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Exhibit No. 132

Staff – Exhibit 132
Rebuttal Testimony of Sydney Ferguson
Case No. ER-2026-0143

Exhibit No.:
Issue(s): *Bad Debt and Forfeited Discounts Factor Up*
Witness: *Sydney Ferguson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2026-00143*
Date Testimony Prepared: *August 11, 2026*

MISSOURI PUBLIC SERVICE COMMISSION

FINANICAL AND BUSINES ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

SYDNEY FERGUSON

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

CASE NO. ER-2026-0143

Jefferson City, Missouri
August 2026

** Denotes Confidential Information **

REBUTTAL TESTIMONY

OF

SYDNEY FERGUSON

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

CASE NO. ER-2026-0143

Q. Please state your name and business address.

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

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

A. I am a Senior Utility Regulatory Auditor employed by the Staff ("Staff") of the Missouri Public Service Commission ("Commission").

Q. Are you the same Sydney Ferguson who previously provided testimony in this case?

A. Yes. I provided direct testimony in this case concerning bad debt expense and other various topics.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of EMM witness Darcie Kramer concerning EMM's request in cost of service adjustment CS-20b[1] to recover bad debt expense in excess of the annualized level of bad debt expense calculated in this case. EMM's request to include an adjustment for bad debt expense associated with a revenue requirement change is commonly referred to as bad

[1]Kramer Direct, Page 13, lines 18-19 and page 14, lines 1-2.

debt "factor up" or "gross up." Staff recommends that this theoretical expense not be included in EMM's cost of service. No direct correlation exists between a change in customer rates and bad debt expense to justify bad debt expense based on the amount of the authorized rate increase or decrease that will result from this rate case.

BAD DEBT EXPENSE AND FORFEITED DISCOUNTS

Q. Please summarize Staff's position regarding bad debt expense.

A. Staff is opposed to EMM's request to recover bad debt expense in excess of the annualized level of bad debt expense calculated in this case. EMM has included an additional $758,034 of Missouri jurisdictional bad debt in their direct filed revenue requirement request. EMM has also included a factor up for forfeited discounts revenue of an additional $135,317 based on their direct filed revenue requirement request.

The bad debt factor up is separate from the normalized bad debt expense adjustment that is based on the ratio of bad debt to rate revenue updated through December 2025.

EMM's rationale, as discussed in Ms. Kramer's testimony,[2] for making this request is based on the assumption that any increase in customer rates granted by the Commission will cause bad debt expense to also directly increase proportionally. However, EMM has not demonstrated that a direct correlation exists between the level of rate revenue and the percentage of bad debts that would justify the reflection of a further

[2] Kramer Direct, Pages 13-15.

adjustment for bad debt expense in rates. EMM's assumption is speculative and is not based upon known and measurable changes.

Staff has based its rate recommendation for this issue on actual historical levels of bad debt. Based on my review, Staff concludes that there has been no direct correlation between bad debts and the level of rate increases, or even the level of revenue growth of EMM. Staff's analysis of the actual net write-offs to related revenues as depicted in the attached charts and graphs indicate that bad debt expense sometimes moves in the opposite direction or not in proportion to rates/revenues when levels of rates and revenues change.

Staff recommends that the Commission deny EMM's request to adopt the proposed "factor up" for bad debts and also not order a "factor up" of forfeited discounts. However, in the event that the Commission does grant EMM's request to "factor up" bad debt expense proportionate with a change in revenue requirement, Staff recommends it also "factor-up" additional forfeited discounts (late payment fees) that would be assumed to change as a result of the rate change. If the Commission concludes that it is reasonable and appropriate to "factor up" bad debt expense for purposes of setting rates, on the theory that EMM will experience a higher level of bad debts as a result of a rate increase, then it is reasonable to conclude that EMM will also experience a higher level of late payment revenue resulting from those higher rates. To summarize, Staff recommends the Commission deny both factor ups, but if bad debt expense is ordered to be factored up, then late payment fees should also be factored up.

Q. How did Staff develop its normalized bad debt expense recommendation?

A. Bad debt expense was normalized using the historical ratio between bad debt and retail revenues through December 2025. Staff applied this ratio to the weather normalized annualized rate revenues amount. Staff and EMM have used this method for several cases to normalize bad debt expense. There is no apparent disagreement between Staff and EMM concerning this portion of bad debt expense.

Q. In Staff's opinion, is it reasonable to assume that there will be bad debts associated with a revenue requirement change granted in this case?

A. Upon examining actual historical bad debts in relationship to revenues, there is not any apparent causal relationship between bad debts and changes in revenues; EMM's assumption does not hold true. Thus, any change in a company's revenues should not be assumed to automatically cause a proportional change to bad debt expense, on a dollar-for-dollar basis. Staff's analysis demonstrates no evidence of this direct correlation for EMM currently or in the past, nor has EMM produced any evidence of such a correlation in their testimony or workpapers in these cases. In fact, at various times as revenues increase, bad debts have declined. In other instances, when revenues decreased, bad debts increase. The conclusion is that there is no direct relationship between bad debts and revenue changes.

The usual justification for use of the bad debt "factor up" is the incorrect assumption that it is necessary to match dollar-for-dollar the level of bad debt expense established in a rate case with the amount of additional revenue requirement increase approved by the Commission. In other words, the use of bad debt "factor up" implies that it is a virtual certainty that, with each rate change, bad debts will also change

proportionally. Should the factor up be granted, this additional amount of bad debt expense would be calculated and added to the annualized and normalized level of bad debt expense found reasonable for inclusion in the utility's revenue requirement. The amount of any ordered bad debt "factor up" will be derived by applying the bad debt expense ratio to the expected revenue requirement increase to be granted by the Commission. Staff's analysis concludes EMM's proposed bad debt factor up request should not be adopted in this case, nor should additional late payment fees be included based on the rate change ordered in this case. Therefore, Staff recommends that the Commission not adopt EMM's request.

Q. What analysis has Staff performed to support the position that no direct relationship exists for bad debts relating to changes in revenue requirement for EMM?

A. Attached to this rebuttal testimony are several schedules:

- Confidential Schedule SF-r2 is the quarterly rolling percentage of bad debt compared to retail revenue from December 2006 through June 2017.
- Confidential Schedule SF-r3 is a graph of the quarterly rolling percentage of bad debt compared to retail revenue from September 2017 through June 2021.
- Confidential Schedule SF-r1 is a graph of the quarterly rolling percentage of bad debt compared to retail revenue from July 2021 through December 2025.

Q. What do these confidential schedules demonstrate?

A. The information shown in the graphical analysis clearly demonstrates there is no direct relationship between bad debts and changes in revenues that would have to exist to justify a bad debt "factor up" calculation. This conclusion holds true in examining the month-to-month change in debt and revenue, and the quarterly rolling relationship between bad debt and revenue as shown in the attached confidential schedules.

Q. What are "forfeited discounts"?

A. Forfeited discounts are also known as "late payment fees" and are fees that EMM charge their customers for making late payments on customer bills whenever they become due. The charges are assessed on the remainder of the unpaid bill.

Q. How are late payment fees booked by EMM?

A. Late payment fees are considered additional revenue and, as such, are booked as revenue by EMM.

Q. Did EMM propose to "factor up" late payment fees consistent with its requested bad debt "factor up" for a revenue requirement increase?

A. Yes.

Q. Did Staff perform an analysis that would support that there is a relationship between changes in revenues and late payment fees?

A. Yes. Attached to this rebuttal testimony, as Confidential Schedules SF-r4 through SF-r6 are historical monthly analyses of EMM's late payment fees and retail revenue levels. Contrary to Staff's bad debt analysis, some relationship between late payment fees and changes in revenues does appear to exist. Although the relationship between late payment fees and changes in revenues is not a perfect correlation,

Staff's analysis does indicate a closer relationship for these than for bad debt expense and revenues. There is a section of data that is different than the rest, which is because of the COVID-19 pandemic. This section is noted on the attached graph as Confidential SF-r4.

Q. If the Commission includes a bad debt factor up, would it be consistent to also "factor up" late payment fees?

A. Yes. Staff recommends that if the Commission decides to approve EMM's request to adjust bad debt expense proportionate to any increase in revenue requirement, then it should also "factor up" late payment fees for the same reason. If the Commission concludes that EMM will experience a proportionately different level of bad debts because of a rate change then it would follow that EMM will experience a different level of late payment revenue as well.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Evergy Metro, Inc. d/b/a Evergy Missouri Metro's Request for Authority to Implement a General Rate Increase for Electric Service	))))	Case No. ER-2026-0143

AFFIDAVIT OF SYDNEY FERGUSON

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

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

Further the Affiant sayeth not.

SYDNEY FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City Missouri, on this 6 day of August 2026.

Notary Public

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

Case No. ER-2026-0143

INFORMATION CONTAINED IN

SCHEDULES SF-r1 THROUGH SF-r10

HAVE BEEN

DEEMED CONFIDENTIAL

IN THEIR ENTIRETY