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Case No. ER-2026-0143

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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY
REVENUE REQUIREMENT

OF

MATTHEW R. YOUNG

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

CASE NO. ER-2026-0143

Jefferson City, Missouri
June 2026

** Denotes Confidential Information **

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DIRECT TESTIMONY

OF

MATTHEW R. YOUNG

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 Matthew R. Young. My business address is 615 E. 13th Street, Kansas City, Missouri 64105.

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

A. I am a Utility Regulatory Audit Supervisor on the Staff of the Missouri Public Service Commission ("Staff").

Q. Please describe your educational background and experience.

A. A summary of my education and experience is attached to this testimony as Schedule MRY-d1.

SUMMARY

Q. What is the purpose of your direct testimony?

A. In this testimony, I will support the appropriate amounts to include in Evergy Metro, Inc., d/b/a Evergy Missouri Metro's ("Evergy Metro" when referring to both Kansas and Missouri jurisdictions and "EMM" when referring only to Missouri operations) revenue requirement for several revenue, expense, and rate base items. I also explain why the Missouri Public Service Commission ("Commission") should approve

a regulatory tracker for ongoing tax benefits generated from nuclear, solar, and wind facilities.

COMMON-USE PLANT BILLINGS

Q. Please describe common use plant and the associated billings.

A. Common use plant is plant recorded as an asset of Evergy Inc. ("Evergy") or a single Evergy subsidiary but the asset is used by multiple Evergy affiliates, including EMM. The most prevalent type of common use asset is software that multiple Evergy affiliates utilize in day-to-day operations. To compensate the asset owner for an affiliate's use of its common plant, common use billings are charged from the owners to the users. Since Evergy Metro charges affiliates for the use of its assets more than it uses the assets of other affiliates, common use plant billings are a net decrease to EMM's cost of service.

Q. Is Staff recommending an adjustment for common use plant billings?

A. Yes. Staff recommends an adjustment to annualize the net amount of common use plant billings charged by EMM based on the activity recorded during Staff's December 31, 2025, cut-off month. Staff intends to true-up this cost through June 30, 2026, in its true-up revenue requirement.

Q. How did Staff annualize December 31, 2025, billings?

A. Staff multiplied an adjusted amount of December 31, 2025, billings by 12 to produce an annualized amount. Staff adjusted the actual December 31, 2025, billings in order to properly allocate the cost of Evergy Metro's Uplight software to its users.

Q. What is the Uplight software?

A. The Uplight software went into service April 28, 2022. It enables significant customer-facing applications, business operational efficiencies, and environment architecture upgrades. The initial implementation of Uplight added two components to Evergy's capabilities: Uplight Connect which is a software "layer" that interfaces with customer-facing software and Evergy's online marketplace.

Q. What is Evergy's online marketplace?

A. Currently Evergy has an online marketplace available for its Missouri and Kansas regulated customers that enables ratepayers to purchase energy efficient and demand response items for their homes with an instant rebate applied to the transaction. Evergy then assigns the cost of the rebate to its Missouri Energy Efficiency Investment Act ("MEEIA") or Kansas Energy Efficiency Investment Act ("KEEIA") recovery mechanisms depending on which jurisdiction the ratepayer resides in.

Q. Why is an adjustment for Uplight billings necessary?

A. When Uplight went into service in 2022, KEEIA was expected to become law but had not yet become effective in Kansas. Although in 2022 Evergy intended to open the marketplace to its Kansas customers and use other components of the Uplight package for Kansas operations, it initially charged 100% of Uplight's cost to Missouri operations because KEEIA was not effective, and at December 31, 2025, EMM's books continue to reflect the initial allocation to 100% Missouri customers. Evergy has fully implemented the KEEIA statute in all of its jurisdictions, including using Uplight to allow Kansas customers to access the online marketplace, so an adjustment is necessary to assign the

costs of Uplight to all Evergy entities using the software, instead of allocating the cost fully to Missouri jurisdictions.

Q. What basis of allocation did Staff use to reflect billings for Uplight?

A. Staff's adjustment allocates billings to Evergy entities based on each regulated jurisdiction's customer count. This approach is consistent with the methodology used for other common use billings that apply only to regulated operations in both states.

GREENWOOD SOLAR

Q. Please provide the history of Evergy Missouri West's ("EMW") Greenwood Solar Facility.

A. On November 12, 2015, EMW, formerly KCP&L Greater Missouri Operations Company ("GMO") filed an application, Case No. EA-2015-0256, with the Commission requesting permission and approval of a Certificate of Public Convenience and Necessity ("CCN") authorizing it to construct, install, own, operate, maintain, and otherwise control and manage solar generation facilities in Greenwood Missouri ("Greenwood Solar Facility"). EMW entered into a Master Service Agreement ("Agreement") with ** [redacted] ** for the engineering, procurement, and construction of the Greenwood Solar Facility. The Greenwood Solar Facility is a three megawatt ("MW") facility that was expected to produce approximately 4,700 megawatt-hours ("MWh") of solar energy per year. EMW indicated in its certificate

application the Greenwood Solar Facility was being proposed to gain experience owning, maintaining, and operating a utility scale solar facility.

The Commission approved EMW's request for a CCN for the Greenwood Solar Facility in its *Report and Order* effective March 12, 2016. On page 18 of its *Report and Order*, the Commission stated, "The Commission has found that GMO's proposal to construct a pilot solar plant is necessary or convenient for the public service and will grant the company the certificate of convenience and necessity it seeks."

Q. Did the Commission address any other concerns with approval of the CCN?

A. Yes. In addition to granting EMW the CCN for the Greenwood Solar Facility, the Commission also addressed concerns that EMW ratepayers will bear all the costs of a facility that is primarily being built to allow Evergy Metro, formerly Kansas City Power and Light Company ("KCP&L") to gain experience owning, maintaining, and operating a utility scale solar facility. Beginning on page 16 of its *Report and Order* in Case No. EA-2015-0256, the Commission stated:

> The Commission is concerned that only GMO ratepayers will bear the cost of the project. The Commission will not make any specific ratemaking decisions in this case. Those will be reserved for GMO's pending rate case. However, the matter will once again come before the Commission when GMO seeks to add the plant to its rate base. **At that time, the Commission will expect GMO to propose a means by which those costs will be shared with KCP&L's customers who will also benefit from the lessons learned from this pilot project.** [Emphasis added.]

Q. Since the approval of the CCN in Case No. EA-2015-0256, has Staff recommended an allocation of the Greenwood Solar Facility as ordered by the Commission?

A. Yes. Staff recommended an allocation methodology for the solar facility in the general rate cases filed by EMM and EMW following the Commission approval of the CCN. EMM's subsequent rate cases are nos. ER-2016-0285, ER-2018-0145, and ER-2022-0129 while EMW's rate cases are nos. ER-2016-0156, ER-2018-0146, and ER-2022-0130.

Q. Please explain the basis of allocation used in Staff's adjustment related to the Greenwood Solar Facility.

A. Staff recommends allocating the Greenwood Solar capital costs and depreciation expense between EMW and Evergy Metro based on customer counts reported in the most recent Federal Energy Regulatory Commission ("FERC") Form 1 filings and allocating Evergy Metro's share of Greenwood Solar to its Kansas and Missouri jurisdictions based on Staff's recommended jurisdictional allocators.

WHOLESALE TRANSMISSION REVENUE CREDITS

Q. Please explain the wholesale transmission revenue credit.

A. In its direct case, EMM sponsored an adjustment to reduce transmission revenue for the difference between Evergy Metro's authorized FERC Return on Equity ("ROE") of 11.1% and EMM's proposed ROE in this case of 10.5%. As transmission owners, Evergy Metro receives transmission revenues from the Southwest Power Pool

("SPP") for regional and zonal transmission upgrades. The wholesale transmission revenue adjustment is calculated using the Annual Transmission Revenue Requirement ("ATRR") and using Evergy Metro's authorized FERC ROE of 11.1%.

Q. Please explain the ATRR in more detail.

A. The ATRR is used by SPP to allocate revenues and expenses to all transmission owners and transmission customers of SPP. The transmission owners receive allocated revenues based on the ATRR, and the transmission customers are charged for allocated costs based on the ATRR. Each SPP transmission owner's ATRR may include incentives such as allowing Construction Work in Progress ("CWIP") in the revenue requirement, ROE adders, etc. Evergy Metro's authorized FERC ROE of 11.1% includes a ROE adder for being a member of a Regional Transmission Organization ("RTO") of 50 basis points.

Q. Does Evergy Metro incur costs that include the incentives described above?

A. Yes. Other SPP transmission owners submit an ATRR that may include the previously discussed incentives. Evergy Metro then receives its allocated share of the transmission costs that include these incentives. Consistent with the ATRR revenues EMM recommends reducing, these costs are influenced by FERC incentives and are included as expenses in EMM's cost of service.

Q. What is Staff's recommendation regarding EMM's proposal for the wholesale transmission revenue credit?

A. Since EMM did not make an adjustment to its transmission expense for the incentives that are included in the costs Evergy Metro receives from SPP and charges to its customers, it is inconsistent for EMM to reduce its transmission revenue for the difference in Evergy Metro's authorized FERC ROE of 11.1% and its proposed ROE of 10.5% in this case. Staff's accounting schedules reflect EMM's full financial experience of both transmission revenue and transmission expense by making no adjustments to the test year. It is Staff's recommendation that Evergy Metro's participation in SPP encompasses both the financial impact of Evergy Metro's ownership of transmission assets and the financial impacts of the use of other SPP members' transmission assets. Consequently, EMM's customers are entitled to all transmission revenues that offset a part of transmission expense.

TRANSOURCE

Q. What is Transource Missouri?

A. Transource Missouri is a Delaware limited liability corporation qualified to conduct business in Missouri, with its principal place of business in Columbus, Ohio. Transource Missouri is a wholly owned subsidiary of Transource Energy, LLC ("Transource"). Transource was established by Evergy, Inc., EMM's parent corporation, and American Electric Power Company, Inc. ("AEP") to build wholesale regional transmission projects within SPP, as well as other RTOs.

Q. What is the adjustment associated with Transource, and how is this adjustment calculated?

A. Evergy Metro has FERC-approved formula rates that have been incorporated into the SPP Tariff. These wholesale transmission rates are often referred to as "formula rates" because the ATRR for the applicable transmission owner is determined through the use of an agreed-upon formula that incorporates annual true-up processes to update actual costs. Transource Missouri also has an ATRR through FERC that is collected pursuant to the SPP Tariff.

Staff first calculated the ATRR for the two transmission projects owned by Transource Missouri, the Iatan-Nashua Project and the Sibley-Nebraska City Project. This ATRR, which contains FERC incentives and ROE adders, is calculated using all the variables that are used in the ATRR that Transource Missouri uses to bill transmission owners in SPP, including Evergy Metro. The portion that is billed to Evergy Metro is based on its SPP load ratio share and included in the revenue requirement in FERC Account 565.

Q. What does Evergy Metro's SPP load ratio share represent?

A. Evergy Metro's load ratio share represents its specific portion of the total energy footprint across SPP's grid. SPP uses the load ratio share to distribute the collective transmission and administrative costs to SPP transmission owners.

Q. What did Staff do with Evergy Metro's actual ATRR?

A. Staff calculated the ATRR as described above and made specific changes to the calculation to remove the impact of Evergy Metro's FERC incentives. These changes in total will produce a different ATRR, and a different amount billed to Evergy Metro based on its SPP load ratio share. EMM's transmission expense in FERC Account 565 is then adjusted to reflect the ATRR without FERC incentives.

Q. Why is this adjustment made?

A. This adjustment is made to comply with the provisions of the Commission's *Report and Order* in File No. EA-2013-0098.[1] Ordered item "5" states "Ordered paragraphs 1, 2, 3 and 4 are subject to the provisions of Appendix 3 and Appendix 4." "Appendix 4: Consent Order" starts on page 26 of the *Report and Order*, and on pages 27-28 under paragraph 2.A.1., the following language appears:

> 2.A.1. With respect to transmission facilities located in KCP&L certificated territory that are constructed by Transource Missouri that are part of the Iatan-Nashua and Sibley-Nebraska City Projects, KCP&L agrees that for ratemaking purposes in Missouri the costs allocated to KCP&L by SPP will be adjusted by an amount equal to the difference between: (a) the SPP load ratio share of the annual revenue requirement for such facilities that would have resulted if KCP&L's authorized ROE and capital structure had been applied and there had been no Construction Work in Progress ("CWIP") (if applicable) or other FERC Transmission Rate Incentives, including but not limited to Abandoned Plant Recovery, recovery on a current basis instead of capitalizing pre-commercial operations expenses and accelerated depreciation, applied to such facilities; and (b) the SPP load ratio share of the annual FERC-authorized revenue requirement for such facilities. KCP&L will make this adjustment in all rate cases so long as these transmission facilities are in service.

This paragraph is identical to Paragraph II A. 1. on pages 4-5 of the *Non-Unanimous Stipulation and Agreement* filed in File Nos. EA-2013-0098 and EO-2012-0367.[2]

[1] In the Matter of the Application of Transource Missouri, LLC for a Certificate of Convenience and Necessity Authorizing It to Construct, Finance, Own, Operate, and Maintain the Iatan-Nashua and Sibley-Nebraska City Electric Transmission Projects.

[2] In the Matter of the Application of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company for Approval To Transfer Certain Transmission Property to Transource Missouri, LLC and for Other Related Determinations.

Q. Please describe File Nos. EA-2013-0098 and EO-2012-0367.

A. These applications were filed simultaneously by Transource Missouri, and EMM and EMW known at that time as KCP&L and GMO, respectively.

File No. EO-2012-0367 was an application for authority to transfer certain transmission property and for other related determinations regarding the construction of two regional, high-voltage, wholesale transmission projects approved by SPP known as the Iatan-Nashua 345 kV transmission project ("Iatan-Nashua Project") and the Sibley-Nebraska City 345 kV transmission project ("Sibley-Nebraska City Project;" collectively, the "Projects").

File No. EA-2013-0098 was an application for line CCNs to construct, finance, own, operate, and maintain the regional Projects ("CCN Application") for Transource Missouri.

The *Report and Order* in File No. EA-2013-0098 approved both the transfer of assets to Transource Missouri and the CCNs for Transource Missouri, with certain provisions, one of which is the aforementioned paragraph describing the adjustment at issue.

Q. What incentives did Transource Missouri request from FERC in formulation of its ATRR?

A. According to the direct testimony of Darrin R. Ives in File No. EO-2012-0367, page 15, Transource Missouri requested the following incentives:

- 100 basis point ROE Risk Adder for the Sibley-Nebraska City Project to address the financial risks and regional benefits associated with the project;

- inclusion of 100% of CWIP in rate base during the development and construction periods for each of the Projects;
- deferral of all prudently-incurred costs that are not capitalized prior to the rates going into effect for recovery in future rates;
- use of a hypothetical capital structure consisting of 40% debt and 60% equity during construction until long-term financing is in place for both Projects; and
- recovery of prudently-incurred costs in the event either of the Projects must be abandoned for reasons outside the reasonable control of Transource Missouri.

Q. What adjustments to the calculations does Staff recommend?

A. Staff verified the Transource Missouri ROE for the first step of the calculation; 11.3% for the Sibley-Nebraska City line and 10.3% for the Iatan-Nashua line. For the second step of valuing the impact of the incentives, Staff compared the actual Transource ROE to EMM's requested ROE in the current case to measure the change in the ATRR.

Q. Did Staff make adjustments to the long-term debt rates?

A. No. The cost of long-term debt is not a result of any FERC incentive; it is a function of the actual interest payments in relation to the balance of long-term debt. In contrast, ROE is a FERC incentive.

For the initial calculation for the actual ATRR on the Transource Missouri projects, Staff used the actual cost of long-term debt applicable to Transource Missouri. As described earlier, the second step to calculate the adjustment is to remove the impact of FERC incentives from the ATRR calculation by changing the variables for these incentives to rates and amounts applicable to Missouri ratemaking without the

incentives. Staff's calculation sets the long-term cost of debt for the second step of the calculation equal to the Transource Missouri cost of debt.

RENEWABLE ENERGY CERTIFICATE REVENUE

Q. What is a Renewable Energy Certificate ("REC")?

A. EMM's generation portfolio includes assets that are considered renewable, and energy generated from a qualified renewable facility produces RECs. One REC represents a certificate that one megawatt-hour of energy was produced from a renewable resource. RECs help EMM comply with its Missouri Renewable Energy Standards ("RES"), but excess RECs can be sold with the power generated or on a stand-alone basis. Outside entities are interested in purchasing RECs from EMM in order to meet their own statutory requirements or internal "green initiatives."

Q. Does Evergy Metro sell RECs?

A. Yes. Since 2022, Evergy Metro, EMW, and their affiliate Evergy Kansas Central ("EKC") began selling RECs that were not needed for RES compliance.

Q. How have the Evergy affiliates approached REC sales?

A. ** [redacted] **

Q. How did Staff include REC revenue in the cost of service?

A. Staff examined Evergy Metro's historical REC revenue from 2023 through 2025 and found the test year amount to be representative of ongoing revenues. Staff's revenue requirement includes REC revenues by leaving the test year unadjusted. REC revenues are also provided to Staff witness Brooke Mastrogiannis for use in developing the Fuel Adjustment Clause (FAC) base factor.

INCOME TAXES

Current Income Tax Expense

Q. How did Staff calculate current income tax expense in its revenue requirement?

A. To calculate current income tax expense, Staff converted the book net operating income into ratemaking net taxable income by recognizing various tax timing differences.

Q. What are tax timing differences?

A. Tax timing differences occur when a cost (or revenue) is recorded differently on a company's books than is reported on the company's tax returns. For example, large companies generally use accrual accounting to record bad debt expense on their financial statements filed with the Securities and Exchange Commission, but on their tax return, account write-offs will be reported on a cash basis. The differences between the accrual and cash bases of accounting cause a difference in

net income, which leads to a tax timing difference that is usually temporary in nature. A reversal of the temporary differences will be reflected in net income over time.

Q. Did Staff use all of the tax timing differences on Evergy Metro's tax return to calculate the ratemaking net taxable income?

A. No. Since most tax timing differences are temporary, they are ignored for ratemaking purposes. See the Deferred Income Tax section of this testimony for further discussion of the ratemaking approach to tax timing difference.

Q. Are tax timing differences the only factors needed to calculate ratemaking income tax expense?

A. No. Select tax timing differences are used to convert book income to ratemaking taxable income (or net operating loss). Income tax expense is calculated by applying the current income tax rates to the ratemaking taxable income, but income tax credits are another factor applied to further reduce the tax burden. The remaining ratemaking income tax expense after tax credits is the current income tax expense charged to ratepayers.

Q. What tax timing differences and tax credits did Staff include in its calculation?

A. To calculate ratemaking income tax expense (see Schedule 11 of Staff's Accounting Schedules), Staff used the following in its calculation:

Add Back to Operating Income Before Taxes:

- Book Depreciation Expense
- Book Amortization Expense
- Book Nuclear Fuel Amortization
- Non-Deductible Meals

Subtract from Operating Income:
- Interest Expense
- IRS Depreciation
- IRS Plant Amortization
- IRS Nuclear Fuel Amortization
- ESOP 401k Dividend Deduction

Subtractions – Federal Income Tax Credits:
- Research and Development Tax Credit
- Fuel Tax Credit
- Solar Production Tax Credit
- Nuclear Production Tax Credit

Q. What is the ESOP 401k Dividend Deduction?

A. Employees participating in the 401k plan have the option to invest in Evergy common stock instead of contributing cash to their retirement account. When Evergy pays dividends on common stock, the dividends on stock held by a 401k are tax deductible on Evergy's tax return. Payroll costs, including the cost of the payroll-related 401k benefit, are included in the cost of service and collected from ratepayers. Since EMM's ratepayers pay for their portion of the 401k cost, a commensurate portion of the related tax benefits is included in EMM's cost of service.

Deferred Income Tax Expense

Q. What type of deferred income tax expense did Staff include in its revenue requirement?

A. When the tax benefit of a tax timing difference is concurrently passed to customers as it is earned (referred to as the "flow through" ratemaking methodology), the benefit's effect on the cost of service is principally the same as the benefit's effect to the utility's income tax payable to taxing authorities. Flowing a tax benefit to customers

does not generate deferred taxes from a ratemaking perspective. However, tax benefits created by timing differences that are not passed to customers (referred to as "normalized" ratemaking methodology) require the recognition of deferred taxes in the cost of service. Normalized timing differences create a mismatch between the income tax expense in rates and the actual income tax payable generated on tax returns.

The largest normalized tax timing difference is typically depreciation expense, which is effectively protected from flow-through ratemaking treatment by Internal Revenue Service (IRS) regulations. In order to fully normalize the tax timing difference caused by depreciation, ratepayers are charged deferred tax expense in order to prevent the flow-through of the upfront tax timing benefits in current income tax expense.

Q. Why do you call the depreciation tax timing differences an "upfront" tax benefit?

A. By design, the depreciation tax timing difference is temporary in nature. When the federal government constructed the accelerated depreciation tax benefit, it did not intend for taxpayers to avoid paying taxes but instead intended taxpayers to defer their tax payments from the current period to future periods. The government's desire is to provide companies with additional cash flow with the hope that the cash is reinvested in the business and/or the economy. However, the total tax liability is not reduced over the long-term as taxpayers pay off the deferred tax liability as temporary differences unwind. Because depreciation is a normalized timing difference, ratepayers provide the utility cash for income taxes that will not be due until future periods by paying for deferred taxes. To summarize, depreciation results in an upfront benefit because tax payments

can be deferred to the future tax years, and the utility is able to collect cash in rates in advance of a payment being made.

Accumulated Deferred Income Taxes

Q. What is Accumulated Deferred Income Taxes ("ADIT")?

A. ADIT represents the prepayment of income taxes by ratepayers prior to the payment being made to taxing authorities. As explained in the Deferred Income Tax section, there are normalized tax timing differences that lead to a mismatch in the income tax expense in rates and the income tax a utility actually pays to the IRS and other taxing entities. The net balance in the accumulated deferred tax reserve represents a customer-supplied source of cost-free funds. Therefore, EMM's rate base is reduced by the ADIT balance to avoid customers paying a return on investments that are ratepayer funded.

Q. How did Staff calculate the ADIT balance?

A. Staff included the book ADIT balance as of December 31, 2025, in the rate base schedule of its direct accounting schedules. Staff will true-up ADIT with June 30, 2026, balances in its true-up revenue requirement.

Q. Does Staff's recommended ADIT reflect any adjustments to the December 31, 2025, book balance?

A. Yes. Staff excluded the book balance of EMM's Deferred Tax Asset ("DTA") for nuclear Production Tax Credits ("PTCs") that have been generated but not used. Although EMM correctly accounts for the unused credit carryforward, unused tax credits are not a normalized temporary tax timing difference. Additionally, the book balance does

not reflect an actual shareholder investment in EMM's business. For these two reasons, including the nuclear PTC DTA in ADIT is not appropriate.

Q. Did Staff include ADIT on CWIP?

A. Yes. EMM records ADIT that is associated with the CWIP reflected on its books and records regardless of CWIP's treatment in rate base. This ADIT represents a free source of capital funds available for use by the utility before the construction project is completed and included in plant-in-service. When CWIP is not included in rate base, EMM is allowed to earn an Allowance for Funds Used During Construction ("AFUDC") deferred return before the property under construction is added to rate base. AFUDC is accrued during construction of the asset and included in rate base when the plant is placed into service. The amount of AFUDC is included in depreciation expense and rate base during the life of the plant. For the calculation of AFUDC, there is no consideration of ADIT as a reduction to rate base on which it is calculated.

Q. Has this ratemaking treatment been brought to the Commission in prior cases?

A. Yes. Utilities have argued that it is not appropriate to reduce rate base for ADIT associated with CWIP balances when the CWIP amounts are not included in rate base. However, the Commission has found to the contrary. Reducing rate base by the amount of ADIT on CWIP was an issue decided by the Commission in an Ameren Missouri general rate case, Case No. ER-2012-0166. On page 30 of its *Report and Order* in that case, the Commission stated why this treatment is appropriate:

> In other words, failure to recognize the CWIP-related ADIT balance in the company's rate base will overstate the companies AFUDC costs and future rate base, essentially allowing the company to earn AFUDC and a return on capital supplied by ratepayers…
>
> …As fully explained in the finding of fact, Ameren Missouri must include CWIP-related ADIT balances as an offset to rate base to avoid overstating AFUDC and future rate base, to the detriment of both current and future ratepayers.

On page 79 of its more recent *Report and Order* in Kansas City Power & Light Company's Case No. ER-2014-0370, the Commission affirmed its treatment of ADIT on CWIP:

> KCPL asserts that its situation is different than that of the utility at issue in File No. ER-2012-0166 because KCPL has a net operating loss and, as a consequence, KCPL has more deductions than it has revenues during the applicable period, so it has not and will not receive a cash tax benefit. However, KCPL ratepayers provide fully-normalized income taxes in cost of service regardless of whether KCPL pays those taxes concurrently to the IRS. Even if KCPL is not realizing all the benefits of accelerated depreciation due to a net operating loss position, it does not invalidate the fact that ratepayers are providing several million dollars in cash income taxes. The Commission concludes that the amount of ADIT related to CWIP should be an additional reduction to KCPL's rate base.

Therefore, Staff recommends the amount of ADIT associated with CWIP as of December 31, 2025, be used as a reduction to EMM's rate base.

Excess Accumulated Deferred Income Taxes

Q. What are Excess Accumulated Deferred Income Taxes ("EADIT")?

A. EADIT are tax liabilities which were previously deferred to future periods but are no longer a future liability.

Q. Does EMM have EADIT?

A. Yes. On December 22, 2017, the federal Tax Cuts and Jobs Act ("TCJA") was signed into law and took effect on January 1, 2018. A prominent feature of the TCJA was a change in the federal corporate tax rate from 35% to 21%. When the tax rate changed, a portion of EMM's ADIT transitioned from temporary tax timing differences to permanent timing differences. In 2020, the state of Missouri enacted a similar tax reduction that changed the corporate tax rate from 6.25% to 4%. These changes in tax rates essentially forgave a portion of the tax payments EMM had deferred in prior years.

Q. Has tax reform been addressed in EMM's prior rate cases?

A. Yes, EADIT was addressed in EMM's 2018 rate case. In Case No. ER-2018-0145, EADIT was returned to ratepayers by offsetting income tax expense with an amortization of the EADIT liability. The balance of EADIT protected by IRS regulations was set to be amortized with the Average Rate Assumption Method ("ARAM") as defined by the IRS, while the balance of EADIT not protected by IRS regulations was amortized over 10 years. In EMW's following rate case, Case No. ER-2022-0129, additional EADIT from the 2018 stub-period and Missouri's 2020 tax reform was quantified and amortized through rates over a four-year period.

Q. Did Staff include the ongoing amortizations in the current revenue requirement?

A. Yes. Staff included the ongoing amortizations of EADIT as an offset to total income tax expense.

Q. Until the EADIT has been returned to customers, is it appropriate to include the unamortized balance of EADIT in rate base?

A. Yes. The unamortized balance of EADIT represents income tax expense the customers have provided to the utility but the utility has not, and is not required to, pay to taxing authorities. The balances are appropriate to include in rate base to avoid charging customers a return on cost-free funds that they provided to the utility.

Kansas City Earnings Tax

Q. What is the Kansas City Earnings Tax?

A. The city of Kansas City, Missouri, assesses a 1% earnings tax on the net taxable income earned within the Kansas City footprint. Staff reviewed Evergy Metro's historical tax liability to Kansas City and found the historical tax liabilities fluctuate annually. As such, Staff adjusted the test year to reflect a normalized amount based on an average of the actual 2022 through 2024 tax liabilities to represent going forward costs.

Inflation Reduction Act Tracker

Q. What is the Inflation Reduction Act ("IRA")?

A. In August of 2022, the federal government enacted the IRA that became effective on January 1, 2023. The IRA was intended to lower energy costs and address climate change, as well as be responsive to the current inflationary environment. Notably, the IRA contained federal tax incentives for utilities that responded to the federal policy by investing in renewable facilities.

Q. How can EMM earn tax benefits under the IRA?

A. At a high level, EMM has an opportunity to earn tax benefits tied to new solar, wind, battery, and transmission facilities that are placed into service during the years 2023 through 2032. Additionally, EMM can also earn tax benefits by generating power from its existing Wolf Creek nuclear power plant.

Q. Please describe the tax mechanisms EMM can utilize under the IRA.

A. EMM can generate two primary types of tax benefits under the IRA's provisions. The first type of benefit is a PTC. EMM can earn PTCs by generating power from its Wolf Creek facility as well as any wind or solar facilities that are placed into service during the IRA's 10-year window for investment in renewable generation. Since battery and transmission facilities don't actually generate power, PTCs cannot be earned with this type of investment. The value of the nuclear, wind, and solar PTCs depend on a) how much power is generated at eligible facilities; and b) the IRS' index of the PTC's value during a particular tax year. The IRS indexes the value of a PTC annually. Also, the PTC is subject to stackable bonus credit value if EMM meets certain conditions.

The second type of tax benefit is an Investment Tax Credit ("ITC") which is valued as a percentage of the total cost of the eligible investment. When an eligible wind or solar facility is placed into service, the taxpayer makes an election to receive PTCs or ITCs based upon expectations of future benefits. Other projects that do not generate PTCs (e.g. battery and transmission investments) are eligible for the ITC tax benefit. The total value of the ITC is also subject to stackable bonuses by meeting certain conditions.

Q. Are these tax benefits significant to EMM's cost of service?

A. Yes. The most material benefit available to EMM is expected to be PTCs generated by Wolf Creek's output. Additionally, EMM is earning PTCs through power generated at Hawthorn Solar and will earn ITCs through other investments in eligible investments such as battery storage. The aggregate tax benefits are expected to be large enough that EMM does not expect to be able to utilize all of the benefits it earns before they expire, particularly the nuclear PTCs.

Q. How does EMM intend to respond to the inability to use all possible tax benefits?

A. A unique feature that was also built into the IRA is the ability for taxpayers to sell tax benefits to external parties. Since EMM expects it will be unable to use the PTCs generated by Wolf Creek, its expectation is to sell excess nuclear PTCs generated after 2024.

Q. Did EMM sell any of the nuclear PTC benefits it earned in 2025 by Staff's cut-off date?

A. No. However, EMM's direct case describes its expectations to sell its 2025 nuclear PTC tax benefits by the June 30, 2026, true-up date. Staff has included this expected transaction as a deduction to rate base and amortized the balance over a five-year period. Staff will present a recommendation in its true-up testimony for the appropriate ratemaking treatment of the transaction once the specifics are known.

Q. Is there any uncertainty surrounding the ongoing IRA tax benefits?

A. Yes. Owners of nuclear power plants have been anticipating guidance from the IRS on the measurement of nuclear PTC generation since the bill was passed in 2022,

but the IRS has not yet given final guidance concerning nuclear PTC measurement. It is possible that the nuclear PTCs Evergy has claimed on tax returns to date may be revised due to future IRS feedback. Additionally, other components of the IRA, which were enacted during the Biden administration, fluctuate in value and may change to reflect ongoing federal policy. Lastly, the decision to sell current tax benefits is based on expectations of future generation and tax liabilities. By their nature, expectations may evolve with the passage of time.

Q. What action can the Commission take to protect ratepayers and EMM from these uncertainties?

A. Staff recommends that the Commission establish an IRA tracker to protect ratepayers and EMM from ongoing uncertainty surrounding the value of the IRA's tax benefits.

Q. Under Staff's recommendation, what would be tracked?

A. EMM's share of PTC tax benefits under the IRA provisions, including nuclear, wind, and solar PTCs, should be deferred as they are used to offset tax liabilities or sold by Evergy so that the net benefit actually realized can be tracked and passed to customers. Additionally, Staff recommends that PTC and ITC tax benefits sold subsequent to the June 30, 2026, true-up date should be tracked for future return to ratepayers.

Q. Is it reasonable to expect Evergy to perform a certain level of due diligence before it enters a transaction to sell PTCs or ITCs?

A. Yes. Staff recommends that Evergy prepare a cost-benefit analysis to support its decision to sell PTCs rather than retaining the tax benefit for future use. These analyses will help support the prudency of the transactions and future rate base balances.

Q. Does Staff recommend tracking ITCs earned and utilized under the IRA?

A. No, only the sale of ITCs. IRS normalization regulations and the Commission's historical approach ensure that the ITC tax benefit will be flowed to ratepayers over the life of the underlying asset when the utility begins realizing tax savings. As such, any ITCs claimed are already effectively tracked for ratemaking purposes, although there may be a small amount of regulatory lag at the beginning and/or end of the ITC amortization.

Q. What amount of ongoing IRA PTCs did Staff include in its revenue requirement?

A. As reflected on Schedule 11 of Staff's direct Accounting Schedules, Staff has included $37,011,066 for ongoing sales of nuclear PTCs and $182,423 for solar PTCs (Missouri jurisdictional).

Q. Is Staff's recommended tracker similar to other regulatory mechanisms currently effective in Evergy's other jurisdictions?

A. Yes. Evergy has regulatory mechanisms that are similar in financial impact in its EKC jurisdiction as well as the Kansas portion of Evergy Metro's operations, but they are only for nuclear PTC tax benefits.

Q. Do other Missouri utilities have a tracker in place for IRA tax benefits?

A. Yes. An IRA tracker became effective via Ameran Missouri's rate case ER-2022-0337. Ameren Missouri's tracker is mechanically the same as Staff's recommendation in this testimony.

AMORTIZATION OF INTANGIBLE PLANT

Q. Please describe intangible plant you adjusted.

A. The adjustment annualizes the amortization of intangible plant held in FERC account 303. This account includes assets such as radio frequency rights, land rights, organizational costs, Wolf Creek relicensing, etc.

Q. Why is an adjustment to amortize intangible plant necessary?

A. The capital costs, and related recommendations to amortize those costs, are not included in the scope of Evergy Metro's depreciation study. Therefore, the assets and amortization costs are separately examined and included in the revenue requirement.

Q. Did Staff make an adjustment to the test year amortization expense?

A. Yes. Staff adjusted the test year amortization expense to reflect the changes in the book cost of the intangible plant as of December 31, 2025. Staff's adjustment multiplies the actual December 31, 2025, expense by 12. Staff will revise this adjustment in its true-up revenue requirement to reflect the amortization of intangible plant balances on June 30, 2026.

PLANT IN SERVICE AND ACCUMULATED DEPRECIATION RESERVE

Retirement Work in Progress

Q. Did Staff include Plant in Service ("Plant") and Accumulated Depreciation Reserve ("Reserve") in its revenue requirement?

A. Yes. Staff included Plant and Reserve based on actual book amounts as of December 31, 2025, Staff's update period. Staff intends to include changes to Plant and Reserve balances through June 30, 2026, in its true-up accounting schedules.

Q. Does the December 31, 2025, date require an adjustment for Retirement Work in Progress ("RWIP")?

A. Yes. Staff adjusted EMM's depreciation reserve to remove RWIP.

Q. What is RWIP?

A. RWIP is retired Plant that has not yet been classified for certain components of depreciation, namely the components for cost of removal and salvage. EMM has removed the cost of retired Plant assets and the related Reserve from its book balances as of the retirement dates. However, as of December 31, 2025, EMM had not removed the related Reserve amounts associated with cost of removal and salvage accruals calculated for the retired Plant included in the RWIP balance. While the actual plant is retired and removed from Plant and Reserve, the plant has not been physically disassembled, so the cost of removal and salvage components of depreciation are still included in Reserve. As a result, EMM's books overstate the Reserve for this retired plant that is no longer serving the public. Staff included a line item in its Accounting Schedules for RWIP associated with Production, Transmission, Distribution, and General Plant.

Infrastructure for Large Load Customers

Q. What is Infrastructure for large load customers?

A. EMM engaged in certain capital projects to connect large load customers to its grid with the understanding the customers will contribute the capital requirements to EMM. As of December 31, 2025, EMM's Plant and Reserve reflected a positive balance for these investments which does not reflect EMM's anticipated final investment. As such, Staff made adjustments to reduce the rate base value of this infrastructure to $0. Staff is continuing its discovery on investments for large load customers and will include an updated adjustment in its true-up revenue requirement. For a full description of EMM's large load customers, see the direct testimony of Staff witness Sarah L.K. Lange.

Uplight Software

Q. What is the Uplight software?

A. This is the same software that was described in the Common Use Plant Billings section of this testimony. Essentially, Evergy Metro invested in a software package and allocated the cost exclusively to Missouri operations. Staff's position is that this software investment currently is used and useful for all of Evergy's ratepayers as of December 31, 2025, including EKC and Evergy Metro's Kansas jurisdiction. As such, Staff adjusted EMM's Plant, Reserve, and amortization accounts so that Evergy Metro's Uplight would be allocated between Evergy's Missouri and Kansas regulated jurisdictions instead of 100% to Missouri operations.

RESERVE DEFICIENCY

Q. Please describe the reserve deficiency adjustment.

A. As explained by Staff witness Amanda Arandia, a reserve deficiency related to general plant amortizations exists. In order to recover the deficiency, an amortization was included in the cost of service to amortize the balance over five years.

PLANT IN SERVICE ACCOUNTING

Q. What is the history of Plant In Service Accounting ("PISA")?

A. On June 1, 2018, Senate Bill 564 was signed into law and became effective August 28, 2018, codified in § 393.1400 RSMo, with miscellaneous provisions related to it in § 393.1655 RSMo. Generally, it allows investor-owned electric utilities in Missouri the option of deferring 85% of all depreciation expense and return associated with qualifying electric plant that was recorded to plant-in-service as a regulatory asset on or after the date the utility elects the PISA option. Qualifying plant for the purposes of the PISA deferral is all rate base additions that are not new nuclear, coal, or gas-fired generation or rate-base additions that increase revenues by allowing service to new customer premises. During a general rate case after the PISA election, the regulatory asset must be amortized over 20 years, and the unamortized balance be included in rate base and allowed a return. Any utility that elects the PISA deferral must file an annual five-year capital investment plan with the Commission with specific capital investment detailed within the plan, following the election of PISA. Additionally, in the years after filing the first capital investment plan the utility must submit a report detailing the actual capital

investment from the prior year. At least 25% of the capital investment included in the plan must be for grid modernization projects. Additionally, during the first five years, smart meter investment is limited to 6%.

Q. Has the original PISA statute language changed?

A. Yes. Sections 393.1400 and 393.1655, RSMo, were revised effective August 28, 2022. An additional miscellaneous provision, § 393.1656, RSMo, was also added related to PISA in August 2025.

Q. What were the major changes in the revised statutes, effective August 28, 2022?

A. The majority of the language remained the same. However, § 393.1655, RSMo, was revised to expire December 31, 2023, and therefore is no longer applicable. In addition, the original December 31, 2023, sunset outlined in § 393.1400, RSMo, was revised to December 31, 2028, with requirements for Commission approval in order to continue to defer to the regulatory asset for an additional five years beyond December 31, 2028. The additional statute, § 393.1656, outlines requirements for a revenue requirement impact cap.

Q. Did EMM elect PISA?

A. Yes. EMM elected to participate in PISA on January 1, 2019. EMM has established a regulatory asset account on its books and has recorded all return and depreciation on eligible plant additions.

Q. Does Staff have any disallowance recommendations for the PISA regulatory asset?

A. Yes. Staff recommends removing the following from the PISA regulatory asset: 1) removal of Earnings Per Share ("EPS")-based incentive compensation; 2) removal of the solar subscription portion of the Hawthorn solar facility; and 3) deferrals of depreciation and carrying costs for projects to serve new large load customers.

Q. Why does Staff recommend removing the EPS-based incentive compensation from the PISA regulatory asset?

A. Staff recommends removing EPS-based incentive compensation from the revenue requirement because the Commission has historically disallowed incentive compensation awards tied to the achievement of certain corporate financial measures on the basis that these measures provide no tangible benefit to Missouri ratepayers. See specifically, KCP&L Case No. ER-2006-0314, 15 Mo.P.S.C.3d 138, 171-72 (2006) and KCP&L, Case No. ER 2007-0291, 15 Mo.P.S.C.3d 552, 585-87 (2007).

Q. Why does Staff recommend removing the solar subscription portion of the Hawthorn solar facility from the PISA regulatory asset?

A. Deferrals to the PISA regulatory asset for depreciation and return of qualifying rate base additions brings certainty to minimizing negative effects of regulatory lag from a shareholder perspective. The solar subscription tariffed rates collected from solar subscription customers also includes components for depreciation, rate of return, and AFUDC. The billing and collections for solar subscriptions started almost immediately upon completion of the facility, and therefore the shareholders have experienced no adverse regulatory lag tied to the investment. In summary, including the solar subscription portion of the facility in the PISA deferral would result in

double-recovery of the depreciation and return associated with the solar subscription portion, since the rate solar subscribers are paying includes depreciation and return.

Q. Why does Staff recommend removing amounts for projects to serve large load customers from the PISA regulatory asset?

A. These projects were done to serve new customers, which is explicitly identified in § 393.1400(1)(3), RSMo as non-qualifying plant for PISA deferrals.

Q. Is EMM near the PISA spending cap described in § 393.1656, RSMo?

A. No. Section 393.1656, RSMo, limits the revenue requirement impact of PISA spending to an annual 2.25% increase in base rates. EMM's PISA deferrals since the last rate case would have to be tripled to approach the cap set in the statute.

Q. How much of EMM's request is tied to PISA deferrals?

A. EMM's total revenue requirement requests a total annual revenue of $39.1 million related to PISA deferrals. The total request includes a $2.7 million amortization of vintage 1 set in EMM's prior rate case, an $8.7 million amortization of vintage 2 requested in this case, and $27.5 million for a pre-tax rate of return on the current unamortized balance of PISA deferrals.[3]

RATE BASE VALUE OF RETIRED PLANT

Q. How do retirements of Plant affect rate base?

A. For the purpose of discussing retirements, there are two categories of Plant assets: Individual assets and mass (grouped) assets. The rate base is

[3] EMM workpapers RB-85 and CS-93.

affected differently by retirements of each category. Land, buildings, and software assets are most commonly accounted for individually and upon retirement, Plant and Reserve journal entries reflect the actual amounts incurred upon retirement.[4] For illustration, a $10,000 asset that has accumulated $7,000 of depreciation has a net rate base value of $3,000, and if that asset was retired, rate base would decrease by $3,000 to reflect the disposition. Journal entries would be made to decrease Plant by the full original cost and decrease the Reserve by the depreciation accumulated to date.

Individual Asset Accounting	**Plant**	**Reserve**	**Net Rate Base (Plant – Reserve)**
Beginning Balance	$10,000	$7,000	$3,000
Retirement Entry	$(10,000)	$(7,000)	
Ending Balance	$0	$0	$0
Change in Rate Base			**$(3,000)**

The other category of Plant assets, mass assets, do not affect rate base when they are retired. If $10,000 of mass assets were retired early, journal entries would be made to decrease Plant by the full original cost but also decrease Reserve by the same amount. The effect of the mass asset retirement leaves net rate base unchanged regardless of how long the asset has actually been in-service and regardless of how much Reserve had been accumulated.

[4] See responses to Staff Data Request No. 0386 in ER-2026-0143 and Staff Data Request No. 0439 in ER-2024-0189.

Mass Asset Accounting – Early Retirement	**Plant**	**Reserve**	**Net Rate Base (Plant – Reserve)**
Beginning Balance	$10,000	$7,000	$3,000
Retirement Entry	$(10,000)	$(10,000)	
Ending Balance	$0	$(3,000)	$3,000
Change in Rate Base			**$0**

Q. To what types of rate base does Evergy Metro apply mass asset accounting?

A. Evergy Metro applies mass asset accounting to property that is large in quantity but small in individual value. Examples include meters, poles, miles of wire, office furniture, etc. A majority of Evergy Metro's rate base is subject to mass asset accounting. An advantage of this approach is the avoided complexity of tracking accumulated depreciation on a large quantity of small-value items by applying a depreciation rate to a plant account instead of individual retirement units.

Q. Are mass assets always retired early?

A. No. A fundamental attribute of the theory supporting mass asset accounting (and its historical use in ratemaking) is that some assets are retired early but there are also assets that live beyond the assumed book life. If the depreciation rate reflects the *average* life of a group of assets, the actual life of each individual retired asset can be ignored.

When a mass asset exceeds its book life, it leaves behind a negative rate base which is presumed to offset early retirements. To continue the example, a $10,000 mass

asset that is retired after it has accumulated $13,000 of depreciation would still cause the same journal entries as an early retirement and leave net rate base unchanged by reducing Plant and Reserve in equal amounts.

Mass Asset Accounting – Late Retirement	**Plant**	**Reserve**	**Net Rate Base (Plant – Reserve)**
Beginning Balance	$10,000	$13,000	$(3,000)
Retirement Entry	$(10,000)	$(10,000)	
Ending Balance	$0	$3,000	$(3,000)
Change in Rate Base			**$0**

Q. Has the residual net rate base left by mass asset retirements been balanced since EMM's last rate case?

A. No. Staff performed an analysis of Evergy Metro's mass asset retirements since its prior rate case and finds evidence that the presumption that "early" and "late" asset retirements have offsetting rate base impacts is currently not applicable.

Q. Please describe this analysis.

A. In response to Staff Data Request No. 0191, EMM provided all of the retirement accounting entries it had recorded since May 31, 2022, the true-up date in its prior rate case. For each mass asset retired, Staff measured the amount of undepreciated original cost of the asset through December 31, 2025, and found that, as expected, some assets did not reach the book life and some assets exceeded the book

life. However, the overall net effect of $242 million in Plant retirements had an "early retirement" impact and left over $80 million[5] in rate base.

Q. What is the cause of this imbalance?

A. Evergy Metro is responding to the Missouri and Kansas PISA incentives by replacing a substantial amount of assets that have not reached the underlying assumed average book life. Evergy Metro's grid modernization efforts are driven by the condition of its system and not the remaining book life of its assets but the PISA statute allows for more aggressive modernization by alleviating regulatory lag.

Q. What supports Staff assertion that PISA is driving early retirements?

A. Since it elected for PISA in 2019, Evergy Metro has increased its transmission, distribution, general, and intangible Plant by $2.7 billion, of which $1.5 billion is attributable to PISA incentives. Since the purpose of the PISA statute is to encourage grid modernization, grid hardening, and other projects supporting reliability, it follows that many PISA projects are to replace existing Plant with new assets.

Q. How did Staff attribute $1.5 billion of Plant growth to PISA spending?

A. Staff analyzed increases in Evergy Metro's Plant balances during the seven years before the PISA election (2012 – 2018) and seven years after PISA (2019 – 2025). Staff calculated the growth rate prior to PISA using EMM's actual Plant increases and applied the growth rate to project hypothetical transmission, distribution, general, and intangible Plant increases during 2019 through 2025. If Evergy Metro's Plant increased at

[5] Total applies to Evergy Metro's Kansas and Missouri operations.

the same rate it did prior to the PISA election, then Plant balances at December 31, 2025, would be $1.5 billion less.

Q. What is Staff's ratemaking concern about retired mass assets?

A. The concern is that $80 million of Evergy Metro's current rate base represents Plant that is no longer used to provide safe and adequate service to ratepayers. Generally ratemaking includes a *return of* and a *return on* a utility's investments and as long as the fundamentals of mass asset accounting are intact, using rate base in the calculation is appropriate. However, Staff's analysis finds that an imbalance in retirements has occurred. Staff continues to recommend an unadjusted amount of depreciation expense[6] for the *return of* EMM's active and retired mass assets but Staff recommends removing the net retired Plant from EMM's *return on* calculation. As such, Staff's Schedule 2 (rate base) of Staff's Accounting Schedules include a $43.8 million decrease for the Missouri jurisdictional portion of the $80 million value of early retirements.

Q. If the Commission adopts Staff's recommendation, will EMM need to "write-off" those assets?

A. No. As I mentioned, Staff's revenue requirement still applies depreciation rates to the unadjusted account balances, and EMM will continue to recover its original investment over the life of the accounts. Therefore, there will be no need to remove the assets from EMM's books.

[6] See Staff witness Amanda Arandia's direct testimony for Staff's recommendation of depreciation rates.

CONSTRUCTION WORK IN PROGRESS IN RATE BASE

Q. What is Construction Work in Progress ("CWIP")?

A. From an accounting perspective, CWIP is the current balance of funds invested in a capital project at any given point in time. Utilities use FERC account 107 to accumulate a project's cost in accordance with FERC's Uniform System of Accounts ("USOA").

Q. Has the Commission historically included the balance of CWIP in the ratemaking process?

A. No. Except for a brief period in the 1970s where the Commission was responding to the United States' economic hyper-inflation, the Commission has excluded CWIP from the ratemaking process for electric utilities.

Q. Are there relevant Missouri statutes to the inclusion of CWIP in rate base?

A. Yes. Section 393.135, RSMo, was an adopted voter initiative effective November 2, 1976. This statute prohibited inclusion of Plant in the rates of an electrical corporation before it was fully operational and used for service. This section was revised in 2025 to make an exception for rate base treatment of CWIP for any new natural gas-generating unit.

Q. Does the statute explain how CWIP should be included?

A. Yes, in part. In addition to expressing that rate base treatment is in lieu of the traditional accumulation of AFUDC, the statute expresses that, "[t]he [C]omission shall determine, in a proceeding under § 393.170, the amount of construction work in progress that may be included in rate base." As clarified by § 393.135(2)(1), the amount

the Commission determines is limited by 1) the project's cost estimates and 2) expenditures made within the estimated construction period.

Q. What are the proceedings in § 393.170?

A. Section 393.170 restricts utilities from constructing a gas plant without first having obtained the permission and approval of the Commission. In other words, it is the Missouri statute requiring utilities to submit an application for a CCN.

Q. Has EMM submitted an application for a CCN related to new natural gas-generating units?

A. Yes. On May 14, 2026, EMM filed an application for a CCN in Case No. EA-2026-0154. The application explains EMM's request to build a 440 MW gas generating station in Nodaway County, Missouri. The name of the unit is Mullin Creek No. 2.[7] Additionally, EMM's CCN filing requests the Commission determine the amount of CWIP to be included in rate base.

Q. What is the timing of the CCN case?

A. Missouri statutes and the Commission's rules do not specify a deadline to process a CCN application, and the length of the process depends heavily on how contested the application becomes. Included in its application, Evergy Metro has requested the Commission approve a timeline to process its request by December 23, 2026, in order to have a January 2, 2027, effective date.

Q. Does this create a procedural challenge for this rate case?

[7] Mullin Creek No. 1 is currently under construction and will be a generator for Evergy Missouri West. See Commission Case No. EA-2025-0075.

A. Yes. The statute allowing CWIP in rate base states the "Commission shall determine" the amount of CWIP that can be included in rate base in a CCN case. Under EMM's proposed schedule in the CCN application, the Commission will not have an opportunity to issue an official determination of the rate base amount for CWIP until December 23, 2026, which is two months after the hearing in this rate case will be concluded. Until the Commission is able to determine an appropriate amount, the parties to the rate case can only speculate about what revenue requirement impact the Commission's CNN order will have. While the Commission's guidance will be available in EMM's next rate case, Evergy Metro's timing of its CCN application is unfortunate for immediate ratemaking purposes.

Q. Does Staff's recommended revenue requirement reflect CWIP in rate base?

A. No. Not only do the parties lack the Commission's determination that is required to be made in a CCN docket, EMM did not make any investments in the Mullin Creek No. 2 project as of Staff's December 31, 2025, cut-off date. Staff will provide true-up direct testimony on CWIP activity through June 30, 2026, when more information will be available. Specifically, Staff would expect to have updated responses to Staff Data Request Nos. 0185-0190 to include details of the Mullin Creek No. 2 project.

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 MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW MATTHEW R. YOUNG 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.

Matt Young
MATTHEW R. YOUNG

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 26th day of June 2026.

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

B L Stigger
Notary Public

Matthew R. Young

Educational and Employment Background and Credentials

My academic background includes two degrees from the University of Missouri – Kansas City. In 2011, I earned a Master of Science (M.S.) in Accounting establishing a robust foundation in financial reporting, auditing, and taxation. This degree immediately followed my completion of a Bachelor of Liberal Arts (B.L.A.) which I earned in 2009.

I possess over a decade of experience on the Staff of the Missouri Public Service Commission ("Commission"), having been employed since 2013. Through continuous professional progression, I advanced to my current leadership role as a Utility Regulatory Audit Supervisor. My primary duties involve overseeing and preparing detailed regulatory work products, including the review of complex rate audits and the submission of official filings to the Commission. I assess submitted facts and testimony, determine and sponsor accounting adjustments, and formulate regulatory positions that are supported by workpapers and testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Cases in which I have served as a subject matter expert, and the scope of my contributions, are listed below:

Case/Tracking Number	Company Name	Scope of Audit
HR-2026-0109	Evergy West	Revenue Requirement
GR-2025-0107	Spire Missouri	Deferred Overhead Assets
GR-2024-0369	Ameren Missouri	AMI Deferral, Meter Reading Expense, Discrete Adjustments
ER-2024-0261	Liberty (Empire)	Plant Amortization, Asbury Retirement AAO, Customer First, Pensions, OPEBs, SERP, Construction Accounting AAO, Income Taxes, Environmental Tracker

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
GO-2024-0214	Spire Missouri	Revenue Requirement
ER-2024-0189	Evergy West	Border Customers, Capitalized Overheads, Common Use Billings, Hawthorn Solar Investment, Income Taxes, Off System Sales, PAYS® Program, Miscellaneous Revenues
WA-2023-0450 SA-2023-0451	Confluence Rivers	Rate Base, Purchase Price
GO-2023-0432	Spire Missouri	Revenue Requirement
GT-2023-0229	Liberty Midstates	Revenue Requirement, Capitalized Overheads
EA-2022-0328	Evergy West	Production Tax Credits
ER-2022-0337	Ameren Missouri	Plant, Reserve, Sioux Deferral, Fuel Inventory, Fuel Expense, Fuel Prices, Coal Refinement, Intangible Amortization, Extended Amortization, Incentive Compensation, Exceptional Performance Bonus, Income Taxes, IRA Tracker, Capitalized Overheads
GO-2022-0339	Spire Missouri	Revenue Requirement
GR-2022-0179	Spire Missouri	Capitalized Overheads
GO-2022-0171	Spire Missouri	Capitalized Overheads
ER-2022-0129 ER-2022-0130	Evergy Metro Evergy West	Prospective Tracking, Income Taxes, Fuel Expense and Inventory, DSM Opt-Out and Iatan Regulatory Assets, Plant, Reserve, Amortization Expense.
EO-2022-0105	Evergy Metro	Revenue Requirement Issues
ER-2021-0240 GR-2021-0241	Ameren Missouri	Incentive Compensation

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Case/Tracking Number	Company Name	Scope of Audit
GR-2021-0108	Spire Missouri	Capitalized Overheads, Income Taxes, Rate Base Amortizations
SA-2021-0017	Missouri American Water Company	Feasibility Studies, Construction Cost Estimates
GO-2021-0030 GO-2021-0031	Spire – East and Spire – West	ISRS Rate Base
GA-2021-0010	Spire – West	Costs to Expand Distribution System
WR-2020-0264	Raytown Water Company	Tank Painting and Tower Maintenance, Taxes, Leases, Capitalized Depreciation
GO-2020-0229 GO-2020-0230	Spire – East and Spire – West	ISRS Rate Base
GA-2020-0105	Spire – West	Costs to Expand Distribution System
WA-2019-0366 SA-2019-0367	Missouri American Water Company	Rate Base
WA-2019-0364 SA-2019-0365	Missouri American Water Company	Rate Base
GO-2019-0356 GO-2019-0357	Spire – East and Spire – West	Overhead Costs in Rate Base, Reconciliation
ER-2019-0335	Ameren Missouri	Incentive Compensation, Fuel Inventory

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
WO-2019-0184	Missouri American Water Company	ISRS Rate Base
SA-2019-0161	United Services Inc.	Application for Certificate, Rate Base
ER-2018-0145 ER-2018-0146	Kansas City Power & Light & KCP&L Greater Missouri Operations	Fuel Prices & Inventories, Purchased Power Expense, Pensions, OPEBs, SERP, Outside Services
WR-2017-0343	Gascony Water Company	Rate Base
GR-2017-0215 GR-2017-0216	Laclede Gas Company & Missouri Gas Energy	Pensions, OPEBs, SERP, Incentive Compensation, Equity Compensation, Severance Costs
WR-2017-0139	Stockton Hills Water Company	Revenue, Expenses, Rate Base
ER-2016-0285	Kansas City Power & Light	Forfeited Discounts, Bad Debt Expense, Customer Growth, Cash Working Capital, Payroll and Payroll Related Costs, Incentive Compensation, Rate Case Expense, Renewable Energy Standards Cost Recovery, Property Taxes

Matthew R. Young

Case/Tracking Number	Company Name	Scope of Audit
SR-2016-0202	Raccoon Creek Utility Operating Company	Rate Base
ER-2016-0156	KCP&L Greater Missouri Operations	Payroll, Payroll Benefits, Payroll Taxes, Incentive Compensation, Injuries and Damages, Insurance Expense, Property Tax Expense, Rate Case Expense
SR-2016-0112	Cannon Home Association	Revenues and Expenses, Rate Base
WR-2016-0109 SR-2016-0110	Roy-L Utilities	Revenues and Expenses, Rate Base
WR-2015-0246	Raytown Water Company	Revenues and Expenses, Rate Base
SC-2015-0152	Central Rivers Wastewater Utility	Complaint
WR-2015-0104	Spokane Highlands Water Company	Revenues and Expenses, Rate Base
GR-2015-0026	Laclede Gas Company	Plant Additions and Retirements, Contributions in Aid of Construction
GR-2015-0025	Missouri Gas Energy	Plant Additions and Retirements, Contributions in Aid of Construction
WR-2015-0020	Gascony Water Company	Revenues and Expenses, Rate Base

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Case/Tracking Number	Company Name	Scope of Audit
SM-2015-0014	Raccoon Creek Utility Operating Company	Sale of Assets, Rate Base, Acquisition Premium
ER-2014-0370	Kansas City Power & Light	Injuries & Damages, Insurance, Payroll, Payroll Benefits, Payroll Taxes, Property Taxes, Rate Case Expense
SR-2014-0247	Central Rivers Wastewater Utility	Revenues and Expenses, Rate Base, Affiliated Transactions
HR-2014-0066	Veolia Energy Kansas City	Payroll, Payroll Benefits, Payroll Taxes, Bonus Compensation, Property Taxes, Insurance Expense, Injuries & Damages Expense, Outside Services, Rate Case Expense
GO-2014-0179	Missouri Gas Energy	Plant Additions, Contributions in Aid of Construction
GR-2014-0007	Missouri Gas Energy	Advertising & Promotional Items, Dues and Donations, Lobbying Expense, Miscellaneous Expenses, PSC Assessment, Plant in Service, Depreciation Expense, Depreciation Reserve, Prepayments, Materials & Supplies, Customer Advances, Customer Deposits, Interest on Customer Deposits
SA-2014-0005	Central Rivers Wastewater Utility	Application for Certificate, Revenue and Expenses, Plant in Service, Depreciation Reserve. Other Rate Base Items