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Rebuttal Testimony of Matthew R. Young
Case No. ER-2026-0143

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Witness:	*Matthew R. Young*
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

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

CASE NO. ER-2026-0143

Jefferson City, Missouri
August 2026

REBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

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

CASE NO. ER-2026-0143

Q. Please state your name and business address.

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

Q. Are you the same Matthew R. Young that filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. I will respond to The Office of the Public Counsel's ("OPC") witness John S. Riley regarding income tax matters. I will also respond to Evergy Metro, Inc., d/b/a Evergy Missouri Metro's ("EMM") witness Buck Reuter regarding the ongoing need for a Transource adjustment.

TRANSOURCE

Q. What is the Transource adjustment?

A. Through stipulations in case nos. EO-2012-0367 and EA-2013-0098,[1] EMM, formally known as Kansas City Power & Light ("KCPL"), received regulatory approval to

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

transfer transmission assets from KCPL to Transource Missouri. After the transfer, the assets became subject to ratemaking under the Federal Energy Regulatory Commission ("FERC"). In case no. EA-2013-0098, the Missouri Public Service Commission ("Commission") approved a stipulation requiring a recurring adjustment in KCPL rate cases to measure the revenue requirement difference between EMM's rate of return awarded at the state level and the federal level.

Q. Did EMM and the Staff of the Commission ("Staff") present the required adjustment in their respective direct cases?

A. Yes. EMM's witness Buck Reuter recommended increasing the cost of service by $115,010 (total company) while Staff's direct case increased the cost of service by $18,698 (total company). The difference between Staff and EMM is attributable to the capital structure used to calculate the revenue requirement at the state level.

Q. What drives the amount of the adjustment?

A. At its core, the adjustment is driven by the current net book value of the assets transferred to Transource Missouri.

Q. In the future, will the adjustment and the difference between positions become more, or less, material?

A. As the assets continue to depreciate, the net book value will decrease going forward. This will cause the adjustment, and the differences between positions, to become less material in EMM's future rate cases.

Q. Did EMM offer a position on the materiality of the Transource adjustment?

A. Yes. On pages five and six of his direct testimony, Mr. Reuter explained that EMM's adjustment is immaterial and recommends its elimination going forward.

Q. What is Staff's response?

A. Staff agrees with Mr. Reuter that there is no longer a material value to continuing this adjustment and it should be discontinued. However, Staff is cautious to recommend isolating and revising a specific portion of a prior stipulation without creating an opportunity for all interested parties to present concerns to the Commission.

Q. What concerns might other parties have with eliminating the need for the Transource adjustment?

A. By nature, stipulations reflect compromises by all parties to a case and are the result of give-and-take negotiations. Often, the terms of a stipulation are interrelated, which is why Staff is concerned with altering a single provision in the stipulation. Staff is interested in any objections from other parties relating to discontinuing the Transource adjustment in future EMM cases.

Q. What non-utility parties were included in the case that resulted in the stipulation?

A. Besides Staff and OPC, only Missouri Industrial Energy Consumers ("MIEC") intervened in case no. EA-2013-0098.

INCOME TAXES

Excess Accumulated Deferred Income Tax Net Operating Loss Carryforward

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

A. I provide a longer definition of EADIT in my direct testimony but in summary, EADIT is a balance of income tax liabilities EMM deferred to future periods and recorded as Accumulated Deferred Income Taxes ("ADIT"), but recent government legislation effectively forgave a portion of EMM's long-term tax liabilities. The total amount forgiven is reclassified as EADIT and is returned to ratepayers according to methodology provided by the Internal Revenue Service ("IRS").

Q. What is a Net Operating Loss ("NOL")?

A. When a corporate taxpayer's tax return produces a positive amount of taxable income, the IRS requires an immediate payment of taxes on that year's income. However, when the tax return produces a negative amount of taxable income, a NOL is generated. Instead of issuing a payment to the corporation for its negative income, the IRS allows the taxpayer to save the loss for another period where it has positive income tax to offset. If NOLs are generated in more than one period, the accumulated balance that has not been used to offset tax liabilities is recorded as a Net Operating Loss Carryforward ("NOLC").

Q. Does EMM have an NOLC recorded on its books?

A. Yes, EMM has an amount in FERC account 190 labeled as a federal NOLC, but this is not available to offset EMM's future tax liabilities and, as such, is not a conventional deferred tax asset. From an accounting perspective, this amount would be more appropriately classified as a contra-liability than booked as an asset.

Q. What is a contra account?

A. In accounting, contra accounts only exist as an offset to primary, or "parent" accounts. For example, the allowance for bad debt expense only exists to offset revenues recorded by the firm. Another example is the allowance for obsolete inventory which only exists to offset the inventory asset. EMM's current NOLC could be considered a contra account because without the regulatory aspect of EMM's business, the NOLC would have no future economic value.

Q. What does EMM's NOLC in FERC account 190 offset?

A. EMM's NOLC asset offsets the EADIT liability protected by the IRS' normalization rules. When the federal government passed the 2017 Tax Cuts and Jobs Act ("TCJA"), EMM had an unused NOLC on its books. While the TCJA reduced the total amount of EMM's deferred tax liabilities, it also reduced the value of EMM's NOLC asset. In EMM's case no. ER-2018-0145, portions of EMM's ADIT and NOLC were reclassified as EADIT and amortized under an Average Rate Assumption Method ("ARAM") pursuant to IRS' regulations.

Q. Please summarize OPC's direct testimony.

A. Pages 2 – 7 of John S. Riley's direct testimony describes OPC's position to reduce EMM's rate base by the current balance of EADIT liability but exclude the rate base offset represented by the current balance of the offsetting NOLC asset.

Q. Is this the appropriate ratemaking approach?

A. No. EMM or its affiliates cannot reduce current or future tax liabilities with the current balance of the NOLC because it is a product of changes in tax law instead of

an unused tax benefit. All effects of the TCJA were measured and resolved in EMM's 2018 rate case and reflected in the stipulation approved by the Commission.

Q. Is there a larger concern with changing a previously stipulated term?

A. Yes. Stipulations reflect the results of extensive negotiations between all parties. The terms in the stipulation, including the ratemaking treatment of the NOLC, are interrelated with all other terms and it is concerning to change methodology without showing good cause.

Q. Did OPC show a good cause to change the approach to the NOLC balance?

A. No. OPC does not explain why this particular term in the stipulation should be altered. OPC does note that they were not a signatory on the document, but Staff notes it did not file an objection either. The lack of objection permits the Commission to treat the stipulation as unanimous.

Q. How long will EMM need to carry the NOLC on its books?

A. Using the IRS' amortization methodology causes the annual amortization of the NOLC offset to be variable, so the exact answer is unknown to Staff. However, the amortization is tied to the life of EMM's plant-in-service assets so the full amortization is expected to be lengthy.

Tax Deduction for Losses on Disposition

Q. Please summarize OPC's direct testimony on asset disposition tax deductions.

A. Pages seven through ten of Mr. Riley's direct testimony supports OPC's recommendation to include an ongoing recognition of tax deductions caused by asset retirements in current income tax expense.

Q. How can the retirement of assets create a tax benefit?

A. Under tax accounting, when an asset is retired before it has reached its assigned tax life, it has a remaining net book value because it has not been fully depreciated. For tax purposes, a loss is recorded when the book value of the asset is reduced to zero. The loss on the tax returns is a deduction to taxable income.

Q. How does tax accounting for assets differ from regulatory accounting?

A. There are several differences between tax and regulatory accounting that relate to property, plant, and equipment, but the difference germane to this topic is how depreciation is recorded. For book purposes, most of EMM's plant is depreciated by account instead of by individual assets, and early or late retirements do not generate gains and losses. For tax purposes, EMM's tax accounting produces gains and losses for all of the categories of assets listed in Mr. Riley's schedule JSR-D-02. The difference between the results produced by the two accounting methods is captured in ADIT and reflected in rate base.

Q. Are ratepayers denied the tax benefits when EMM reduces its taxable income by losses upon asset disposition?

A. No. When an asset is retired, EMM does not remove an amount of ADIT from its books due to the mechanics of depreciating accounts instead of assets. In fact, the opposite is true, and EMM increases its ADIT by the amount of the tax loss.

Q. How does EMM's current accounting process affect the revenue requirement?

A. Under the current regulatory approach, ratepayers do not receive the tax benefits as an annual reduction in income tax expense, because the disposition losses are normalized for ratemaking purposes.

Q. What do you mean by normalized?

A. Instead of flowing the disposition losses through current tax expense, the benefits are captured in the ADIT rate base offset so the losses are normalized but not ignored. If the Commission were to change ratemaking methodology, ongoing income tax expense would reduce rates, but rate base would grow over time as ADIT no longer captures the tax benefit. In other words, the trade-off for lower income tax expense in the current case is a higher cost for EMM's rate of return in ongoing rates.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW MATTHEW R. YOUNG and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony Matthew R. Young*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Matt Young
MATTHEW R. YOUNG

JURAT

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

CHERYL LEVERETTE
MY COMMISSION EXPIRES
8-7-2027
NOTARY SEAL
#01404338
JACKSON COUNTY
NOTARY PUBLIC, STATE OF MISSOURI

Cheryl Leverette
Notary Public