANCE

Q. Describe EMM's IT software maintenance costs.

A. EMM incurs costs associated with contracts to maintain their IT hardware and software that include, but are not limited to Microsoft, PowerPlan, and Oracle. EMM prepays the software maintenance vendors and amortizes the balance of the costs over the life of the contract.

Q. How did Staff review EMM's IT software maintenance costs?

A. Staff obtained and reviewed total monthly IT maintenance costs recorded in EMM's general ledger from June 2022 through February 2026. Staff determined an appropriate annualized level of EMM's IT software maintenance costs to be 12 months ending December 31, 2025. This includes the most current costs related to IT software

maintenance. The total amounts were compared to the test year's IT maintenance expense, and an adjustment was made to reflect the appropriate annualized level of IT Maintenance cost going forward for EMM. Staff's adjustment is identified on Schedule 10 of Staff's Accounting Schedules.

PREPAYMENTS

Q. Please describe Prepayments.

A. Prepayments are expenses that a company pays in advance of the associated goods or services purchased. Since there are investment costs incurred by the utility when it prepays expenses, the company is allowed to earn a return on these amounts through inclusion in rate base. For example, EMM prepays for property insurance to protect their assets in advance of the coverage period. Accordingly, the cost of that insurance policy is considered to be a prepaid asset and included in rate base to allow a return to the unused portion of the prepaid asset. As the prepayments are consumed, an amount is charged to an expense account in the income statement.

Q. What is Staff's recommended treatment for prepayments?

A. Staff's recommended treatment of prepayments is to examine each prepayment account individually in order to determine an appropriate measure that most accurately predicts the ongoing future investment costs of a particular prepayment account, and then to include the appropriate level of prepayments in EMM's rate base. Staff included amounts in its rate base for all prepayments required for EMM to provide electric utility service to their customers. Staff examined all of EMM's prepayment account balances from December 2024 to December 2025 on a month-by-month basis.

Q. How did Staff determine the level of prepayments to be included in EMM's rate base?

A. Since there were no discernible upward or downward trends for the accounts in the monthly balances, Staff calculated an average based on balances for the 13 months ending December 31, 2025. Staff removed the Edison Electric Institute ("EEI") dues booked to account 165008 – Prepayments Other.

Q. Please explain why Staff made an adjustment to exclude these dues.

A. Staff removed the EEI dues from EMM's prepayments consistent with Staff's treatment of EEI dues addressed in the Dues and Donations section of Staff Witness Nathan Bailey's testimony.

REGULATORY ASSESSMENTS

Q. Did you include the most currently available MOPSC assessment in the revenue requirement in this case?

A. Yes. EMM's MOPSC assessment was annualized using the latest assessment available for the current fiscal year 2026, based on information obtained from the Commission's records. The updated MOPSC Assessment was compared to the MOPSC Assessment amount included in EMM's test year to form the basis for the adjustment in Staff's revenue requirement. Staff will update this adjustment in true up when the fiscal year 2027 PSC assessment is available from the Commission's records.

Q. Did you include the most currently available FERC assessment in the revenue requirement in this case?

A. Yes. EMM is assessed a regulatory fee from FERC. The FERC assesses fees to public utilities and Regional Transmission Organizations ("RTO") based on their usage of transmission of electric energy. Staff included the most recent billed FERC assessment for the 12-month period ending December 31, 2025.

Q. Did you include the new OPC assessment in the revenue requirement in this case?

A. No. In the newly passed Missouri Senate Bill 4, codified as Section 386.720, it states that the OPC will charge assessment fees to each public utility on or before July 1st of each year to be paid in full by July 15th, or in four equal installments no later than July 15th, October 15th, January 15th, and April 15th. Since EMM has not been billed by OPC for the OPC assessment yet, Staff did not include the OPC assessment in this direct filing. Staff will update this adjustment in true up.

IATAN II CONSTRUCTION ACCOUNTING REGULATORY ASSET

Q. What is the Iatan II Regulatory Asset?

A. During the creation and execution of EMM's, f/k/a Kansas City Power & Light ("KCPL"), Experimental Regulatory Plan for the construction of Iatan 2, in Case No. ER-2010-0355, the Commission authorized EMM to book certain costs into regulatory asset accounts for potential recovery in future general rate cases.

Q. What ratemaking treatment was authorized for the regulatory asset?

A. The asset was to be amortized over the remaining life of the Iatan II generating unit, with rate base treatment.

Q. Did Staff reflect the asset balance in the current revenue requirement?

A. Yes. Staff included the December 31, 2025, unamortized balances of the Iatan II asset in rate base, as adjusted by Case No. ER-2022-0129. Staff also reset the amortization expense of the adjusted balances to amortize the remaining assets of the life of the underlying plant.

MATERIALS AND SUPPLIES

Q. Describe materials and supplies as they relate to EMM.

A. Materials and supplies includes the cost of materials that are purchased primarily for use in the construction, operation, and maintenance of utility plants but are not directly assignable to specific plant accounts. Materials and supplies represent an investment in inventory for items such as spare parts, electric cables, poles, meters, and other miscellaneous items used in daily operations, maintenance, and construction activities by EMM to maintain and build their production facilities and electric system.

Q. How did Staff evaluate EMM's materials and supplies?

A. Staff examined each account individually to determine whether trends within an individual account existed over time and to determine an appropriate level that most accurately reflects the ongoing future investment costs of a particular account that should be included in rate base.

Q. What is Staff's recommended treatment of EMM's materials and supplies?

A. Staff reviewed the monthly balances for materials and supplies accounts from December 2024 to December 2025. If an upward or downward trend was detected, then Staff used the ending balance for that account. If there was no discernible trend, then a 13-month average was determined to be the most appropriate measure of the

ongoing investment level for that account. Staff's recommended level of materials and supplies for EMM is reflected in Staff's Accounting Schedules (Accounting Schedule 2).

CRITICAL INFRASTRUCTURE PROTECTION ("CIP") AND CYBERSECURITY

Q. Describe CIP and cybersecurity as it relates to EMM.

A. Cybersecurity is the digital security system EMM uses to defend its networks from hackers and cyberattacks. CIP refers to a strict, mandatory set of federal reliability standards that EMM must legally follow to shield the actual physical power grid and control rooms from both digital threats and physical break-ins.

Q. What is Staff's recommended treatment of CIP and cybersecurity costs?

A. For this direct filing, Staff has included CIP and cybersecurity costs at the test year level. There is an outstanding data response relating to CIP and cybersecurity costs; therefore, this adjustment will be reevaluated in true up.

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 LINDSEY SMITH

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW LINDSEY SMITH 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.

Lindsey Smith
LINDSEY SMITH

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 24th day of June 2026.

B. L. STIGGER
Notary Public

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661

Lindsey Smith

Educational and Employment Background and Credentials

I am currently employed as a Senior Utility Regulatory Auditor for the Missouri Public Service Commission ("Commission"). I earned a Bachelor of Business Administration in Finance and a Bachelor of Business Administration in Economics from The University of Central Missouri in May 2023. I am currently pursuing a Master of Business Administration degree at the University of Central Missouri as well. I have been employed by the Commission since June 2023.

As a Senior Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation 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
SA-2026-0125	**Confluence Rivers** Certificate of Convenience and Necessity
ER-2024-0261	**Empire Electric Company** Cash Working Capital, Customer Advances, Customer Deposits and Interest Expense, Dues and Donations, EEI Dues, Materials and Supplies, Payroll, Payroll Taxes, Payroll Benefits, Prepayments
GR-2025-0107	**Spire, Inc.** Line Locate Expense, Injuries & Damages, Oil Revenue, Miscellaneous Gas Revenue, Other Miscellaneous Revenue, Uncollectibles, EMS Run/Test Year
WA-2025-0090 SA-2025-0091	**MRG Utilities** Certificate of Convenience and Necessity
GO-2025-0026	**Spire, Inc.** Infrastructure System Replacement Surcharge
ER-2024-0189	**Evergy Missouri West**

	Advertising Expense, Credit Card Fees, CS-11-Misc. Adjustments, Incentive Compensation, Income Eligible Program (Costs Only), Meter Replacement O&M, Outside Services, Rate Case Expense (Including Sharing), Critical Needs Program (Cost Recovery Only)
GO-2024-0214	**Spire, Inc.** Infrastructure System Replacement Surcharge
SA-2024-0129	**Confluence Rivers** Certificate of Convenience and Necessity
GO-2023-0432	**Spire, Inc.** Infrastructure System Replacement Surcharge
WA-2023-0450 SA-2023-0451	**Confluence Rivers** Certificate of Convenience and Necessity