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Case No. ER-2026-0143

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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

FINANCIAL ANALYSIS DEPARTMENT

REBUTTAL TESTIMONY

OF

SEOUNG JOUN WON, PhD

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

Case No. ER-2026-0143

Jefferson City, Missouri
August, 2026

** Denotes Confidential Information **

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REBUTTAL TESTIMONY OF

SEOUNG JOUN WON, PhD

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 Seoung Joun Won and my business address is P.O. Box 360, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission ("Commission") as a member of the Commission's Staff ("Staff") and my title is Regulatory Compliance Manager for the Financial Analysis Department, in the Financial and Business Analysis Division.

Q. Are you the same Seoung Joun Won who filed Direct Testimony on June 30, 2026?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimonies of Ann E. Bulkley, Geoffrey Ley, and David Murray regarding rate of return ("ROR") related issues including return on equity ("ROE") and capital structure. Ms. Bulkley and Mr. Ley sponsored testimonies on behalf of Evergy Metro, Inc., d/b/a Evergy Missouri Metro ("EMM"), a subsidiary of Evergy, Inc. ("Evergy"). Mr. Murray sponsored testimonies on behalf of the Missouri Office of the Public Counsel ("OPC").

I. EXECUTIVE SUMMARY

Q. What is the overview of your response to the testimonies of EMM's witnesses, Ms. Bulkley and Mr. Ley?

A. This rebuttal will focus on the overall ROR, incorporating Ms. Bulkley's ROE estimation and Mr. Ley's cost of capital components, which include long-term debt cost and capital structure. Ms. Bulkley proposed an ROE of 10.50% within a range of 10.25% to 11.25%.[1] Mr. Ley proposed an ROR of 7.65%, based on the projected capital structure of EMM as of June 30, 2026.[2] This proposed ROR consisted of 52.07% common equity with an ROE of 10.50% and 47.93% long-term debt with a cost of 4.56%.[3]

During the review process, Staff discerned that Ms. Bulkley introduced a series of upwardly biased assumptions and estimates for her cost of equity ("COE"), resulting in an overstated ROE recommendation.[4] Ms. Bulkley overstated her COE through the use of input data and estimation procedures that produced upwardly biased results in her direct testimony. In this rebuttal testimony, Staff will provide a detailed explanation of how Ms. Bulkley used unreasonable and upwardly-biased input data in the Constant Growth form of the Discounted Cash Flow ("DCF") model, the Capital Asset Pricing

[1] Page 5, lines 7-8, Bulkley's Direct Testimony.
[2] Page 6, lines 7-10, Ley's Direct Testimony.
[3] Table 1 (p. 6), Ley's Direct Testimony.
[4] According to her response to Staff's Data Request No. 0131, Ms. Bulkley stated, "The ROE should be based on the cost of equity estimates produced by applying cost of equity estimation models such as the constant growth DCF, CAPM, and Risk Premium to a proxy group of comparable utilities."

Model ("CAPM"), the Empirical Capital Asset Pricing Model ("ECAPM"), and the Bond Yield Risk Premium ("BYRP" or "Risk Premium") analysis.[5]

Mr. Ley's proposed ROR is based on EMM's projected capital structure, which is based on forecasted long-term debt issuances, long-term debt maturities, earnings, and dividends between June 30, 2025 and June 30, 2026,[6] along with Ms. Bulkley's recommended ROE of 10.50%.[7] For ratemaking purposes, Ms. Bulkley requested a projected embedded cost of debt of 4.5628% as of June 30, 2026.[8] Staff found that EMM's actual embedded cost of debt was 4.555% as of March 31, 2026,[9] which differs from the projected embedded cost of debt proposed by Ms. Bulkley for ratemaking purposes and warrants additional review.

At this time, Staff will not address any major issues regarding the projected standalone capital structures of EMM. Currently, the updated changes to the capital structures of EMM and Evergy, as of June 30, 2026, are under review. Staff will make a final recommendation in subsequent testimony filings after investigating the reasons for the changes in EMM's actual capital structure and its actual embedded cost of debt. Staff's analyses and conclusions herein are supported by the data presented in Staff's rebuttal workpapers.

Q. What is the overview of your response to the testimony of Mr. Murray?

[5] Page 2, lines 15-18, Bulkley's Direct Testimony.
[6] Page 7, lines 1-4, Ley's Direct Testimony.
[7] Page 3, lines 3-4, Ley's Direct Testimony and Page 5, lines 7-8, Bulkley's Direct Testimony.
[8] Page 6, lines 2-3, Bulkley's Direct Testimony and Page 8, lines 12-15, Ley's Direct Testimony.
[9] Staff's Data Request No. 0108.

A. Mr. Murray recommended an ROE of 9.25% within a range of 9.00% to 9.50% and a ROR of 6.68% based on his recommended use of Evergy's capital structure of 45.00% common equity and 55.00% long-term debt and applying EMM's embedded cost of long-term debt of 4.58%.[10]

Mr. Murray's recommended equity ratio of 45.00% is significantly lower than EMM's recent common equity ratios, which have an approximate average of 52.87%.[11] Staff has concerns with Mr. Murray's recommended ROE of 9.25% because it is significantly lower than the recent average authorized ROE of 9.85%.[12] Staff will address concerns with Mr. Murray's recommended capital structure, including his use of Evergy's capital structure ratios instead of EMM's, as well as his ROE estimate.

In this rebuttal testimony, Staff addresses only selected issues from the direct testimony of EMM and OPC witnesses in this proceeding; therefore, the omission of other issues should not be interpreted as agreement with the opinions of EMM or OPC witnesses.

continued on next page

[10] Page 2, lines 3-4, and Schedule DM-D-8, Murray's Direct Testimony.
[11] Table 2 (p. 46), Won's Direct Testimony.
[12] Schedule SJW-r3-1 Won's Rebuttal Testimony.

II. RESPONSE TO TESTIMONY OF EVERGY MISSOURI METRO WITNESSES

Q. What are the specific areas to which Staff is responding regarding EMM's witnesses?

A. Staff is responding to the testimonies of Ms. Bulkley and Mr. Ley. The areas in which Staff addresses issues of Ms. Bulkley's direct testimony include:

- Proposed ROE,
- Proxy Group Criteria,
- Growth Rates for DCF Model,
- Market Risk Premium for CAPM,
- Empirical CAPM Method,
- BYRP Analysis, and
- Regulatory and Business Risks.

Then, Staff will briefly address Mr. Ley's proposed ratemaking capital structure. Staff will discuss each in turn, below.

1. Proposed ROE

Q. What is Ms. Bulkley's proposed ROE for EMM in this proceeding?

A. Ms. Bulkley proposed an ROE of 10.50%, within a range of 10.25% to 11.25%, for use in this proceeding.[13]

Q. How did Ms. Bulkley determine her proposed ROE?

A. Ms. Bulkley determined her proposed ROE from a range of the results of her COE estimates. Ms. Bulkley calculated a COE estimate range of 9.12% to 12.01%.[14]

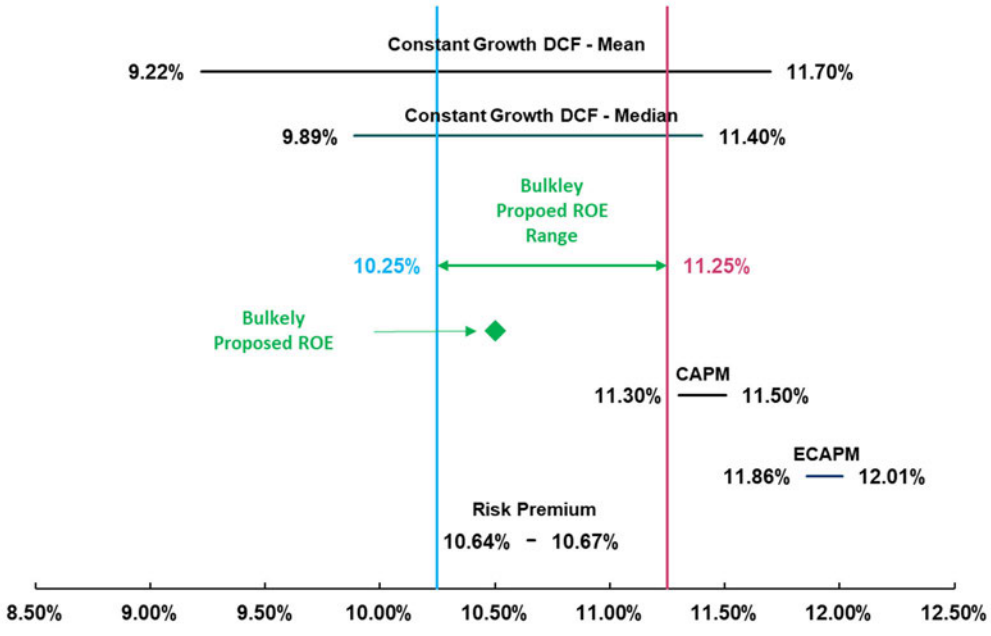
[13] Page 55, lines 15-18, Bulkley's Direct Testimony.
[14] Figure 12 (p. 56), Bulkley's Direct Testimony.

For her proposed ROE, Ms. Bulkley considered company-specific risk factors along with current and prospective capital market conditions.[15] However, Ms. Bulkley did not precisely state her procedure for selecting the recommended ROE point estimate of 10.50% or the ends of her proposed ROE range of 10.25% to 11.25% from within her COE estimate analytic results of 9.12% to 12.01%.[16]

Q. How did Ms. Bulkley estimate her COE?

A. Ms. Bulkley applied COE estimation models such as the constant growth DCF, the CAPM, the ECAPM, and the BYRP to her electric utility proxy group.[17] Ms. Bulkley's estimated COE for each analysis method and proposed ROE are summarized in Figure 1:[18]

Figure 1. Ms. Bulkley's COE Estimates and Proposed ROE



[15] Page 5, 4-6, and Page 55, lines 15-18, Bulkley's Direct Testimony.
[16] Figure 1 (p. 5).and Figure 12 (p. 56), Bulkley's Direct Testimony.
[17] Page 21, lines 7-8, Bulkley's Direct Testimony.
[18] Figure 1 (p. 5), Bulkley's Direct Testimony.

Q. What are Staff's concerns with Ms. Bulkley's recommended ROE?

A. Staff's concern is that Ms. Bulkley's recommended ROE of 10.50% is too high compared to the average authorized ROE of 9.85% for electric utility rate cases completed in the first half of 2026.[19] Ms. Bulkley's proposed ROE is based on COE estimates that Staff finds to be overstated. Ms. Bulkley presented COE estimation procedures that produced upwardly biased results through the use of unreasonable input values and assumptions. Ms. Bulkley utilized a variety of data sources and analysis methods that resulted in inflated input values. The following summarizes the steps that led to the overstatement of Ms. Bulkley's COE:

1. Selecting inappropriate or upwardly biased data,
2. Producing overestimated input values, and
3. Utilizing inadequate estimation methods.

I will describe how each of Ms. Bulkley's COE estimates is overstated by presenting detailed investigation results later in this testimony.

2. Proxy Group Criteria

Q. What is Ms. Bulkley's proxy group for estimating EMM's COE?

A. Ms. Bulkley selected sixteen (16) electric utility companies for her proxy group for EMM's COE estimation.[20] Ms. Bulkley selected her electric utility proxy group from thirty-five (35) publicly-traded companies classified by Value Line Investment Survey ("Value Line") as electric utilities, using seven (7) screening criteria during the

[19] S&P Capital IQ Pro, Retrieved on July 12, 2026.
[20] Figure 4 (p. 20) and Schedule AEB-2, Bulkley's Direct Testimony.

selection process.[21] The following is the list of Ms. Bulkley's electric utility proxy group, associated ticker symbols, and Standard & Poor's ("S&P") issuer credit ratings:

Table 1. Bulkley's Electric Utility Proxy Group and Ticker[22]

	Company	Ticker	S&P
1	Alliant Energy Corporation	LNT	BBB+
2	Ameren Corporation	AEE	BBB+
3	American Electric Power Company, Inc.	AEP	BBB+
4	Avista Corporation	AVA	BBB
5	CMS Energy Corporation	CMS	BBB+
6	Dominion Resources, Inc.	D	BBB+
7	DTE Energy Company	DTE	BBB+
8	Entergy Corporation	ETR	BBB+
9	IDACORP, Inc.	IDA	BBB
10	NextEra Energy, Inc.	NEE	A-
11	OGE Energy Corporation	OGE	BBB+
12	Pinnacle West Capital Corporation	PNW	BBB+
13	Portland General Electric Company	POR	BBB+
14	PPL Corporation	PPL	A-
15	Southern Company	SO	A-
16	Xcel Energy Inc.	XEL	BBB+

Q. What is Staff's concern with Ms. Bulkley's proxy group selection?

A. Staff's concern with Ms. Bulkley's proxy group is that she did not include, within her screening criteria, whether most of a company's assets are regulated. When selecting a proxy group for this proceeding, it is crucial to assess whether the proxy company is comparable to EMM, a regulated electric utility. The portion of total assets that are unregulated can significantly impact a company's risk profile and financial performance during shifts in economic and financial market conditions.

[21] Page 19, lines 2-13, Bulkley's Direct Testimony.
[22] Schedule AEB-2, Bulkley's Direct Testimony, S&P Global Intelligence.

For instance, Edison Electric Institute ("EEI") reported two categories of regulated electric utility companies: one is classified as 'Regulated,' where 80% or more of total assets are regulated, and the other is classified as 'Mostly Regulated,' where less than 80% of total assets are regulated.[23] Ms. Bulkley included NextEra Energy, Inc. ("NEE") in her proxy group.[24] EEI classified NEE as 'Mostly Regulated,' whereas Evergy was classified as 'Regulated.'[25] According to EMM's response to Staff's data request, approximately 99% of Evergy's consolidated total assets were regulated operating assets as of December 31, 2025.[26]

Q. Why is it important to consider the portion of total assets that are non-regulated when choosing a proxy group?

A. When constructing a proxy group for estimating the range of COEs used to recommend an ROE, it is important to ensure that the companies included have similar regulatory profiles to facilitate meaningful comparisons. Companies facing similar regulatory constraints and operating conditions are more directly comparable in terms of financial metrics, valuation multiples, and risk factors.

Utilities operating in regulated industries are subject to oversight and regulation by governmental agencies. The regulatory environment can affect various aspects of a company's operations, including pricing, capital investment, and profit margins. By only including companies in the proxy group with a significant portion of regulated assets

[23] EEI, 2024 Financial Review: Annual Report of the U.S. Investor-Owned Electric Utility Industry.
[24] Figure 4 (p. 20) and Schedule AEB-2, Bulkley's Direct Testimony.
[25] EEI, 2024 Financial Review: Annual Report of the U.S. Investor-Owned Electric Utility Industry.
[26] Staff Data Request No. 0122.

relevant to the utility being evaluated for ratemaking purposes, the resulting proxy group more closely reflects the stability and predictability inherent in regulated utility operations.

Considering the proportion of regulated assets when choosing a proxy group helps to ensure that the group accurately represents the characteristics, risk profile, and financial performance of companies operating within regulated industries such as electric utilities. This approach enhances the reliability and relevance of the estimated COE for EMM based on the proxy group.

Q. What percentage of Evergy's and EMM's total assets are non-regulatory assets?

A. The average percentage of non-regulated assets from Evergy's and EMM's total assets has been approximately 0.43% and 0.00%, respectively, as of December 31, 2025.[27]

Q. Is NEE comparable for estimating EMM's COE with commensurate risks?

A. No. EEI reported that NEE's non-regulated assets are more than 20% of its total assets.[28] These non-regulated assets provide a less stable source of revenue than regulated assets, which typically involve long-term contracts or agreements with regulatory bodies. Utilities with a larger portion of non-regulated assets tend to have higher risk profiles compared to those with a lower proportion of non-regulated assets, which generally are associated with lower market volatility and more economic certainty.

[27] Staff Data Request No. 0122.
[28] EEI, 2024 Financial Review: Annual Report of the U.S. Investor-Owned Electric Utility Industry.

The proportion of regulated assets can also impact the financial performance of companies within the proxy group. Regulated utilities, for example, may have more predictable cash flows and earnings due to the steady demand for essential services like electricity. Including utilities with a significant portion of regulated assets, such as EMM, can therefore provide stability and consistency in financial performance metrics such as revenue, earnings, and dividends. Lower risk utilities generally require a lower required return from investors. In contrast, a higher proportion of non-regulated businesses requires a higher return, resulting in a higher estimated COE compared to predominantly regulated businesses.

Q. Does Staff have any other concerns with Ms. Bulkley's proxy group selection?

A. Yes. Another concern with Ms. Bulkley's proxy group is that she did not include, within her screening criteria, whether a company has exhibited positive dividend growth in recent years. Companies with negative dividend growth are not comparable to those with positive dividend growth. When selecting a proxy group for this proceeding, it is important that each proxy company be comparable to EMM, particularly because dividend growth is an essential input in the DCF model for estimating the COE.

Negative dividend growth is a concern when selecting proxy-group utilities because the DCF model assumes that dividends will grow at a positive, sustainable rate indefinitely. Negative dividend growth may reflect declining earnings, weak cash flow, excessive leverage, or regulatory disallowances. A company with negative dividend

growth may violate this assumption and indicate that it is not representative of a healthy, stable regulated utility.

For instance, Ms. Bulkley includes Dominion Resources, Inc. ("Dominion")[29] and PPL Corporation ("PPL") in her proxy group.[30] According to their five-year historical dividend growth records, Dominion has a growth rate of -5.0%.[31] This is related to the fact that Dominion faced a federal government pause on the 2.6-gigawatt Coastal Virginia Offshore Wind project due to classified national security concerns in December 2025.[32] PPL's five-year dividend growth rate is -8.07%, indicating long-term stagnation, and its free cash flow yield has been negative for several years (-3.16%, -1.94%, and -5.41% from 2023 to 2025).[33] A proxy group should consist of companies with comparable risk and expected long-term financial performance so that the estimated COE reasonably reflects investors' required return for the subject utility. Dominion and PPL do not adequately represent the financial characteristics of the utility whose ROE is being determined.

3. Growth Rates for Discounted Cash Flow Models

Q. What is Staff's concern with Ms. Bulkley's constant growth DCF model?

A. Ms. Bulkley used unreasonably high growth rates in her constant growth DCF model, which overstated her COE estimates. While Ms. Bulkley utilized three

[29] Dominion Resources, Inc changed the name to Dominion Energy, Inc. effective May 10, 2017, https://www.sec.gov/Archives/edgar/data/715957/000119312517208237/d396677d424b2.htm.
[30] Schedule AEB-2, Bulkley's Direct Testimony, S&P Global Intelligence.
[31] Value Line Report.
[32] Energy News Record, Dominion Sues Feds Over Offshore Wind Project Halt, With Action Possible on Others Shut, published December 24, 2025. https://www.enr.com/articles/62261-updated-dominion-sues-feds-over-offshore-wind-project-halt-with-action-possible-on-others-shut.
[33] Stock Market Online, PPL: Dividend Analysis - PPL Corporation, published April 13, 2026. https://www.stockmarketonline.com/PPLdpdp-Dividend-Analysis-minmin-PPL-Corporation-at-date-2026-04-13.

sources of long-term projected earnings per share ("EPS") growth rates *Zacks Investment Research* ("Zacks"); *S&P Capital IQ Pro*; and *Value Line*), she exclusively used projected EPS growth rates, which she erroneously characterized as long-term earnings growth rates.[34] Analysts' projected EPS growth rates are for periods of three to five years, which is a relatively short horizon given the infinite investment horizon assumed in the constant growth DCF model.[35] Because of these overstated growth rates, Ms. Bulkley's DCF COE estimates are unreasonably upward biased.

Q. What is wrong with using exclusively projected earnings growth rates for Ms. Bulkley's constant growth DCF COE estimates?

A. Analysts' projected earnings growth rates are not suitable for use exclusively in the constant growth DCF model because they are not perpetual growth rates and are often limited to projection periods of five years or less. The constant growth DCF model assumes a perpetual investment horizon.[36] By exclusively using these analysts' projected earnings growth rates in the context of the constant growth DCF model, Ms. Bulkley unreasonably assumes that electric utilities will grow at these high shorter-term growth rates in perpetuity, which is inconsistent with the assumptions underlying the model.

Analysts generally agree that long-term growth rates for utilities will eventually converge to the level of long-term gross domestic product ("GDP").[37] Staff has

[34] Pages 25-26, Bulkley's Direct Testimony.
[35] Value Line, Inc., How to Read a Value Line Report (2017).
[36] Page 129, David C. Parcell in The Cost of Capital – A Practitioner's Guide prepared for SURFA.
[37] Page 302, Morin, R. A. (2006). New Regulatory Finance. Public Utilities Reports.

consistently taken the view that while it is possible for a company or industry to grow at a rate faster than nominal GDP in the short to medium term, no company or industry will do so in perpetuity. Currently, long-run nominal GDP is projected to grow at a longer run rates of 3.80% and 4.00% as reported by the Federal Open Market Committee ("FOMC") and the Congressional Budget Office ("CBO"), respectively.[38] An example of Ms. Bulkley's unreasonably high growth rates is Zacks' projected EPS growth rate of 10.30% which, when combined with the 180-day average stock price, produced Dominion Resources, Inc.'s high DCF COE estimate of 15.21%.[39] Such high growth rates should not be used in constant growth DCF COE estimates because no electric utility can sustain a growth rate of 10.30% perpetually.

Q. What growth rates should Ms. Bulkley have used?

A. As Staff explained above, appropriate growth rates for use in the constant growth DCF model should give consideration to long-term economic growth, as reflected by the projected long-term nominal GDP growth rates of approximately 3.80%.[40] For example, the Federal Energy Regulatory Commission ("FERC") incorporates long-term GDP growth rates into its constant growth DCF calculations by using a ratio of 80% analyst projected long-term growth rates to 20% long-term GDP growth rates.[41]

[38] Federal Open Market Committee, retrieved on December 10, 2025, (https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20251210.pdf).
The Budget and Economic Outlook: 2026 to 2036, Congressional Budget Office, February 2026, (https://www.cbo.gov/system/files/2026-02/61882-By-the-Numbers.pdf).
[39] Schedule AEB-3, Attachment 3, Bulkley's Direct Testimony.
[40] The Budget and Economic Outlook: 2026 to 2036, Congressional Budget Office, February 2026, (https://www.cbo.gov/system/files/2026-02/61882-By-the-Numbers.pdf).
[41] *Entergy Arkansas, Inc*., Opinion No. 575, 175 FERC ¶ 61,136 (2021).

If Ms. Bulkley had used a similar approach with an appropriate GDP growth rate in the constant growth DCF model, while excluding negative or unreasonable growth rates and using only comparable proxy utilities, the median of her DCF COE estimates for the average growth rate would be 9.75% instead of 10.56%.[42] As shown in Staff's recalculated results in Table 3, correcting these growth assumptions materially reduces Ms. Bulkley's DCF COE.

4. Market Return of Capital Asset Pricing Models

Q. Please explain Ms. Bulkley's CAPM COE estimation methods.

A. Ms. Bulkley employed both the traditional CAPM and the ECAPM, using Value Line Betas and Value Line long-term average Betas of 0.75 and 0.77, respectively. She applied three risk-free rates of 4.66%, 4.60%, and 4.60%, based on 30-, 90-, and 180-day average stock prices, respectively, along with a total market return of 13.53%, resulting in corresponding market risk premiums ("MRPs") of 8.88%, 8.93%, and 8.93%.[43] For her electric utility proxy group, the ranges of Ms. Bulkley's CAPM and ECAPM COE estimates are 11.30% to 11.50% and 11.86% to 12.01%, respectively.[44]

Q. What is Staff's concern with Ms. Bulkley's CAPM and ECAPM COE estimates?

A. Due to the use of overstated input variables, Ms. Bulkley's CAPM and ECAPM COE estimates are too high. Even compared to her average COE estimate of

[42] Schedule AEB-1, Bulkley's Direct Testimony and 1 Summary, Won's Rebuttal Workpaper.
[43] Schedule AEB-4, Bulkley's Direct Testimony.
[44] Schedule AEB-1, Bulkley's Direct Testimony.

10.56% using median results of constant growth DCF, Ms. Bulkley's average CAPM and ECAPM COE estimate of 11.40% and 11.93%, respectively, are too high.[45] Staff found that Ms. Bulkley's CAPM COE estimates are too high mainly because she used an unreasonably high market return. Ms. Bulkley's estimated market return of 13.53% is materially higher than many widely cited U.S. regular market return estimates of around 10% to 12%.[46]

Q. How were Ms. Bulkley's market return and MRPs estimated?

A. Ms. Bulkley utilized her market return as the expected market return on the S&P 500 Index and calculated her MRPs as the difference between the expected market return on the S&P 500 Index and the risk-free rate. For estimating expected market return, Ms. Bulkley conducted several steps of calculations. Step 1, using the data of companies on the S&P 500 Index, Ms. Bulkley calculated an estimated weighted average dividend yield of 1.27% and an estimated weighted average long-term growth rate of 12.18%.[47] Step 2, using the constant growth DCF model with her estimated dividend yield and growth rate, Ms. Bulkley estimated the required market return of 13.53%.[48] Step 3, Ms. Bulkley calculated implied MRPs estimated as the difference between the implied expected equity market return and the various risk-free rates. Ms. Bulkley's implied MRP over the current 30-day average of the 30-year U.S. Treasury bond yield, and projected

[45] 1 Summary, Won's Rebuttal Workpaper.
[46] Forbes Advisor, How The Average Investor's Returns Compare To The Market, retrieved May 28, 2026, https://www.forbes.com/sites/wesmoss/2026/01/27/how-the-average-investors-returns-compare-to-the-market/.
[47] Schedule AEB-6, Bulkley's Direct Testimony.
[48] Ibid.

yields on the 30-year U.S. Treasury bond, range from 8.88% to 8.93%.[49] Table 2 shows Ms. Bulkley's three MRP estimates and their associated estimation methods:[50]

Table 2. Bulkley's Market Risk Premium Estimation

	Estimate Method	MRP
[1]	Current 30-day average of 30-year U.S. Treasury bond yield	8.88%
[2]	Near-term Projected 30-year U.S. Treasury bond yield	8.93%
[3]	Blue Chip Projected 30-year U.S. Treasury bond yield	8.93%
	Average	8.92%

Q. What is wrong with Ms. Bulkley's constant growth DCF model estimation of the required market return of 13.53% in Step 2 for estimating expected market return?

A. Ms. Bulkley's constant growth DCF procedure in Step 2 has two critical faults. First, for her expected total market return estimation using the DCF model, Ms. Bulkley's data set included companies that do not pay dividends or for which dividend information was unavailable.[51] Dividend yield information is essential to utilizing the DCF model.[52]

Second, consistent with Staff's position that the DCF model assumes a long-term investment horizon, Staff further finds that the growth rates that Ms. Bulkley uses are short-term in horizon, which makes them unsuitable for the constant growth DCF model she uses to estimate her expected market return. Staff recalculated an expected total return, including only companies with available dividend yields, and found a reasonable

[49] Schedule AEB-4, Bulkley's Direct Testimony.
[50] Ibid.
[51] Schedule AEB-6, Bulkley's Direct Testimony.
[52] David C. Parcell in The Cost of Capital – A Practitioner's Guide prepared for SURFA.

total market return of 10.44%, which is 309 basis points lower than Ms. Bulkley's total market return of 13.53%.[53] Taking into account all three risk-free rates that Ms. Bulkley used results in estimated MRPs of less than 6%.[54]

Q. What are other financial institutions' current MRP estimates?

A. Other financial institutions' MRP estimates range from 4.52% to 7.03%.[55] According to a 2025 survey research based on 1,079 responses from finance and economics professors, analysts and managers of companies, the North America average MRP estimate is 5.5%.[56] The American Appraisal Risk Premium Quarterly, Value Line, and Duff & Phelps (now Kroll) calculated MRPs of 6.0%, 5.5%, and 5.0%, respectively.[57] On March 24, 2026, Kroll recommended U.S. equity risk premium remains at 5.0%.[58] Kroll's MRPs range from 4.52% (geometric average) to 5.90% (arithmetic average) using the historical Stocks, Bonds, Bills, and Inflation (SBBI®) Monthly Dataset from 1926 to 2024.[59] Professor Aswath Damodaran of NYU Stern School of Business, a noted equity valuation professor, currently estimates MRPs in the range of 5.48% (geometric average) to 7.03% (arithmetic average):[60]

[53] 6 Market Return, Won's Rebuttal Workpaper.
[54] 4 CAPM, Won's Rebuttal Workpaper.
[55] *See* Figure 2, "MRP and corresponding COE".
[56] Fernández, P., de la Garza, D. G., & Acín, L. F. (2025). Market Risk Premium and Risk-Free Rate. Survey 2025. Revista Española de Capital Riesgo, 20(3), 37–49.
[57] FERC Opinion No. 569, 169 FERC ¶ 61,129.
[58] Kroll, Impact of the Middle East Conflict on Cost of Capital Assumptions – March 2026 Update.
[59] Kroll, the Stocks, Bonds, Bills, and Inflation (SBBI®) Monthly Dataset.
[60] Risk Premium, Damodaran Online, Stern School of Business of New York University, updated January 1, 2026.

Figure 2. MRP and corresponding COE

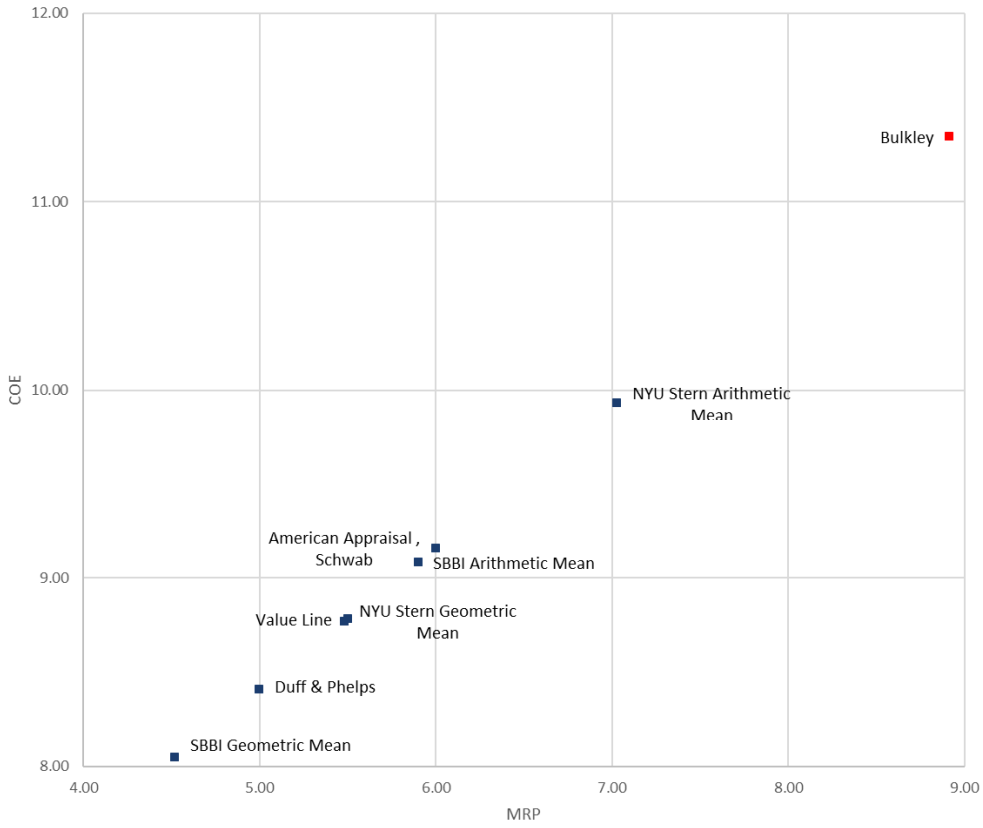


Figure 2 compares COE estimates with their corresponding MRPs, for Ms. Bulkley's electric proxy group, calculated with other reputable financial institution's reasonable MRPs and Ms. Bulkley's unreasonable MRPs, assuming the same projected 30-year U.S. Treasury bond yield of 4.66% used in Ms. Bulkley's estimation.[61] As shown in Figure 2, Ms. Bulkley's CAPM COE estimate of 11.34%, with her corresponding average MRP of 8.92%, is an extreme outlier when compared with the other reliable published

[61] Schedule AEB-4, Bulkley's Direct Testimony.

estimates. This clearly indicates that Ms. Bulkley's MRPs are too high resulting in her COE estimates being too high as well.

Q. Please summarize your concern with Ms. Bulkley's MRPs.

A. As presented in Table 2, Ms. Bulkley used three MRP estimates. As Staff already pointed out, all three MRP estimates are too high compared to other widely accepted MRP estimates in the financial industry. The unreasonably high MRPs are the result of Ms. Bulkley's miscalculated market return of 13.53%.

Q. What would Ms. Bulkley's CAPM COE estimates be if she had used proper input data?

A. With more reasonable assumptions, such as a market return of 10.44%, Ms. Bulkley's average CAPM COE estimate would be 8.98%.[62] This is well within the range of Staff's CAPM COE estimates of 7.97% to 10.34%,[63] and much lower than Ms. Bulkley's average CAPM COE estimate of 11.40%.[64]

5. Empirical Capital Asset Pricing Model

Q. What is your concern with Ms. Bulkley's ECAPM model?

A. Like her average CAPM COE estimate of 11.40%, Ms. Bulkley's average ECAPM COE estimate of 11.93% is unreasonably high because she assumes an excessively high market return of 13.53%.[65] In addition, the ECAPM model itself

[62] 1 Summary, Won's Rebuttal Workpaper.
[63] Schedule SJW-d15, Won's Direct Testimony.
[64] Schedule AEB-1, Bulkley's Direct Testimony.
[65] Schedule AEB-4, Bulkley's Direct Testimony.

overestimates COE because of an adjustment to account for the supposed tendency of the CAPM method to underestimate COE for companies with low Beta coefficients.

Q. How did Ms. Bulkley adjust her CAPM COE to ECAPM COE?

A. Ms. Bulkley multiplied 75% of her MRP by the Beta coefficient and added the remaining 25% of the MRP, unadjusted.[66] This adjustment is consistent with Dr. Roger Morin's formula. Dr. Morin's formula was based on his finding, using data between 1926 and 1984, that the regular CAPM underestimated returns by about 2.00%.[67] The academic literature has estimated a fairly wide range of adjustment parameters, with much of the variation between studies arising from differences in methodology and time periods, so the alpha estimates are not strictly comparable.[68] Furthermore, Dr. Morin also cited other studies that found that the CAPM produced returns between -9.61% and 13.56%, meaning that the CAPM actually overestimated COE in some instances.[69] Such variations in findings reduce the support for Ms. Bulkley's use of the ECAPM.

Q. What is Staff's conclusion regarding Ms. Bulkley's ECAPM?

A. Given the lack of consensus among researchers on a reliable adjustment factor for the ECAPM, Staff concludes that Ms. Bulkley's ECAPM COE estimation method is based on an adjustment factor whose reliability has not been consistently established in the academic literature. While ECAPM is recognized in regulatory finance literature,

[66] Original CAPM COE estimate equals "Risk-Free Rate + Beta × MRP" but ECAPM COE estimate equals "Risk Free Rate + 0.25 × MRP + 0.75 × Beta × MRP" or "Risk-Free Rate + Alpha + Beta × (MRP – Alpha)" where "Alpha = 0.25 × MRP."
[67] Page 190, Morin, R. A. (2006). New Regulatory Finance. Public Utilities Reports.
[68] Page 20, The Brattle Group, Estimating the Cost of Equity for Regulated Companies.
[69] Page 190, Morin, R. A. (2006). New Regulatory Finance. Public Utilities Reports.

Staff finds that its results in this proceeding are primarily driven by the same overstated market-return procedures employed in Ms. Bulkley's CAPM analysis. Consequently, Staff places little weight on the resulting ECAPM estimates. Staff recommends that the Commission not consider Ms. Bulkley's ECAPM COE estimation method as reliable information for determining a just and reasonable authorized ROE.

6. Bond Yield Risk Premium Analysis

Q. What is the BYRP analysis?

A. The conventional BYRP analysis is based on the idea that investors in stocks take greater risks than investors in bonds. Investors expect to earn a return on their stock investment that reflects a premium over and above the return they expect to earn on a comparable bond investment.[70] This premium required by investors for investing in common stock over corresponding debt is called the risk premium.[71] Multiple approaches have been developed to determine the risk-premium for a utility. Ms. Bulkley's BYRP method is different from the conventional method.

Q. What is Ms. Bulkley's BYRP method?

A. Ms. Bulkley's BYRP method used a regression analysis based on authorized ROEs for utility companies relative to risk-free rates (30-year Treasury bond yields).[72] Ms. Bulkley used quarterly average data for risk-free rates and authorized ROEs

[70] Brigham, E. F., Shome, D. K., & Vinson, S. R. (1985). The risk premium approach to measuring a utility's cost of equity. Financial Management, 33-45.
[71] Morin, R. A. (2006). New Regulatory Finance. Public Utilities Reports, Page 108.
[72] Page 33, lines 9-10, Bulkley's Direct Testimony.

derived from electric utility rate cases from 1980 through November 2025 as reported by Regulatory Research Associates ("RRA").[73] Ms. Bulkley's regression analysis results in the following equation:

Risk Premium (%) = 0.0784% – 0.4111 Risk-Free Rate (%).[74]

Because Ms. Bulkley defined the risk premium as the authorized ROE minus the risk-free rate, Ms. Bulkley's BYRP ROE estimates are driven primarily by changes in 30-year Treasury bond yields. In contrast, the DCF and CAPM methods estimate the COE using multiple input variables. For example, Ms. Bulkley's CAPM COE estimates are determined by not only the risk-free rate (30-year Treasury bond yield) but also the total market risk ("MRP") and a stock's risk (Beta). Moreover, the major determinant of 30-year Treasury bond yields is government intervention through the Federal Reserve's ("Fed") monetary policy, not solely the financial market. Therefore, Ms. Bulkley's BYRP is a potentially biased and overly simplified method for estimating a fair ROE, particularly given the magnitude and volatility of recent changes in 30-year Treasury yields.[75]

Q. What are Ms. Bulkley's BYRP ROE estimates?

A. Ms. Bulkley's BYRP ROE estimates range from 10.64% to 10.67%, with a mean of 10.65%.[76] For her BYRP ROE estimation, Ms. Bulkley used three risk-free rates: the 30-day average of the 30-year U.S. Treasury bond yield (i.e., 4.66%),

[73] Page 33, lines 14-56, Bulkley's Direct Testimony.
[74] Figure 8 (p. 34), Bulkley's Direct Testimony.
[75] 30-year Treasury yields increased by 295 bps from 1.69% on December 3, 2021, to 5.12% on May 22, 2026.
[76] Figure 9 (p. 34), Bulkley's Direct Testimony.

the near-term (Q1 2026 – Q1 2027) projections of the 30-year U.S. Treasury bond yield (i.e., 4.60%), and the longer-term (2027 – 2031) projection of the 30-year U.S. Treasury bond yield (i.e., 4.60%).[77]

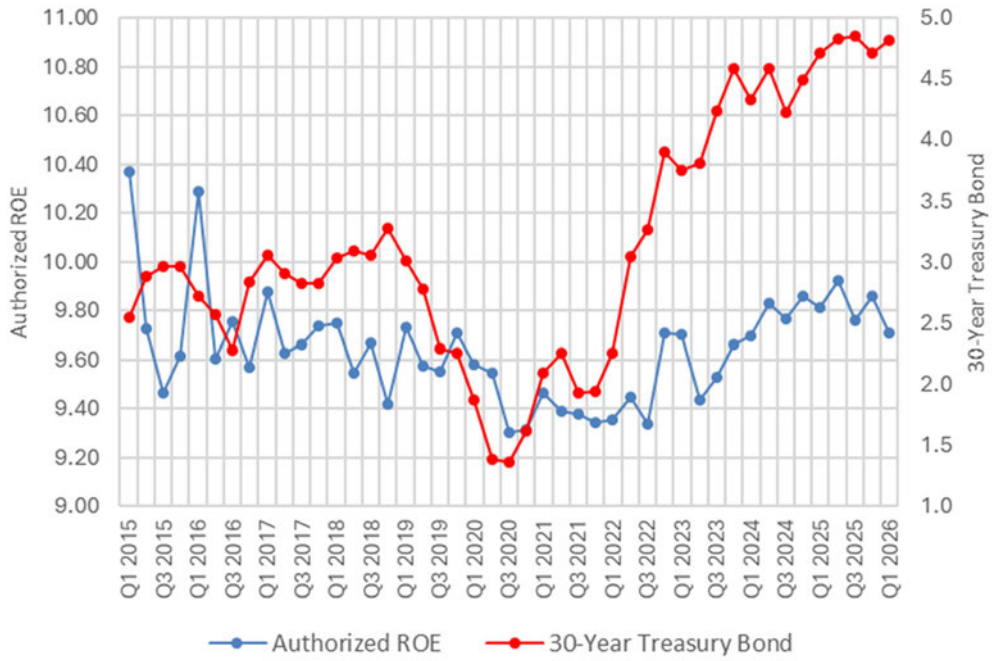
Q. What are Staff's concerns with Ms. Bulkley's BYRP ROE estimates?

A. Staff has multiple concerns with Ms. Bulkley's BYRP model. First, Ms. Bulkley used a risk premium defined as the difference between authorized ROEs of electric utilities and 30-year Treasury bond yields.[78] In her regression analysis for her BYRP estimation method, Ms. Bulkley assumed a linear relationship between authorized ROEs of electric utilities and 30-year Treasury bond yields for the period from 1980 to 2025.[79] However, the relationship between authorized ROEs of vertically integrated electric utilities and 30-year Treasury bond yields appears to have shifted materially following the COVID-19 pandemic as shown in Figure 3 below. Therefore, Ms. Bulkley's BYRP analysis does not provide a reliable basis for estimating ROE under current market conditions.

continued on next page

[77] Page 34, lines 4-7 and Schedule AEB-7, Bulkley's Direct Testimony.
[78] Page 33, lines 9-10, Bulkley's Direct Testimony.
[79] Schedule AEB-7, Bulkley's Direct Testimony.

Figure 3. Authorized ROE of Electric Utility and 30-year Treasury Bond Yield[80]



Second, 30-year Treasury yields increased materially and rapidly in the post-pandemic inflation environment. Intended to combat the highest inflation in four decades, the Fed increased interest rates with unusual speed from March 17, 2022, to July 26, 2023. For example, the aggregate effect of the Fed's actions was an increase in 30-year Treasury yields from 1.69% on December 3, 2021, to a high of 5.09% on October 25, 2023.[81] In addition, the Fed is actively adjusting its federal funds rate, marking a third consecutive rate cut in 2024, totaling one percentage point across its September, November, and December meetings.[82] The historical trend of 30-year

[80] S&P RRA and FRED Economic Data, https://fred.stlouisfed.org/series/DGS30.
[81] Federal Reserve Economic Data, Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity, https://fred.stlouisfed.org/series/DGS30.
[82] CBS News, Federal Reserve made a 3rd consecutive rate cut today. Here's how it will impact your money.https://www.cbsnews.com/news/federal-reserve-meeting-rate-cut-interest-rates-december/.

Treasury bond yields and authorized ROEs is well presented in Figure 3. Because Ms. Bulkley's estimates are solely determined by the 30-year Treasury yield, these significant changes result in mechanically unstable and potentially misleading BYRP ROE estimates.

Third, as mentioned above, Ms. Bulkley's regression analysis for BYRP was conducted based on a period of more than 40 years, from 1980 to 2025. Staff has not found any statistical evidence or theoretical conclusions that the relationship between the 30-year Treasury yield and authorized ROEs is constant over time. These stale authorized ROEs might not provide a proper up to date COE estimate.

Staff agrees with FERC that the BYRP is likely to provide a less accurate current COE estimate than the DCF or CAPM models because it relies on previous ROE determinations, whose resulting ROE may not necessarily be directly determined by a market-based method.[83] As shown in Figure 3, it is clear that 30-year Treasury bond yields were directly influenced by the FOMC decision. Ms. Bulkley's use of unusually inflated risk-free rates should be rejected because it introduces significant biased speculation in ratemaking. In conclusion, Staff recommends that the Commission not consider Ms. Bulkley's BYRP COE estimate as reliable information to determine a just and reasonable authorized ROE.

[83] Paragraph 342, FERC Opinion No. 569, 169 FERC ¶ 61,129.

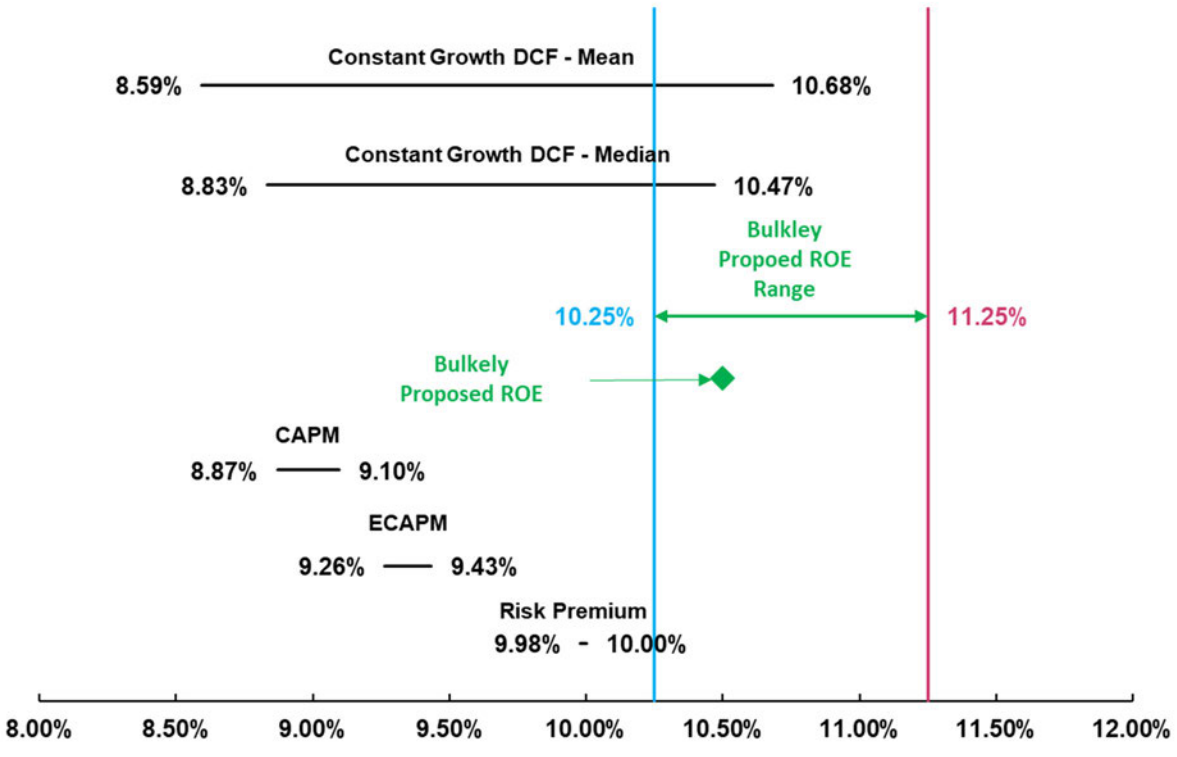
7. Recalculated Ms. Bulkley's COE Estimates

Q. Has Staff recalculated Ms. Bulkley's COE estimate for EMM using proper inputs and models?

A. Staff's recalculated results of Ms. Bulkley's COE estimates, using proper inputs and models, are summarized in Table 3:

Table 3. Bulkley's Estimation and Staff's Recalculation[84]

	Cost of Equity - Average	
COE Estimation Methods	Bulkley Estimation	Staff Recalculation
DCF	10.58%	9.78%
CAPM	11.40%	8.98%
Average	10.99%	9.38%



[84] 1 Summary, Won's Rebuttal Workpaper.

As is evident in Table 3, Ms. Bulkley's COE estimates are too high compared to Staff's recalculation of Ms. Bulkley's COE, which uses more reasonable inputs. Although DCF and CAPM are reliable COE estimation methods, Ms. Bulkley's COE estimates are unreasonably high due to her choice of biased input values in the model. Staff recommends that Ms. Bulkley's DCF and CAPM COE estimates should not be utilized for calculating a just and reasonable authorized ROE.

8. Authorized ROEs

Q. What explanation does Ms. Bulkley provide for how she derives her ROE recommendation from her COE analysis?[85]

A. According to her direct testimony, Ms. Bulkley considered the analytical results of her COE estimation, current and prospective capital market conditions, and the level of regulatory, business, and financial risk faced by EMM's electric operations relative to the proxy group, and concluded that an ROE in the range of 10.25% to 11.25% is reasonable and that, within that range, the requested ROE of 10.50% is reasonable.[86]

Q. What are Staff's concerns with Ms. Bulkley's process for concluding that her requested ROE of 10.50% is reasonable?

A. Besides her overstated COE estimation, Ms. Bulkley appears to rely on a subjective belief that a reasonable authorized ROE can be directly determined through her subjective judgment based on a wide range of COE estimates. In her reasoning that

[85] Pages 2-5, Bulkley's Direct Testimony.
[86] Pages 5, lines 4-9, Bulkley's Direct Testimony.

the requested ROE of 10.50% is reasonable, she assumes that her COE estimate range of 9.22% to 12.01% is reasonable; that an ROE range of 10.25% to 11.25% is therefore reasonable; and that, accordingly, the requested ROE of 10.50% is reasonable. In other words, although the definitions of market-estimated COE and commission-determined ROE are not the same,[87] Ms. Bulkley assumes that COE estimates and authorized ROE are directly comparable, such that reasonable COE estimates can directly determine a reasonable authorized ROE. Ms. Bulkley's assumption is based on a misunderstanding of the difference between COE and an authorized ROE.

Q. Is there any evidence demonstrating Ms. Bulkley's misunderstanding of these concepts?

A. Yes. In her direct testimony from the most recent Ameren Missouri rate case (No. ER-2024-0319), Ms. Bulkley incorrectly used the terms ROE and COE interchangeably. Ms. Bulkley stated that "I use the phrases "return on equity" and "cost of equity" interchangeably just as the interest rate on debt instruments and the cost of debt are interchangeable." [88]

Q. What is your concern with Ms. Bulkley's statement?

A. Ms. Bulkley's interchangeable use of ROE and COE introduces significant confusion to the Commission because, generally, ROE and COE are not interchangeable in financial analysis, as they represent different concepts. ROE is a measure of a

[87] Staff Data Request, No. 0131.
[88] Footnote No. 1 (p. 4), Bulkley's Direct Testimony, ER-2024-0319

company's profitability in relation to shareholders' equity; it indicates how efficiently a company is generating profits from its equity base and is calculated as:

ROE = Net Income / The Book Value of Shareholders' Equity

In contrast, COE represents the required return that investors expect from an equity investment in the company and reflects the compensation investors demand for the risk of investing in the company's stock. For example, COE is often calculated using models like the CAPM:

COE = Risk-Free Rate + β (Market Return – Risk-Free Rate)[89]

In utility regulation, COE and 'authorized ROE' are more clearly differentiated. Authorized ROE refers to the rate of return that a utility company is allowed to earn on its equity investments, as determined by the regulatory authority. It represents the percentage of profit that the utility is permitted to make on the equity portion of its capital structure in the rate base. Authorized ROE is typically set by regulatory agencies through a process that considers factors such as the company's risk profile, prevailing market conditions, and the need to attract investors while ensuring fair and reasonable rates for consumers.

Q. Why do authorized ROEs in other jurisdictions necessarily need to be considered when recommending a just and reasonable authorized ROE for EMM?

[89] β (CAPM Beta) is a concept used in finance to measure the volatility or systematic risk of a security or portfolio in comparison to the overall market.

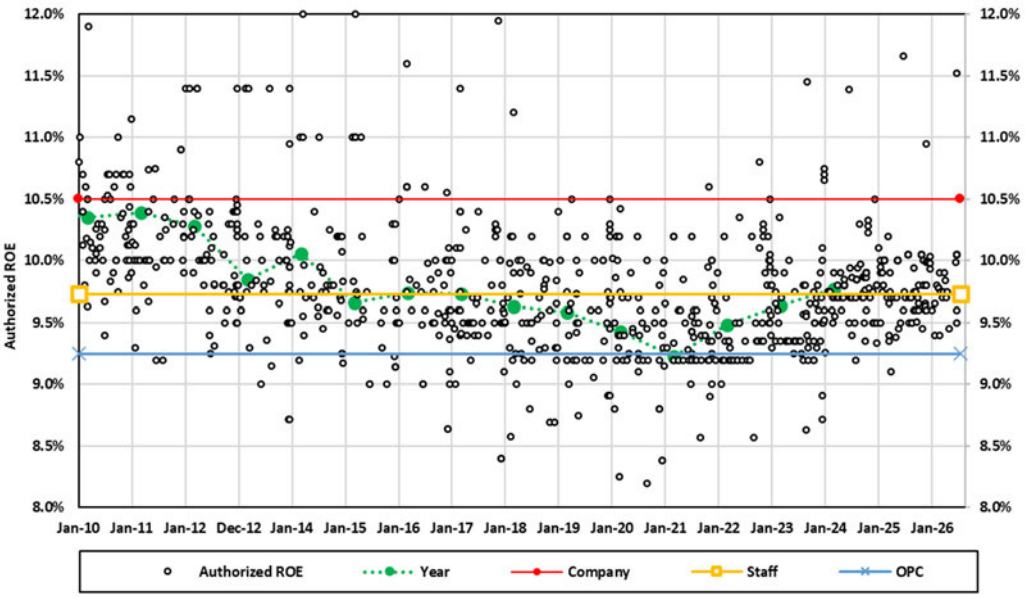
A. According to the regulatory principles established by the *Hope* and *Bluefield* cases, an authorized ROE of a utility should be comparable to other investments of commensurate risk.[90] As investors evaluate the authorized ROE of one utility in comparison to the returns offered by other regulated utilities with similar risk profiles, the regulatory decisions of other commissions serve as a fundamental test of a just and reasonable authorized ROE. Staff conducted a comparative analysis of authorized ROEs to assess the reasonableness of Ms. Bulkley's proposed ROE of 10.50%.

Q. Please explain Staff's comparative analysis of authorized ROEs.

A. Staff utilized the 'Rate Case History' dataset reported by Regulatory Research Associates, a group within S&P Global Market Intelligence, to analyze the authorized ROEs of U.S. utilities from January 2010 to June 2026. Figure 4 displays the authorized ROE for electric utilities in the US, alongside Ms. Bulkley's proposed ROE of 10.50% and the ROE recommendations of 9.73% and 9.25% from Staff and Mr. Murray, respectively. In the first half of 2026, recently authorized comparable ROEs ranged from 9.40% to 11.52%, with an average of 9.85% for all 24 electric utility cases and an average of 9.84% for the 14 vertically integrated electric utility cases.[91]

[90] *Bluefield Waterworks & Improvement Co. v. Public Service Commission of West Virginia,* 262 U.S. 679, 43 S.Ct. 675, 67 L.Ed. 1176 (1923); *Federal Power Commission v. Hope Natural Gas Co.,* 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1944).
[91] S&P Global Market Intelligence, Retrieved on July 2, 2024.

Figure 4. Authorized ROE – Electric Utilities in the U.S. (2010-2026)



Of the 21 electric rate case decisions regarding authorized ROEs in the U.S. in the first half of 2026, no authorized ROEs fall within Ms. Bulkley's reasonable ROE range of 10.25% to 11.25%,[92] while 14 authorized ROEs fall within Staff's reasonable ROE range from 9.48% to 9.98%.[93] Among the seven (7) exceptions outside Staff's reasonable ROE range, two (2) authorized ROE is lower than 9.48%, and five (5) authorized ROEs are greater than 9.98%; among them, four (4) authorized ROEs are 'limited-issue rider' cases and were determined by the Pennsylvania Public Utility Commission.[94]

Q. What is the conclusion of Staff's comparative analysis of authorized ROEs?

A. Based on the regulatory principles established by the *Hope* and *Bluefield* cases, Ms. Bulkley's proposed ROE of 10.50% is not comparable to the authorized ROEs of other electric utilities of commensurate risk in the U.S.

[92] Page 5, lines 7-9, Bulkley's Direct Testimony.
[93] Page 54, lines 5-6, Won's Direct Testimony.
[94] RRA, S&P Capital IQ Pro.

9. Business and Regulatory Risks

Q. What adjustments to COE did Ms. Bulkley make in her recommendation of authorized ROE regarding EMM's business and regulatory risks?

A. Ms. Bulkley did not make specific adjustments to the COE in her recommendation of an authorized ROE when estimating the effects of EMM's business and regulatory risks.[95] However, Ms. Bulkley did consider business and regulatory risks when determining where EMM's required ROE falls within the range of COE estimates based on her analytical results.[96]

Q. What are Staff's concerns regarding Ms. Bulkley's consideration of EMM's business and regulatory risks?

A. While Staff also considers EMM's business and regulatory risks when recommending an authorized ROE to the Commission, Staff is concerned about Ms. Bulkley's biased approach, which appears to amplify EMM's business and regulatory risks, adding to her already overstated range of COE estimates. As a result, Ms. Bulkley's proposed ROE of 10.50% exceeds the average authorized ROE in electric utility rate cases completed in the first half of 2026 (9.85%) by 65 basis points.[97] Even when considering only vertically integrated electric utility decisions in calendar year 2026, the average authorized ROE stands at 9.84%.[98]

[95] Page 2, line 21-Page 3, line 1, Bulkley's Direct Testimony.
[96] Page 5, lines 4-6, Bulkley's Direct Testimony.
[97] Schedule SJW-r3, Won's Rebuttal Testimony, and S&P Capital IQ Pro, Retrieved on July 5, 2026.
[98] Schedule SJW-r4, Won's Rebuttal Testimony, and S&P Capital IQ Pro, Retrieved on July 5, 2026.

Q. Do you agree with Ms. Bulkley's statement comparing the risk levels of EMM and her proxy group companies based on their capital expenditure requirements?[99]

A. No. Ms. Bulkley's argument is that the ratio of expected capital expenditures as a percentage of net utility plant ("capital expenditure ratio") for EMM is higher compared to her proxy group companies and indirectly implies that EMM's risk profiles are adversely affected.[100] Ms. Bulkley cited S&P's explanation of the importance of regulatory support for utilities' significant capital expenditures.[101] While Staff agrees with S&P's explanation, Staff disagrees with Ms. Bulkley's assertion that EMM's rates no longer permit the regular recovery of its capital investments, thereby increasing recovery risk and placing additional pressure on its credit metrics.[102]

First, EMM's capital expenditures ratio of 54.62% does not mean that EMM faces a higher risk of under-recovery than the proxy group, thus warranting a higher authorized ROE. EMM, like other utilities in Missouri, benefits from an improved regulatory environment.[103] EMM elected to use Plant in Service Accounting ("PISA"), which allows electric utilities in Missouri to defer for future recovery 85% of their depreciation expense and returns from plant and equipment placed in service between rate cases.[104] While the Commission does not authorize all cost recovery mechanisms identified in Ms. Bulkley's

[99] Pages 35-37, Bulkley's Direct Testimony.
[100] Page 36, lines 2-11, Bulkley's Direct Testimony.
[101] Pages 36-37, Bulkley's Direct Testimony.
[102] Page 37, lines 19-21, Bulkley's Direct Testimony.
[103] Senate Bill No. 564, General Assembly of the State of Missouri 2018, as amended by SB 745, General Assembly of the State of Missouri 2022.
[104] Section 393.1400.2(1) and related provisions of the Missouri Revised Statutes.

Schedule AEB-9, Staff disagrees with her assertion that, notwithstanding the use of PISA, EMM faces greater risk of timely cost recovery and reduced earnings potential relative to the proxy group companies.[105]

Second, if Ms. Bulkley's assertion is correct, EMM's risk profile would reflect its significant capital expenditure, and its credit outlook would be negative. However, S&P has assigned "stable" outlooks to both Evergy and EMM in its most recent credit reports.[106] Evergy and EMM are currently rated as investment grade by Moody's and S&P. Evergy's corporate credit ratings are 'Baa2' from Moody's and 'BBB+' from S&P.[107] EMM's corporate credit ratings are 'Baa1' from Moody's and 'A-' from S&P.[108]

Third, the increase in capital expenditure is not limited to Evergy and EMM. U.S. investor-owned electric utilities are projected to invest approximately $1.4 trillion during the 2026–2030 period.[109] Evergy's consolidated plan increases its 5-year (2026-2030) capital expenditures to $21.5 billion.[110] Considering these findings, Staff disagrees with Ms. Bukley that EMM has greater risk of timely cost recovery and earnings potential relative to her proxy group companies.[111]

[105] Page 41, lines 1-2, Bulkley's Direct Testimony.
[106] S&P Capital IQ Pro.
[107] S&P Rating Report – Evergy Inc.
[108] S&P Rating Report – Evergy Metro Inc.
[109] Fortune, U.S. utilities are planning a $1.4 trillion spending spree, up 30%, over the next five years amid the AI construction boom, published April 14, 2026. https://fortune.com/2026/04/14/us-utility-spending-jumps-to-1-4-trillion-amid-ai-construction-boom/.
[110] Evergy, First Quarter 2026 Earnings Call, presented May 7, 2026. https://investors.evergy.com/static-files/96421673-737d-4a5d-9206-f53b1a3e3b22.
[111] Page 41, lines 1-2, Bulkley's Direct Testimony.

EMM takes advantage of several alternative regulatory mechanisms such as PISA. It is true there are some regulatory lag and time limits, but Staff does not find any evidence that EMM has a significantly greater risk than the proxy group that requires an upward adjustment to the ROE to reflect any incremental risk. Even Ms. Bulkley recognized this and stated, "the Company's regulatory risk and the ability to timely recover its prudently incurred costs is generally consistent with the operating utilities of the proxy group."[112]

Q. Do you agree with Ms. Bulkley and Mr. Ley that EMM has greater risk than the proxy group companies when considering the risk of nuclear ownership.?[113]

A. No. I do not.

Q. Do you have any evidence that EMM does not present greater risk than the proxy group companies when considering the risks associated with nuclear ownership?

A. Yes. The proxy group companies, selected by both Ms. Bulkley and Staff, have comparable credit ratings. As Ms. Bulkley recognized, the risks associated with owning a nuclear generation facility are already considered when credit agencies determine companies' credit ratings.[114] Moody's explains its rating methodology for regulated electric and gas utilities: "We also consider waste and pollution risks, including emissions of non-carbon air pollutants, which can also impose significant compliance costs on thermal generators, as well as long-term storage costs for nuclear generators"[115] In addition, S&P considers the long-term fuel storage concerns associated with

[112] Page 48, lines 7-9, Bulkley's Direct Testimony.
[113] Page 50, lines 7-9, Bulkley's Direct Testimony, and Page 4, lines 7-8, Ley's Direct Testimony.
[114] Page 49, lines 4-10, Bulkley's Direct Testimony.
[115] Moody's, Rating Methodology: Regulated Electric and Gas Utilities (p. 17), published August 6, 2024.

nuclear generation in its rating reports.[116] Therefore, Ms. Bulkley's assertion that EMM owns a nuclear generation facility, while several proxy group companies do not, and that EMM therefore has greater risk than the proxy group companies,[117] is not a reasonable conclusion.

Q. Do you agree with Mr. Ley that EMM's requested 10.5% ROE is just and reasonable because utilities with nuclear operations across the industry have historically been allowed higher ROEs?[118]

A. No, I do not. Mr. Ley supports Ms. Bulkley's overstated requested ROE of 10.5% based on his partially accurate finding that utilities with nuclear operations across the industry have historically been allowed higher ROEs.[119]

Q. Does Mr. Ley explain why he believes nuclear operating utilities have been authorized higher ROEs?

A. Using Figures 1 and 2 in his direct testimony, Mr. Ley asserts that the average authorized ROE across all states is approximately 9.67%, while the subset of states with nuclear operations in investor-owned, vertically integrated utilities reports an average ROE of 10.04%, representing a 0.37% premium for states with nuclear operations.[120]

Q. Why is Mr. Ley's ROE comparison not wholly accurate?

[116] S&P Global Ratings, Evergy Metro, Inc., published December 2, 2025.
[117] Page 50, lines 4-9, Ms. Bukley's Direct Testimony.
[118] Pages 3-4, Ley' Direct Testimony.
[119] Page 4, lines 11-12, Ley' Direct Testimony.
[120] Page 4, lines 12-16, Ley' Direct Testimony.

A. Mr. Ley's assertion reflects a common confusion between correlation and causation.[121] When he calculated the average authorized ROEs for vertically integrated utilities operating nuclear power plants, Mr. Ley used seven states: California (CA), Georgia (GA), Florida (FL), North Carolina (NC), South Carolina (SC), Michigan (MI), Virginia (VA) and Minnesota (MN).[122] Among these states, Mr. Ley reported that Minnesota's authorized ROE of 9.25% is lower than the average authorized ROE of 9.67% across all U.S. states.[123] The seven other states have more direct reasons for their higher authorized ROEs than nuclear-related issues.

Q. What authorized ROEs does Mr. Ley report for the seven states with nuclear operations, and what more direct factors explain their higher authorized ROEs beyond nuclear-related issues?

A. Mr. Ley reported California's authorized ROE of 10.65% to 10.75%.[124] California authorized ROEs have often been at or near the upper end of the range for U.S. electric utilities because investor-owned utilities face a unique combination of risks that are uncommon among regulated electric utilities.[125] Major considerations

[121] Correlation indicates a statistical association between two variables, while causation establishes a cause-and-effect relationship. For example, electricity sales and population growth may be correlated because they tend to increase together. However, this does not necessarily mean that population growth causes higher electricity sales; other factors, such as data center or industrial development, may also contribute.
[122] Figure 2 (p. 6), Ley' Direct Testimony.
[123] Figure 1 (p. 5) and Figure 2 (p. 6), Ley' Direct Testimony.
[124] Figure 2 (p. 6), Ley' Direct Testimony.
[125] California Public Utilities Commission, Working Concepts in Transmission Financing and Ownership, published March 11, 2026, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/electric-costs/electric-transmission-rates-and-related-ferc/ab3264-concept-paper-cpuc-20260311.pdf.

include wildfire liability exposure,[126] extensive undergrounding and grid-hardening investments,[127] aggressive carbon-reduction mandates,[128] and significant renewable integration requirements.[129] Utilities such as PG&E Corporation, Southern California Edison, and San Diego Gas & Electric operate in an environment where investors often perceive greater risk than in most states.

Mr. Ley reported Georgia's authorized ROE of 10.50%.[130] Georgia's higher ROEs are largely attributable to capital intensity and nuclear investment.[131] Key drivers include the construction of Plant Vogtle,[132] significant financing requirements,[133] strong population growth in the metropolitan Atlanta area and surrounding regions,[134]

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[126] The Legislative Analyst's Office, Allocating Utility Wildfire Costs: Options and Issues for Consideration, published June 2019, https://lao.ca.gov/reports/2019/4079/allocating-wildfire-costs-062119.pdf.
[127] CalMatters, Californians pay billions for power companies' wildfire prevention efforts. Are they cost-effective? published December 03, 2024. https://calmatters.org/environment/2024/12/pge-utilities-wildfire-prevention-customer-bills-california/#:~:text=PG%26E%20plans%20to%20bury%2010%2C000,between%20%243%20and%20%244%20million
[128] SB-100 California Renewables Portfolio Standard Program: Emissions of Greenhouse Gases. Bill Text - SB-100 California Renewables Portfolio Standard Program: emissions of greenhouse gases..
[129] California Energy Commission, SB 100 Joint Agency Report, updated September 03, 2021. https://www.energy.ca.gov/sb100 .
[130] Figure 2 (p. 6), Ley' Direct Testimony.
[131] Georgia Center for Energy Solutions, https://www.georgia-ces.org/2022-rate-case#:~:text=The%20Georgia%20Public%20Service%20Commission,utility%20average%20ROE%20of%209.5%25.
National Center for Energy Analytics, A Strategy for Financing the Nuclear Future, published August 12, 2025. https://energyanalytics.org/wp-content/uploads/2025/08/Tice.Nuclear-Power-Future.July-23-2025.Final-Proof.pdf.
[132] Department of Energy, Plant Vogtle Unit 3 Enters Commercial Operations, Bringing Carbon-Free Nuclear Energy to Millions. Published July 31, 2023. https://www.energy.gov/edf/articles/plant-vogtle-unit-3-enters-commercial-operations-bringing-carbon-free-nuclear-energy? .
[133] Energy Information Administration, First new U.S. nuclear reactor since 2016 is now in operation, August 1, 2023. https://www.eia.gov/todayinenergy/detail.php?id=57280& .
[134] Atlanta Regional Commission, ARC 2024 Population Estimates Show Atlanta Region Adds 62,700 Residents in Past Year, published July 10, 2024. https://atlantaregional.org/news/uncategorized/arc-2024-population-estimates-show-atlanta-region-adds-62700-residents-in-past-year/.

substantial transmission and distribution investment,[135] and hurricane and flood risks similar to those in other southern states.[136] It is important to note that the primary risk related to nuclear power arises from capital investment rather than from operation.[137] Georgia regulators have historically emphasized maintaining utility access to capital markets as the state has experienced rapid growth.[138]

Mr. Ley reported Florida's authorized ROE of 10.30%.[139] Florida's higher authorized ROEs are often justified by a combination of growth and weather-related risks.[140] Primary reasons include the state's rapidly growing population,[141] hurricane exposure and storm-hardening costs,[142] ongoing infrastructure expansion,[143] and

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U.S. Census Bureau, Resident Population in Atlanta-Sandy Springs-Roswell, GA (MSA) [ATLPOP], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ATLPOP, June 4, 2026.

[135] Georgia Power, Georgia Public Service Commission approves plan to reliably, economically meet the energy needs of a growing Georgia, July 15, 2025. https://www.georgiapower.com/news-hub/press-releases/georgia-public-service-commission-approves-plan-to-meet-the-energy-needs-of-a-growing-georgia.html.

[136] Inside Climate News, Hurricane Helene Is Headed for Georgians' Electric Bills, published February 26, 2026.https://insideclimatenews.org/news/26022026/hurricane-helene-recovery-georgia-power-bills/.

[137] Nuclear Newswire, Deploying Nuclear Power: Financing, risk, and execution in the current market environment, published May, 29, 2026. https://www.ans.org/news/2026-05-29/article-7950/deploying-nuclear-power-financing-risk-and-execution-in-the-current-market-environment/.

[138] Nasdaq, Georgia Public Service Commission approves plan to reliably, economically meet the energy needs of a growing Georgia, published July 15, 2025. https://www.nasdaq.com/press-release/georgia-public-service-commission-approves-plan-reliably-economically-meet-energy?.

[139] Figure 2 (p. 6), Ley' Direct Testimony.

[140] NPR, Florida Supreme Court justices back approval of storm plans for Duke Energy and TECO, November 14, 2024. https://www.wusf.org/weather/2024-11-14/florida-supreme-court-justices-back-approval-storm-protection-plans-duke-energy-teco-hurricanes?.

[141] Census Bureau, Four of Nation's Fastest-Growing Metro Areas Are in Florida, published March 14, 2024.https://www.census.gov/library/stories/2024/03/florida-and-fast-growing-metros.html.

[142] FPSC, PSC Approves Storm Restoration Cost Recovery for Florida IOUs, published September 25, 2024. https://www.psc.state.fl.us/news-links/12213?.

[143] FitchRatings Florida Power & Light Company, published June 12, 2025. https://www.investor.nexteraenergy.com/~/media/Files/N/NEE-IR/fixed-income-investors/Florida%20Power%20%20Light%20Company%20%2012%20Jun%202025.pdf?.

large-scale solar deployment.[144] Florida's investor-owned utilities are expected to invest billions of dollars to serve customer growth while maintaining reliability during severe weather events.[145]

Mr. Ley reported North Carolina's authorized ROE of 10.10%.[146] North Carolina's above-average authorized ROEs reflect a combination of relatively high growth and substantial investment requirements.[147] Important considerations include rapid population growth,[148] expanding industrial and technology sectors,[149] carbon-reduction initiatives,[150] and major transmission and distribution modernization programs.[151] Because North Carolina utilities must raise substantial external capital to fund these investments, regulators have historically approved ROEs above the national median.[152]

[144] AGVP Advisory, Florida Electricity Outlook Risks and Challenges, published February 26, 2026. https://agvpadvisory.com/blog/f/florida-electricity-outlook-risks-and-challenges.
[145] Daily Energy Insider, Florida regulators greenlight storm protection plans for four investor-owned utilities, published May 22, 2025. https://dailyenergyinsider.com/policy/48347-florida-regulators-greenlight-storm-protection-plans-for-four-investor-owned-utilities/.
[146] Figure 2 (p. 6), Ley' Direct Testimony.
[147] J. Pollock, 2023 Electric Utility Authorized ROEs, published February 23, 2024. https://jpollockinc.com/2023-electric-utility-authorized-roes/.
[148] NC OSBM, North Carolina Now Home to Over 11 million People, published December 20, 2024. https://www.osbm.nc.gov/blog/2024/12/20/north-carolina-now-home-over-11-million-people.
[149] Tech Target, The cloud rush: The rise of data centers in North Carolina, published August 08, 2025. https://www.techtarget.com/searchdatacenter/feature/The-cloud-rush-The-rise-of-data-centers-in-North-Carolina.
[150] NC Sustainable Energy Association, Carbon Plan Order Out – Mixed Results for Clean Energy, published November 26, 2024. https://www.energync.org/blog/carbon-plan-order-out-mixed-results-for-clean-energy/.
[151] Stock Titan, Duke Energy Progress Receives Approval for New Rates in North Carolina, Implements New Programs to Help Customers, published October 18.https://www.stocktitan.net/news/DUK/duke-energy-progress-receives-approval-for-new-rates-in-north-fa5s8q6qpf0g.html.
[152] Energy & Policy Institute, Duke Energy seeks higher rates, profits in NC despite soaring disconnections, published December 18, 2025. https://energyandpolicy.org/duke-energy-seeks-higher-nc-rates-profits-as-disconnections-soar/.

Mr. Ley reported South Carolina's authorized ROE of 9.94%.[153] South Carolina's ROEs have been influenced by both investment needs and nuclear-related considerations. South Carolina's nuclear risk is also more related to finance than to operations because the abandonment of the multi-billion-dollar V.C. Summer Nuclear Station expansion (Units 2 and 3) in 2017 left the state's utilities, specifically Dominion Energy South Carolina and state-owned Santee Cooper, burdened with massive debt and regulatory asset-recovery challenges.[154] Other than legacy risks associated with the abandoned V.C. Summer Nuclear Station expansion, other higher risk factors are coastal storm exposure[155] and ongoing infrastructure investment.[156] Like Georgia, South Carolina's primary risk related to nuclear power arises from finance rather than operations.[157]

Mr. Ley reported Michigan's authorized ROE of 9.86%, which is 19 basis points greater than the average authorized ROE of 9.67% across all U.S. states.[158] Michigan's relatively high ROEs are often linked to investment and operational challenges rather than

[153] Figure 2 (p. 6), Ley' Direct Testimony.
[154] Power, UPDATED: SCANA, Santee Cooper Abandon V.C. Summer AP1000 Nuclear Units, Citing High Costs, reported July 31, 2017. https://www.powermag.com/scana-santee-cooper-abandon-v-c-summer-ap1000-units-citing-high-costs/?.
[155] Yahoo! Finance, Dominion seeks higher ROE, rate hike in South Carolina starting in July, published January 7, 2026. https://finance.yahoo.com/news/dominion-seeks-higher-roe-rate-085607589.html.
[156] McGuireWoods, South Carolina's Energy Security Act Encourages Development of New Generating Resources to Address Unprecedented Economic Growth in the State, published May 30, 2025. https://www.mcguirewoods.com/client-resources/alerts/2025/5/south-carolinas-energy-security-act-encourages-development-of-new-generating-resources-to-address-unprecedented-economic-growth-in-the-state/.
[157] South Carolina Law Review, Developing Nuclear Energy with Advanced Cost Recovery: Learning from the V.C. Sumner Project Abandonment, published May 2024. https://sclawreview.org/article/developing-nuclear-energy-with-advanced-cost-recovery-learning-from-the-v-c-sumner-project-abandonment/?.
[158] Figure 2 (p. 6), Ley' Direct Testimony.

growth.[159] Key drivers include aging electric infrastructure,[160] environmental compliance expenditures,[161] reliability improvements,[162] winter weather resilience requirements,[163] and energy transition investments.[164] Michigan utilities have faced significant capital needs associated with replacing older assets and modernizing the grid.[165]

Mr. Ley reported Virginia's authorized ROE of 9.70%, which is only 3 basis points higher than the average authorized ROE of 9.67% across all U.S. states.[166] Virginia's authorized ROEs are often associated with some of the nation's largest utility investment programs.[167] Major considerations include offshore wind development[168]

[159] Michigan Public, A Change in Power: Higher demand, aging infrastructure, and severe storms challenge Michigan's grid, published April 14, 2025. https://www.michiganpublic.org/environment-climate-change/2025-04-14/a-change-in-power-higher-demand-aging-infrastructure-and-severe-storms-challenge-michigans-grid?.
[160] Michigan Public Service Commission, MPSC authorizes $217,380,000 in additional revenue for DTE Electric Co. investments to boost reliability, modernize aging grid, published January 23, 2025. https://www.michigan.gov/mpsc/commission/news-releases/2025/01/23/mpsc-authorizes-217-million-in-additional-revenue-for-dte?.
[161] State of Michigan, Court of Appeals, Docket No.330675; 330745; 330797, LC No. 00-017735, ordered October 10, 2017. https://www.courts.michigan.gov/49da32/siteassets/case-documents/uploads/opinions/final/coa/20171010_c330675_44_330675.opn.pdf?.
[162] Utility Dive, Michigan regulators order reliability improvements for Consumers Energy, DTE, published June 16, 2025. https://www.utilitydive.com/news/michigan-regulators-order-reliability-improvements-consumers-dte/750769/?.
[163] Michigan Public Service Commission, MPSC's Focus on Reliability and Resilience, retrieved June 9, 2026. https://www.michigan.gov/mpsc/consumer/be-informed/tips/mpsc-focus-on-reliability-and-resilience?.
[164] U.S. Department of Energy, Loan Programs Office, Conditional Commitment to Consumers Energy to Help Lower Customer Costs for Investments in Reliable Energy Infrastructure in Michigan, published January 16, 2025. https://www.energy.gov/edf/articles/lpo-announces-conditional-commitment-consumers-energy-help-lower-customer-costs?.
[165] DTE, Building the grid of the future: Rebuilding older sections, published August 2, 2023. https://empoweringmichigan.com/dtes-four-part-plan-rebuilding-the-grid/?.
[166] Figure 2 (p. 6), Ley' Direct Testimony.
[167] Reuters, Dominion Energy's data center growth continues to accelerate, published February 12, 2025. https://www.reuters.com/business/energy/dominion-energy-raises-five-year-capex-plan-meet-data-centers-power-demand-2025-02-12/.
[168] Dominion Energy, Final Federal Approvals for Dominion Energy's Coastal Virginia Offshore Wind Represent Another Major Milestone Towards Successful Project Completion, published January 30, 2024.

and data-center-driven electricity demand growth in Northern Virginia. Although Virginia anticipates substantial investment by electric utilities, Dominion Energy's capital program is among the largest in the nation, at approximately $50.1 billion over 2025-2029,[169] Virginia's authorized ROE remains close to the national average and well below that of the six states discussed above.[170] The primary distinction between Virginia and those states is that Virginia does not face the same degree of natural-disaster risk, such as wildfires in California, hurricanes and flooding in Georgia, Florida, North Carolina, and South Carolina, or winter storms in Michigan.

The last and seventh state Mr. Ley included in his authorized ROE analysis with nuclear operation is Minnesota. Mr. Ley reported Minnesota's authorized ROE of 9.25%, which is 42 basis points lower than the average authorized ROE of 9.67% across all U.S. states.[171] Interestingly, Minnesota has three operating nuclear reactors at two sites—Monticello and Prairie—all owned by Xcel Energy, which provides roughly 30% of the electricity to its Upper Midwest customers and serves as an important source of carbon-free baseload power.[172] Although Minnesota experiences severe winter weather

https://investors.dominionenergy.com/news/press-release-details/2024/Final-Federal-Approvals-for-Dominion-Energys-Coastal-Virginia-Offshore-Wind-Represent-Another-Major-Milestone-Towards-Successful-Project-Completion/default.aspx?.

[169] Yahoo Finance, Dominion Energy Ups 5-Year Spending Plan to $50B, published February 12, 2025. https://finance.yahoo.com/news/dominion-energy-ups-5-spending-170200942.html.

[170] Figure 1 (p. 5) and Figure 2 (p. 6), Ley' Direct Testimony.

[171] Figure 2 (p. 6), Ley' Direct Testimony.

[172] USA Utility Alliance, Monticello Nuclear Generating Plant, published April 16, 2026. https://usainc.org/members/monticello-nuclear-generating-plant/?.

and wind storms, its weather-related risks are generally less severe than the hurricane and storm-surge risks faced by coastal states or winter storm risks in Michigan.[173]

It is important to note that the top number one ranked nuclear-producing state is Illinois in 2026.[174] Illinois has six nuclear plants, more than any other state, and nuclear power makes up over half of its electricity mix.[175] According to Mr. Ley, Illinois' authorized ROE of 8.72-8.91% is more than 70 basis points lower than the average authorized ROE of 9.67% across all U.S. states.[176] In conclusion, the higher average authorized ROEs observed for utilities with nuclear operations are not attributable to nuclear operations themselves, but rather to external risk factors such as wildfires, hurricanes, and winter storms. Therefore, Mr. Ley's proposed 0.37% premium for states with nuclear operations does not constitute a reasonable argument.

10. Cost of Capital and Capital Structure

Q. What cost of debt and capital structure for the ROR did Mr. Ley propose for EMM in this proceeding?

[173] Oak Ridge National Laboratory, Analysis shows power outages cost U.S. electricity customers billions, published March 4, 2026. https://www.ornl.gov/news/analysis-shows-power-outages-cost-us-electricity-customers-billions?.
[174] Energy Information Administration, Electricity Data Browser, 1.9 Net Generation from Nuclear Energy. https://www.eia.gov/electricity/data/browser/#/topic/0?agg=1,0,2&fuel=08&geo=vvvvvvvvvvvvo&sec=o3g&linechart=ELEC.GEN.NUC-US-99.M~ELEC.GEN.NUC-PA-99.M~ELEC.GEN.NUC-IL-99.M&columnchart=ELEC.GEN.NUC-US-99.M~ELEC.GEN.NUC-PA-99.M~ELEC.GEN.NUC-IL-99.M&map=ELEC.GEN.NUC-US-99.M&freq=M&start=200101&end=202604&ctype=linechart&ltype=pin&rtype=s&pin=&rse=0&maptype=0.
[175] Rate Watt, Nuclear generated 781.9M MWh of U.S. electricity in 2024 across 28 states - Illinois leads, producing 13% of the national total, where nuclear supplies 53.2% of its own grid, retrieved June 28, 2026. https://ratewatt.com/energy-sources/nuclear.
[176] Figure 2 (p. 6), Ley' Direct Testimony.

A. For ratemaking of EMM's electric service, Mr. Ley proposed an authorized ROR of 7.6546%, calculated using Ms. Bulkley's proposed ROE of 10.50% and projected embedded costs as of June 30, 2026, a cost of debt of 4.5628%, applied to a projected capital structure consisting of 52.0749% common equity and 47.9251% long-term debt.[177]

Q. Does Staff have concerns about the cost of the long-term debt proposed by EMM's witness?

A. Staff has no major concerns with Mr. Ley's proposed cost of the long-term debt. Mr. Ley stated that his proposed embedded cost of long-term debt of 4.5628% was computed based on the actual terms of EMM's existing and forecasted long-term debt issuances that fund its regulated operations and reflects the embedded weighted-average cost of long-term debt projected to be outstanding as of the June 30, 2026 true-up date.[178] As of March 31, 2026, EMM reported an embedded cost of long-term debt of 4.555%.[179] Staff will continue to monitor whether Mr. Ley's projected cost of debt properly reflects EMM's current actual cost of debt and whether it will be realized as of June 30, 2026.

Q. Does Staff have concerns about the capital structure proposed by EMM's witness?

[177] Page 6, lines 5-11, and Table 1 (p. 11), Ley' Direct Testimony.
[178] Page 8, lines 3-8, Ley' Direct Testimony.
[179] Staff Data Request No. 0108.

A. Staff has no concerns with Mr. Ley's proposed ratemaking capital structure consisting of 52.0749% common equity and 47.9251% long-term debt.[180] The capital structure that Mr. Ley proposed is based on EMM's forecasted debt and common stock balances as of June 30, 2026.[181] However, Staff does not have sufficient evidence that Mr. Ley's forecast will be realized.

Staff is investigating how EMM's proposed capital structure, as of June 30, 2026, is achievable. Also, Staff is investigating how Evergy's and EMM's actual true-up capital structures, as of June 30, 2026, are attained from the previously provided capital structures. From 2020 to 2025, Evergy's average capital structure was approximately 49.80% common equity 50.20% long-term debt, and EMM's average capital structure was 52.26% common equity and 47.74% long-term debt.[182] As of March 31, 2026, Evergy reported approximately 43.58% common equity and 56.42% long-term debt, and EMM reported approximately 51.63% common equity and 48.37% long-term debt.[183] Currently, Staff is reviewing the changes in EMM's actual capital structure and cost of debt through June 30, 2026, the end of the true-up period. Staff will address its final recommended capital structure in its surrebuttal and true-up testimony at a later point in the case.

III. RESPONSE TO TESTIMONY OF OPC WITNESS

Q. What are the specific areas in which Staff is responding to OPC's witness?

[180] Table 2 (p. 11) and Schedule DTS-D1, Ley' Direct Testimony.
[181] Page 2, lines 12-14, Ley' Direct Testimony.
[182] Schedule SJW-d5-2, Won's Direct Testimony.
[183] Schedule SJW-r1 Cap Structure.

A. Staff is responding to the testimony of Mr. Murray. The areas in which Staff addresses issues of Mr. Murray's direct testimony include:

- Recommended ROE, and
- Capital Structure.

Staff will discuss each issue in turn, below.

1. Recommended ROE

Q. What is Mr. Murray's recommended ROE for use in this proceeding?

A. Mr. Murray recommended that the Commission set EMM's authorized ROE for its electric utility operations at 9.25% based on a range of 9.00% to 9.50%.[184]

Q. Please explain how Mr. Murray's recommended ROE was determined.

A. Mr. Murray asserted that his ROE recommendation is based on his recommended authorized ROE range of 9.00% to 9.50%.[185] However, Mr. Murray did not explicitly explain how he arrived at his recommended authorized ROE range of 9.00% to 9.50% in his direct testimony. Mr. Murray estimated the COE for regulated electric utilities to be in the approximate range of 7.75% to 8.25%, which is approximately 75 basis points higher than his COE estimate in EMM's 2022 rate case, FILE No. ER-2022-0129 ("2022 EMM Rate Case").[186] Mr. Murray's multi-stage DCF analysis indicates an industry COE range of approximately 7.85% to 8.05%, which is about 70 to 95 basis points higher than his estimate in the 2022 EMM Rate Case.[187] Using the CAPM,

[184] Page 2, lines 3-4, Murray's Direct Testimony.
[185] Page 3, lines 10-11, Murray's Direct Testimony.
[186] Page 4, lines 1-2, Murray's Direct Testimony.
[187] Page 33, lines 10-13, Murray's Direct Testimony.

Mr. Murray estimated the electric utility industry's COE to be in the range of 7.75% to 8.50%,[188] which is up to 100 basis points higher than his 7.50% estimate in the 2022 EMM Rate Case.[189]

Mr. Murray conducted a reasonableness test using a simple rule of thumb suggested by the Chartered Financial Analyst ("CFA") curriculum to estimate the COE by adding a 3% risk premium to a recent yield-to-maturity ("YTM") rates of EMM's long-term bonds of around 5.75%, which implies a COE of approximately 8.75%.[190]

Q. What are Staff's concerns with Mr. Murray's recommended ROE?

A. Staff has concerns with Mr. Murray's recommended ROE of 9.25% because it is lower than the recent average authorized ROE for electric utilities of 9.85%.[191] In the first half of 2026, the average authorized ROE for vertically integrated electric utilities was 9.84%,[192] making Mr. Murray's recommended ROE of 9.25% approximately 59 basis points lower.

Although Staff does not fully agree with his methods, it found no substantial deficiencies in Mr. Murray's COE estimation process. However, Staff finds that Mr. Murray's analysis of changes in COE over time is inconsistent with his ROE recommendations. As explained above, his current COE estimates are more than 70 basis points higher than his estimates in EMM's 2022 rate case, when he

[188] Page 43, lines 15-18, Murray's Direct Testimony.
[189] Page 29, lines 13-14, Murray's Direct Testimony, Case No. ER-2022-0129.
[190] Page 43, lines 26-27, Murray's Direct Testimony.
[191] SJW-r3-1 Won's Rebuttal Testimony.
[192] SJW-r4-1 Won's Rebuttal Testimony.

recommended an ROE of 9.00%, which is only 25 basis points lower than his current recommended ROE of 9.25%.

2. Capital Structure

Q. What is Mr. Murray's recommended capital structure for use in this proceeding?

A. For EMM, Mr. Murray recommends a capital structure that consists of approximately 45% common equity and 55% long-term debt based on his analysis of Evergy's and EMM's quarterly capital structures from the beginning of the test year, July 1, 2024, through March 31, 2026, which he considers to represent the most recent quarterly capital structure information available before the true-up period ending June 30, 2026.[193]

Q. What is Staff's concern with Mr. Murray's capital structure recommendation?

A. Staff has one major concern with Mr. Murray's recommendation. Mr. Murray's recommended capital structure was developed based on Evergy's more leveraged capital structure, instead of EMM's standalone capital structure.[194] Mr. Murray asserts that Evergy manages its own internal accounting records for purposes of targeting the capital structure it desires for ratemaking purposes.[195]

Mr. Murray further asserts that, including short-term debt, Evergy's adjusted equity ratio has been in the range of approximately 40% to 43% for the quarterly periods

[193] Page 46, lines 3-7, Murray's Direct Testimony.
[194] Page 62, lines 17-19, Murray's Direct Testimony.
[195] Page 46, lines 6-10, Murray's Direct Testimony.

ending June 30, 2024, through March 31, 2026, with an average of 41.54%,[196] which is more than 10 percentage points below EMM's average actual equity ratio of approximately 52% during the same period.[197]

Q. What is the reason Mr. Murray recommended using Evergy's consolidated capital structure instead of EMM's standalone capital structure?

A. Mr. Murray asserts that Evergy's capital structure is optimized to minimize the cost of capital and maximize shareholder value, and that it reflects a higher equity ratio than EMM's higher-cost standalone capital structure.[198] However, this is not necessarily valid because a reduction in EMM's equity ratio could lead to an increase in its cost of debt, which may ultimately increase its overall ROR and resulting rates.

Q. Please explain more about equity ratios used in other electric utility rate cases.

A. According to RRA, there were 197 electric rate cases in the U.S. that reported specific equity ratios from 2024 through the first half of 2026. The average equity ratios for 2024, 2025, and 2026 rate cases were 50.48%, 49.74%, and 48.27%, respectively. For vertically integrated electric utilities only, the corresponding averages were 49.79%, 50.91%, and 48.71%. Considering the historical average equity ratio of approximately 50% used in calculating the allowed ROR for electric utility rate cases in the U.S., Mr. Murray's recommended equity ratio of 45% appears inconsistent with recent

[196] Page 47, lines 3-5, Murray's Direct Testimony.
[197] Staff's Data Request No. 0107.
[198] Staff's Data Request No. 0458.

regulatory practice. Table 4 presents commission decisions from 2010 through the first half of 2026.:

Table 4. Vertically Integrated Electric Utility Rate Cases (2010-2026)[199]

	Fully Litigated			Settled			Electric Total		
Year	ROE (%)	Equity (%)	Case (No)	ROE (%)	Equity (%)	Case (No.)	ROE (%)	Equity (%)	Case (No.)
2010	10.32	47.71	16	10.49	50.77	25	10.42	49.55	41
2011	10.46	48.92	17	10.14	48.60	11	10.33	48.79	28
2012	10.10	49.96	16	10.10	52.68	23	10.10	51.57	39
2013	9.91	47.00	9	9.96	49.72	22	9.95	48.97	31
2014	10.03	51.73	9	9.86	50.35	10	9.94	51.04	19
2015	9.74	49.48	13	9.78	49.21	4	9.75	49.41	17
2016	9.62	49.92	9	9.88	47.57	11	9.77	48.63	20
2017	9.69	48.09	8	9.85	50.06	20	9.80	49.48	28
2018	9.62	47.10	9	9.72	49.87	14	9.68	48.78	23
2019	9.74	51.53	10	9.74	50.64	15	9.74	51.01	25
2020	9.52	48.35	15	9.57	52.59	12	9.55	50.31	27
2021	9.24	49.69	8	9.67	50.42	17	9.53	50.19	25
2022	9.82	51.63	12	9.68	51.46	13	9.75	51.55	25
2023	9.96	52.71	19	9.61	50.46	17	9.80	51.65	36
2024	9.84	50.24	17	9.91	49.41	18	9.88	49.79	35
2025	9.83	48.79	14	9.89	52.56	19	9.87	50.91	33
2026	9.71	48.81	5	9.91	48.65	9	9.84	48.71	14
Average	9.83	49.51	12	9.87	50.30	15	9.86	50.02	27

Q. Does Mr. Murray's recommendation to use the parent company's capital structure meet the standard of generally accepted utility ratemaking procedures?

A. No. Mr. Murray's recommendation is not consistent with typical regulatory practices on when to use a parent company's capital structure instead of a subsidiary's own capital structure for the subsidiary's ratemaking. The Society of Utility and Regulatory Financial Analysts ("SURFA") lists the following four guidelines for

[199] S&P Capital IQ Pro, Retrieved on July 5, 2026.

determining when to use a parent company's capital structure in its guidebook, The Cost of Capital – A Practitioner's Guide ("CRRA Guide"):

> 1. Whether the subsidiary utility obtains **all** of its capital from its parent, or issues its own debt and preferred stock;
> 2. Whether the parent guarantees **any** of the securities issued by the subsidiary;
> 3. Whether the subsidiary's capital structure is independent of its parent (i.e., existence of double leverage, absence of proper relationship between risk and leverage of utility and **non**-utility subsidiaries); and,
> 4. Whether the parent (or consolidated enterprise) is diversified into **non**-utility operations.[200] [Emphasis added.]

There is nothing in these guidelines that suggests that it is appropriate to use Evergy's (the parent company of EMM) capital structure to set EMM's ROR.

** [redacted][201] [redacted][202] [redacted]

[200] David C. Parcell in The Cost of Capital – A Practitioner's Guide prepared for SURFA.
[201] Staff's Data Request No. 0120 (1).
[202] Staff's Data Request No. 0120 (2).

[redacted][203][redacted][204][redacted]

[redacted]

[redacted][205][redacted]

[redacted][206]

[redacted]

[redacted]

[redacted][207]

[redacted]

[redacted]

[redacted][208][redacted]

[redacted]**

Q. Do you agree with Mr. Murray's statement that "Because to the extent management of Missouri's investor-owned utility companies guide investors' expectations that the Commission will consistently adopt a 52% common equity ratio for ratemaking purposes, investors will value the company's stock based on these more investor-friendly ratemaking parameters."?[209]

[203]Evergy Metro Inc., Ratings Score Snapshot, RatingsDirect, S&P Global Ratings. December 2, 2025.
[204] S&P Capital IQ Pro.
[205] Staff's Data Request No. 0120 (5).
[206] Staff's Data Request No. 0120 (6).
[207] Staff's Data Request No. 0122.
[208] Staff's Data Request No. 0120.
[209] Page 49, lines 25-28, Murray's Direct Testimony.

A. No. Staff cannot find conclusive evidence in Mr. Murray's direct testimony to support the statement. Mr. Murray speculated that Evergy managed its consolidated capital structure over the past several years but did not provide evidence that EMM managed a 52% equity ratio for ratemaking purposes.[210]

Q. Do you agree with Mr. Murray's statement that "Evergy allocates capital around its companies to target and achieve ratemaking common equity ratios."?[211]

A. Staff agrees that Evergy allocates capital among its subsidiaries; however, this does not demonstrate that Evergy's consolidated capital structure is the appropriate capital structure for determining EMM's ratemaking capital structure. According to its response to Staff a data request, EMM stated ** "[redacted] **."[212]

[210] Page 52, lines 15-28, Murray's Direct Testimony.
[211] Page 61, lines 18-19, Murray's Direct Testimony.
[212] Staff's Data Request No. 0112.

Q. Do you agree with Mr. Murray's statement that "The holding companies' ability to reduce their cost of capital by maintaining a more leveraged consolidated capital structure is based purely on their subsidiaries' low business-risk."?[213]

A. No, I do not. There is no reason for a holding company to be more highly leveraged than its regulated utility operating company solely because its subsidiaries have low business risk. This position is not supported by corporate finance principles or common utility industry practice. A holding company and its regulated utility subsidiary are separate legal entities with different financing objectives and risk profiles. The holding company may incur debt to finance acquisitions, make equity contributions to subsidiaries, repurchase shares, or support other corporate activities unrelated to the utility's regulated operations.

Conversely, commissions generally expect the operating utility to maintain a more conservative capital structure to preserve financial stability, maintain access to capital markets, and protect customers from excessive financial risk while supporting a lower cost of capital. As a result, it is common for debt to be concentrated at the holding company, while the regulated utility maintains a lower level of leverage. Therefore, higher leverage at the holding company than at the operating utility is neither unusual nor

[213] Page 49, lines 1-7, Murray's Direct Testimony.

inherently inconsistent with sound financial management or generally accepted corporate finance practice.

Q. What is Staff's conclusion regarding Mr. Murray's capital structure?

A. Mr. Murray's recommendation to use Evergy's capital structure is based on assumptions that are not supported by conclusive evidence. Mr. Murray's proposed equity ratio of 45% is too low compared to both the average equity ratio for vertically integrated electric utilities, which is approximately 50%, and EMM's actual equity ratio of approximately 52%.

Staff recommends that the Commission not rely on Mr. Murray's recommendation to use Evergy's capital structure for the ratemaking capital structure of EMM.

continued on next page

IV. SUMMARY AND CONCLUSIONS

Q. Please summarize the conclusions of your rebuttal testimony.

A. Ms. Bulkley's requested ROE of 10.50% for EMM is not just and reasonable, given her inappropriate reliance on unreasonable inputs in her DCF and CAPM analyses. In addition, Staff explained that the use of a single input—the 30-year Treasury yield—in Ms. Bulkley's BYRP method is inappropriate for estimating a proper COE. Mr. Murray of OPC recommended an ROE of 9.25%, which Staff finds to be too low, although Staff has no major concerns with his COE estimation process. Given that interest rates remain at their current level, Staff continues to recommend an authorized ROE of 9.73%, within a range of 9.48% to 9.98%.

For the ratemaking cost of capital components, Mr. Ley proposed using EMM's projected capital structure and cost of debt as of June 30, 2025.[214] Staff is monitoring the actual realized costs of capital components during the true-up period. Staff disagrees with Mr. Murray's recommendation to use Evergy's consolidated capital structure, with a 45% equity ratio, for EMM's ratemaking capital structure. Staff is reviewing EMM's true-up capital structure and cost of debt and will provide its final ROR recommendation in its surrebuttal and true-up testimony for this proceeding.

Q. Does this conclude your rebuttal testimony?

A. Yes.

[214] Page 7, lines 1-4, Ley's Direct Testimony.

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 SEOUNG JOUN WON, PhD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW SEOUNG JOUN WON, PhD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Seoung Joun Won, PhD*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

SEOUNG JOUN WON, PhD

JURAT

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

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2029
Commission Number: 12412070

Notary Public

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143
Capital Structure as of March 31, 2026
Evergy, Inc.
(Dollars in Millions)

Capital Component	Amount	Percentage of Capital
Common Stock Equity	$10,157	43.58%
Preferred Stock	$0	0.00%
Long-Term Debt	$13,147	56.42%
Total Capitalization	**$23,304**	**100.00%**

Capital Structure as of March 31, 2026
Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro
(Dollars in Millions)

Capital Component	Amount	Percentage of Capital
Common Stock Equity	$3,493	51.63%
Preferred Stock	$0	0.00%
Long-Term Debt	$3,272	48.37%
Total Capitalization	**$6,765**	**100.00%**

Sources:
Form 10-Q, 10-K.
Staff Data Request No. 0107.

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143

Cost of Long-Term Debt as of March 31, 2026

Evergy, Inc.
(In millions)

Total Annual Cost:	$695.2
Total Carrying Value:	$13,242.3
Embedded Cost = Total Annual Cost/Total Carrying Value	5.250%

Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro
(In millions)

Total Annual Cost:	$150.3
Total Carrying Value:	$3,299.4
Embedded Cost = Total Annual Cost/Total Carrying Value	4.555%

Note:

Source:
Staff Data Requests No. 0108

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143

Authorized ROE and Equity Ratio of the U.S Utility by Sector
Electric Utility
2010-2026

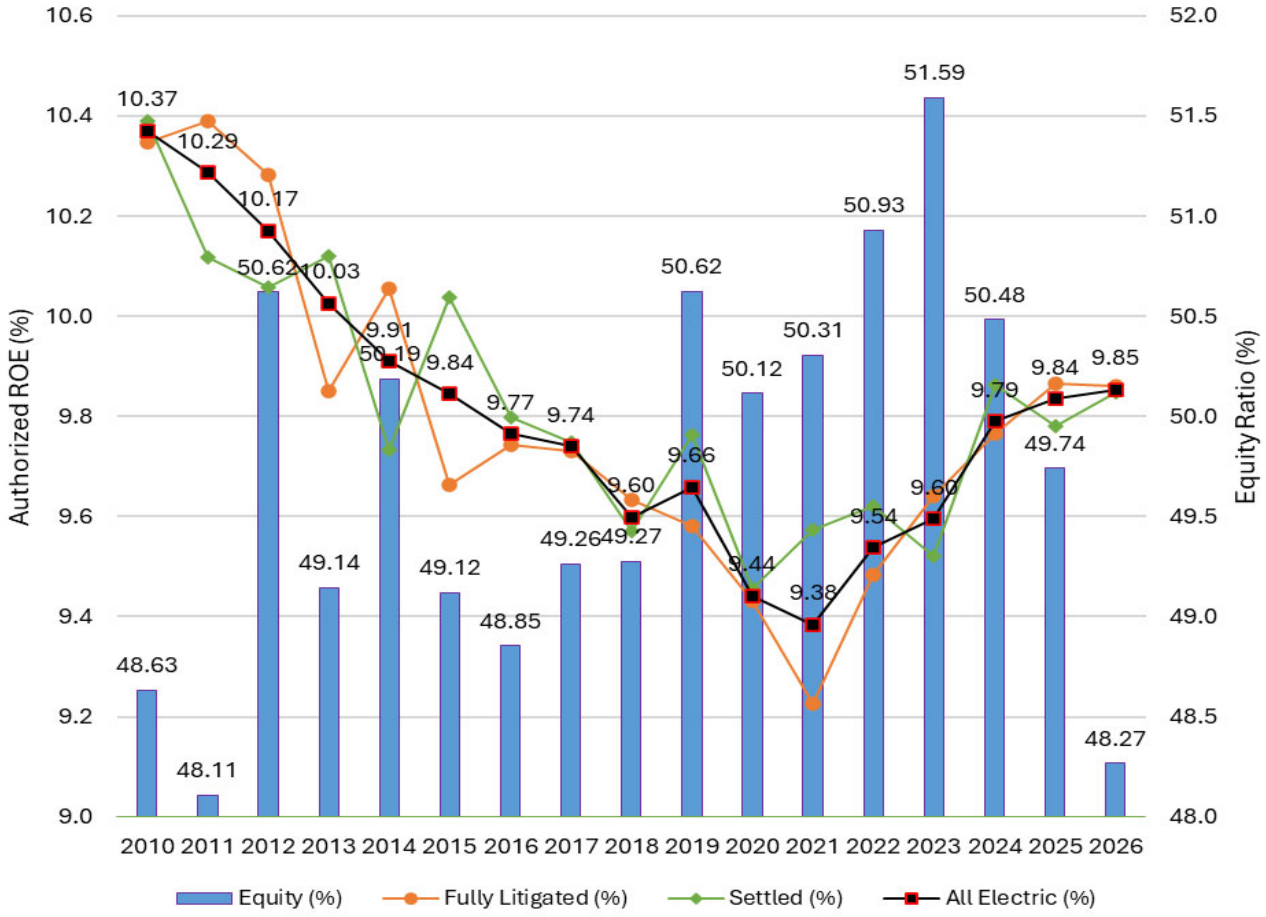
	Electric								
	Fully Litigated			Settled			US Electric Total		
Year	ROE (%)	Equity (%)	Case (No.)	ROE (%)	Equity (%)	Case (No.)	ROE (%)	Equity (%)	Case (No.)
2010	10.35	47.68	27	10.39	49.49	34	10.37	48.63	61
2011	10.39	48.17	26	10.12	48.01	16	10.29	48.11	42
2012	10.28	49.98	29	10.06	51.40	29	10.17	50.62	58
2013	9.85	48.25	17	10.12	49.70	32	10.03	49.14	49
2014	10.05	50.14	21	9.73	50.26	17	9.91	50.19	38
2015	9.66	48.98	16	10.04	49.28	15	9.84	49.12	31
2016	9.74	49.75	25	9.80	47.51	17	9.77	48.85	42
2017	9.73	49.23	24	9.75	49.30	29	9.74	49.26	53
2018	9.63	48.70	22	9.57	49.76	26	9.60	49.27	48
2019	9.58	51.07	27	9.76	49.66	20	9.66	50.62	47
2020	9.43	49.87	32	9.46	50.45	23	9.44	50.12	55
2021	9.23	50.71	30	9.57	49.79	25	9.38	50.31	55
2022	9.48	51.25	32	9.62	50.32	21	9.54	50.93	53
2023	9.64	52.10	39	9.52	50.57	24	9.60	51.59	63
2024	9.77	50.64	68	9.86	50.18	22	9.79	50.48	90
2025	9.86	49.39	56	9.78	50.09	30	9.84	49.74	86
2026	9.86	47.48	9	9.85	48.62	12	9.85	48.27	21
Average	9.80	49.61	29	9.82	49.67	23	9.81	49.72	52

Note:

Source: S&P Global Market Intelligence, Retrieved in July 5, 2026

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143

Authorized ROE and Equity Ratio of the U.S Utility by Sector
Electric Utility
2010-2026



Note:
Source: S&P Global Market Intelligence, Retrieved in July 5, 2026

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143

Authorized ROE and Equity Ratio of the U.S Utility by Sector
Vertically Integrated Electric Utility
2010-2026

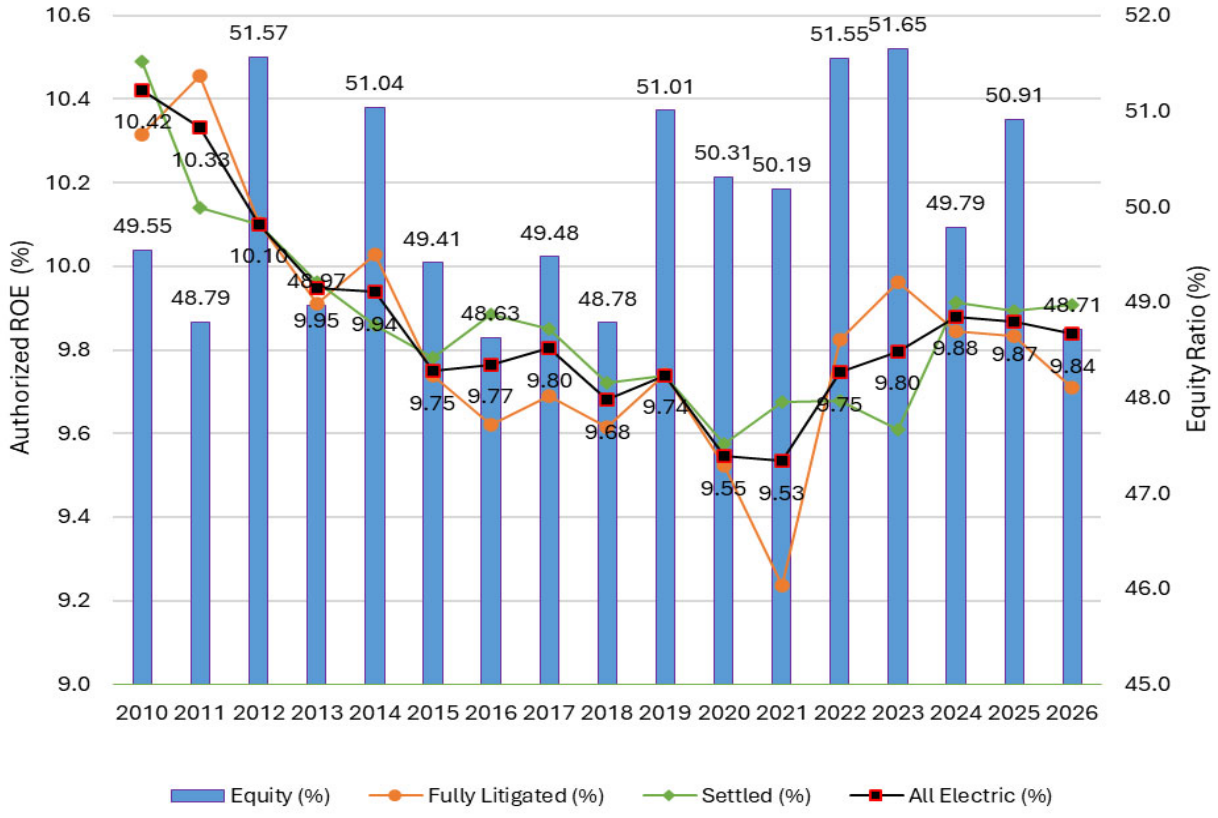
					Electric				
	Fully Litigated				Settled		Vertically Integrated Electric Utility		
Year	ROE (%)	Equity (%)	Case (No.)	ROE (%)	Equity (%)	Case (No.)	ROE (%)	Equity (%)	Case (No.)
2010	10.32	47.71	16	10.49	50.77	25	10.42	49.55	41
2011	10.46	48.92	17	10.14	48.60	11	10.33	48.79	28
2012	10.10	49.96	16	10.10	52.68	23	10.10	51.57	39
2013	9.91	47.00	9	9.96	49.72	22	9.95	48.97	31
2014	10.03	51.73	9	9.86	50.35	10	9.94	51.04	19
2015	9.74	49.48	13	9.78	49.21	4	9.75	49.41	17
2016	9.62	49.92	9	9.88	47.57	11	9.77	48.63	20
2017	9.69	48.09	8	9.85	50.06	20	9.80	49.48	28
2018	9.62	47.10	9	9.72	49.87	14	9.68	48.78	23
2019	9.74	51.53	10	9.74	50.64	15	9.74	51.01	25
2020	9.52	48.35	15	9.57	52.59	12	9.55	50.31	27
2021	9.24	49.69	8	9.67	50.42	17	9.53	50.19	25
2022	9.82	51.63	12	9.68	51.46	13	9.75	51.55	25
2023	9.96	52.71	19	9.61	50.46	17	9.80	51.65	36
2024	9.84	50.24	17	9.91	49.41	18	9.88	49.79	35
2025	9.83	48.79	14	9.89	52.56	19	9.87	50.91	33
2026	9.71	48.81	5	9.91	48.65	9	9.84	48.71	14
Average	9.83	49.51	12	9.87	50.30	15	9.86	50.02	27

Note:

Source: S&P Global Market Intelligence, Retrieved in July 5, 2026

Evergy Metro, Inc. d/b/a Evergy Missouri Metro
Case No. ER-2026-0143

Authorized ROE and Equity Ratio of the U.S Utility by Sector
Vertically Integrated Electric Utility
2010-2026



Note:
Source: S&P Global Market Intelligence, Retrieved in January 2, 2025