Exhibit No.:	
Issue:	NOL Deficient Deferred Income Taxes; Kansas City Earning Tax; Property Tax; Nuclear Production Tax Credits, Inflation Reduction Act Tracker, Tax Benefits of Asset Dispositions, and Discount on Sales & Use Taxes
Witness:	Melissa K. Hardesty
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Evergy Missouri Metro
Case Nos.:	ER-2026-0143
Date Testimony Prepared:	August 11, 2026

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2026-0143

REBUTTAL TESTIMONY

OF

MELISSA K. HARDESTY

ON BEHALF OF

EVERGY MISSOURI METRO

Kansas City, Missouri
August 2026

TABLE OF CONTENTS

REBUTTAL TESTIMONY

OF

MELISSA K. HARDESTY

Case No. ER-2026-0143

I. <u>INTRODUCTION</u>

Q: Please state your name and business address.

A: My name is Melissa K. Hardesty. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Evergy Metro, Inc. and serve as Senior Director of Taxes for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro", "EMM" or the "Company"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro"), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central") the operating utilities of Evergy, Inc.

Q: Are you the same Melissa K. Hardesty who previously filed direct testimony in this case?

A: Yes.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro.

Q: What is the purpose of your testimony?

A: The purpose of my rebuttal testimony is to respond to the direct testimony of 1) Matthew R. Young, on behalf of Missouri Public Service Commission ("MPSC" or the

"Commission") Staff, regarding the amount of nuclear production tax credits ("PTCs") included in the income tax expense component in cost of service, the Inflation Reduction Act tracker, and the amount of Kansas City earnings tax included in this case, 2) John S Riley, on behalf of the Office of Public Counsel ("OPC"), regarding the inclusion of the tax benefits of asset dispositions in the calculation of income tax expense in cost of service, the amount of net operating loss ("NOL") accumulated deferred income taxes ("ADIT") and deficient deferred income taxes ("DDIT") included in rate base, and an adjustment to cost of service for the discount the Company receives for the remittance of customer sales and use taxes to the State of Missouri, and 3) Nathan Bailey, on behalf of MPSC Staff, regarding the property tax expense amount used to set rates in this case and to be used as the base amount for Evergy Missouri Metro's property tax tracker .

II. NUCLEAR PRODUCTION TAX CREDITS

Q: Do you agree with Staff witness Young's calculation of the amount of nuclear production tax credits?

A: Staff witness Young chose to use an average of the estimated future 2026, 2027, and 2028 nuclear production tax credits to produce an annual levelized income tax benefit related to nuclear production tax credits in this case. On top of an annual level of Nuclear PTCs benefit, Staff witness Young also incorporated an amortization of an annual level of Nuclear PTC's in the income tax calculation that he was expecting to be monetized by the true-up date in this rate case filing.

Q: Do you agree with Staff witness Young's calculation of the benefits related to Evergy Missouri Metro's nuclear production tax credits in the income tax expense component of the cost of service?

A: No. I do not. There are a few reasons why it is inappropriate to include an average of future credits to represent an annualized amount of Nuclear PTCs in this case:

1) Evergy Missouri Metro has used the sale of power into the Southwest Power Pool ("SPP") as the basis for computing the nuclear production tax credit. The Internal Revenue Service ("IRS") has not issued guidance regarding whether using gross receipts from the sale of power to the SPP is allowed when computing the nuclear production tax credit. If the IRS issues guidance stating that gross receipts received from customers must be used instead, Evergy Missouri Metro would not have generated any nuclear production tax credits for 2024 or 2025 and is not expected to have any future credits.

2) The pricing of the sale of power into the SPP may also increase due to any number of market factors and Evergy Missouri Metro may not generate any nuclear production tax credits in the future. The credits begin to phase out starting at $26 per megawatt under the current IRS rules. Evergy Missouri Metro was under the $26 per megawatt threshold for 2024 and 2025 but it could easily be above this limit if market pricing increases or is disrupted due to a winter storm, hurricane or other energy market event.

3) Evergy Missouri Metro has not received any cash tax benefits for any tax years yet. Flowing back the benefits before Evergy Missouri Metro has realized any benefit could impact its cash flow metrics. The cash impact of including future nuclear

production tax credits in this case is discussed further in the rebuttal testimony of Company witness Darrin Ives.

4) Staff's proposal is also based upon forecasts of future Nuclear PTCs rather than benefits that have actually been realized by the Company. Staff witness Young acknowledges in his testimony that uncertainty exists regarding the future value, amount, and treatment of Nuclear PTCs and recommends an Inflation Reduction Act tracker to address those uncertainties. If there is sufficient uncertainty to warrant a tracker, it is not appropriate to embed speculative future Nuclear PTC benefits in base rates. Instead, customers should receive the benefit of actual realized Nuclear PTCs through the tracker mechanism.

For these reasons, Staff's proposal relies upon assumptions regarding future credits that may or may not ultimately be generated, monetized, or retained following future IRS guidance. It is therefore not appropriate to assume future Nuclear PTCs will be realized and returned to customers through base rates before the amount and value of those benefits are known.

Q: What did Evergy Missouri Metro include as a benefit for nuclear production tax credits in the computation of income tax expense in the Company's direct filing?

A: Evergy Missouri Metro requested to amortize any nuclear production tax credits to income tax expense that have been used to offset the tax liability of Evergy or been sold or transferred to an unrelated third party through the true-up date in this case The Company estimated an annual amount of Nuclear PTCs that was expected to be monetized by June 30, 2026. This annual amount was then amortized over a five year period. The Company's proposal was based upon the principle that customers should receive the benefit of Nuclear

PTCs when those benefits have actually been realized through utilization or sale rather than on projected future estimates.

Q: As of June 30, 2026, the true-up date in this rate case, were any Nuclear PTCs monetized?

A: No. The Company was unable to monetize any Nuclear PTC's as of the true-up date in this rate case.

Q: Therefore, do you agree with Staff witness Young's inclusion of an amortization of an annual level of Nuclear PTCs in its income tax calculation?

A: No. There were no Nuclear PTCs sold as of June 30, 2026, which is the true-up date in this rate case proceeding. Thus, there should be no Nuclear PTCs amortization benefit included in Staff's income tax expense calculation. Staff's proposed amortization is based upon expected future transactions rather than actual monetization that occurred through the true-up date. Consistent with traditional Missouri ratemaking principles, rates should be established using known and measurable information. Because no Nuclear PTCs had been monetized as of the true-up date, there is no realized benefit available to amortize in rates at this time.

Q: Are there any other Company's witnesses providing testimony on this issue?

A: Yes. Company witness Darrin Ives includes rebuttal testimony on this issue.

III. INFLATION REDUCTION ACT TRACKER

Q: Do you agree with Mr. Young that a tracker related to Inflation Reduction Act tax credits should be established?

A: Yes, I do. We agree that a tracker is appropriate and that credits received should be returned to customers. We only disagree on the amount of Nuclear PTC benefits that should be embedded in rates in this case and how much of the tax credits should remain in the tracker in relation to those embedded benefits.

Q: What is the proper purpose of the Inflation Reduction Act tracker?

A: The purpose of the Inflation Reduction Act tracker is to ensure that customers ultimately receive the actual net value of tax credit benefits created by the Inflation Reduction Act, including any nuclear, wind and solar production tax credits or investment tax credits realized by the Company. The tracker should be a mechanism that compares the amount of Inflation Reduction Act tax credit benefits reflected in customer rates against the amount of Inflation Reduction Act tax credit benefits monetized by the Company through utilization or sale of the tax credits. The tracker is particularly appropriate because the amount, timing, eligibility, and realized value of future Inflation Reduction Act tax credits remain uncertain. By tracking actual realized benefits, customers will receive the full value ultimately obtained by the Company while avoiding the need to rely upon speculative projections regarding future tax credits when setting rates.

Q: What types of Inflation Reduction Act tax credits has Evergy Missouri Metro generated?

A: Through 2025, Evergy Missouri Metro has only generated Nuclear PTCs. It has not generated any wind or solar production tax credits or investment tax credits.

Q: Is deferring tax credits into an Inflation Reduction Act tracker consistent with your direct testimony for Nuclear PTCs?

A: Yes. In my direct testimony, I explained that Nuclear PTCs should be deferred until they are utilized to offset income tax liabilities or sold to third parties. I also explained that the amount returned to customers should reflect the actual value realized by the Company and that the tracker should allow adjustments if future developments demonstrate that previously assumed Nuclear PTC values were overstated.

Q: Does the existence of the Inflation Reduction Act tracker support including projected future Nuclear PTC benefits in base rates?

A: No. The purpose of the tracker is to address the uncertainty associated with the amount, timing, eligibility, and realized value of future Inflation Reduction Act tax credits. The same uncertainties that support the creation of the tracker also support excluding projected Nuclear PTC benefits from base rates. Instead, actual Nuclear PTC benefits should be returned to customers through the tracker as they are realized by the Company through utilization or sale.

Q: What would happen if Staff's projected Nuclear PTC benefits exceed the benefits ultimately realized by the Company?

A: If Staff's projected tax benefits included in the case exceed the actual benefits ultimately monetized by the Company, customers will have received rate reductions based upon benefits that Evergy Missouri Metro never actually received. The tracker would then necessarily record the difference and provide a mechanism through which the Company could recover those amounts in a future rate proceeding. In effect, customers would first receive the benefit of an aggressive future estimate of tax benefits and then be required to return some portion of that benefit. That outcome has the potential to create significant and unnecessary rate volatility and undermines the objective of setting rates based upon reasonable assumptions.

Q: Does your position deny customers the benefits of Nuclear PTCs?

A: No. We have consistently maintained that customers should receive the benefits associated with Nuclear PTCs. The Company's proposal is designed to ensure that customers receive the full actual value of those benefits. The issue is not whether customers should receive the benefits, it is ensuring that the benefits returned to customers are based on realized outcomes rather than uncertain future estimated credits.

Q. Is the Company's proposed treatment of the monetized credits consistent with prior Commission-approved treatment?

A. Yes. The Company's proposal to amortize monetized credits over five years for the benefit of customers is consistent with treatment previously approved by the Commission in Ameren Missouri's 2024 rate case, File No. ER-2024-0319. As explained in testimony filed by Ameren in File No. ER-2026-0291, the Commission-approved treatment in the prior case reflected a five-year amortization of its monetized 2024 Nuclear Production Tax Credits for customers. Consistent with that approach, the Company proposes to return the benefits of expected monetized credits to customers through a five-year amortization period.

IV. KANSAS CITY EARNINGS TAX

Q: Do you agree with Mr. Young that Kansas City earnings tax expense reflected in the case should be an average of the 2022, 2023, and 2024 actual tax liabilities?

A: Yes. We agree that the average of 2022, 2023 and 2024 actual Kansas City earning tax liabilities is a reasonable amount to include as a levelized earning tax expense included in cost of service in this case.

V. ASSET DISPOSITION TAX DEDUCTIONS

Q: Do you agree with Mr. Riley that the tax benefits of asset dispositions should be included in the calculation of income tax expense in cost of service?

A: No. The reduction of income by the tax losses on asset dispositions proposed by Mr. Riley ignores the simplified method used by the Company and Staff to compute income tax expense in cost of service. If the tax losses were included as a reduction in current income tax expense without an offset for the impact on deferred income tax, then the losses would be double counted in computing income tax expense over time.

Q: Please explain the simplified method used by the Company and Staff to compute income tax expense?

A: The simplified methodology used by the Company and Staff eliminates the need to specifically identify all book and tax differences in computing income tax expense. Most significantly, all basis differences between the book basis and tax basis of assets are ignored in the current tax provision. This includes the write-off of any remaining tax basis due to the retirement of an asset. Only the difference between book depreciation and tax depreciation is included in computing current income tax expense. The difference in the timing of depreciation deductions for book and tax purposes is a temporary difference.

Therefore, an offsetting deferred tax expense adjustment is applied to ensure that a level of total income taxes included in cost of service was as if depreciation deductions used to arrive at taxable income were based solely on depreciation of tax basis on a straight-line basis.

The write-off of any tax basis for tax purposes is also just a temporary or timing difference. Any remaining book basis for which a loss was not recognized upon the retirement of an asset will eventually be recovered through an adjustment to future book depreciation rates and book depreciation deductions. Under mass asset accounting, the book depreciation deduction will eventually recover the full basis of any asset disposed of, just like we have deducted the full tax basis of the asset through tax depreciation, tax basis adjustments, or the tax loss on disposal.

If the Company included the tax loss in the computation of current tax expense, an offsetting deferred tax expense would also need to be recorded. The resulting income tax expense, considering both the current and deferred income tax components, is the same. The Company and the MPSC Staff have used this modified approach in establishing rates since the Company's 2014 rate case.

Q: Did Mr. Riley propose an offsetting deferred income tax expense adjustment for the tax losses on asset disposals?

A: No. Mr. Riley did not. He is treating the tax losses like they are a permanent tax deduction that would never be recovered for book purposes and does not have a deferred income tax expense offset. Mr. Riley appears to be only including the current tax benefit on the timing difference and ignoring the deferred income tax impact.

Q: Do you agree that the ADIT benefits related to the tax losses should be included in rate base?

A: Yes. The ADIT benefits created due to the deduction of tax losses generated by an asset disposition should be and have been included as a reduction to rate base in this rate case. These amounts are included just like any other ADIT created due to other timing differences related to property assets. Therefore, customers are indeed receiving the benefit of the "tax-free loan" identified by Mr. Riley in his testimony. If, however, we do not include the deferred income tax expense in cost of service, it would not be appropriate to include the related ADIT tax benefits in rate base. For these reasons, Mr. Riley's proposal related to tax losses being included in the income tax expense calculation without an offsetting deferred income tax adjustment should be denied.

VI. NOL ADIT/DDIT

Q: Do you agree with Mr. Riley that the ADIT related to NOLs should be excluded from rate base?

A: No. Mr. Riley incorrectly asserts that the NOLs do not shrink when there is a tax rate change. And, therefore, there should not be any deficient deferred income taxes to be amortized back to customers over time. He also asserts that all Evergy Missouri Metro's NOLs have been utilized against taxable income in prior years, and that any deferred taxes associated with its NOLs, (ADIT or DDIT) included in rate base would be a double use of the asset.

Q: Does the Company have any DDIT related to NOLs in rate base?

A: Yes. We currently have DDIT included in rate base. The balance is related to the reduction of the federal corporate income tax rate in 2017 from 35% to 21% and for the reduction of the Missouri corporate income tax rate from 6% to 4%, for NOLs that Evergy Missouri Metro had at that time of the rate changes. The tax benefit associated with the change in the tax rates was not written off. Instead, an adjustment to the balances of Evergy Missouri Metro's ADIT assets and liabilities was computed and deferred into a regulatory asset or liability to be amortized back to customers over time. The adjustment is commonly referred to as excess or deficient deferred income taxes (EDIT or DDIT). This ensures that customers receive the benefit of any EDIT or DDIT over time.

Q: Are there other types of EDIT or DDIT included in this case?

A: Yes. Evergy Metro had several different types of deferred income taxes that were remeasured due to the change of the federal and Missouri income tax rates. The deferred tax assets related to differences in the timing of deductions such as pensions and post-retirement benefits created deficient deferred taxes ("DDIT") similar to the remeasurement of the NOL deferred tax assets. Deferred tax liabilities related to differences in the timing of deductions for tax depreciation, operating leases, and deferred regulatory assets were also remeasured and created excess deferred income taxes ("EDIT").

Q: Is Mr. Riley correct that the NOL carryforward associated with the deferred tax asset would not change when there is a tax rate change?

A: Yes. The NOL carryforward does not change. However, the tax benefit based on the NOL carryforward does change when there is a tax rate change. It is no different than tax depreciation deductions or other tax timing differences. The timing differences related to depreciation or other timing items also do not change, but the tax expense associated with these items are remeasured and create EDIT. Mr. Riley does not suggest that we exclude any of the EDIT created from these timing differences. He only wants to exclude DDIT related to NOLs. The DDIT related to the NOLs should not be treated differently than any other tax deduction or timing difference that created DDIT or EDIT.

Q: Is Mr. Riley correct that all of the NOL carryforwards have been used at the time of this case?

A: Yes. All of the NOL carryforwards that were available at the time of the tax rate changes have been used. However, the DDIT created due to the rate changes has not been fully amortized back to customers.

Q: Was this issue identified and resolved in a prior rate case?

A: All EDIT balances and amortization periods related to the federal corporate rate change were determined in Evergy Missouri Metro's 2018 rate case. Although Evergy Missouri Metro requested a five-year amortization period in that case to match up with when it expected to utilize the remaining NOLs, the requested five-year amortization was not ordered. Instead, the Commission determined that the NOL DDIT should be amortized using the IRS's average rate assumption method ("ARAM") to match the amortization methods used for EDIT related to the depreciation deductions that generated the NOLs.

The ARAM method replicates how the deferred taxes would have reversed over the book life of assets, which depreciation deductions related to. This timing made sense since the NOLs were created by accelerated tax depreciation deductions. Without the accelerated depreciation deductions, Evergy Missouri Metro would not have had any NOLs. Therefore, amortizing the NOL EDIT using the IRS's ARAM method over the remaining book life of the assets placed in service the year the NOLs were originally generated is a reasonable and appropriate time period.

All of the EDIT and DDIT balances and amortization periods, including NOLs, related to the Missouri corporate rate change were determined in Evergy Missouri Metros's 2022 Rate Case. An amortization period of four years was agreed to in the Stipulation and Agreement approved by the Commission.

VII. SALES TAX DISCOUNTS

Q: Do you agree with Mr. Riley that customers should receive the benefit of the 2% discount Missouri allows a company to retain when it remits sales and use taxes?

A: Yes. We agree that customers should receive the benefit of the 2% discount that Evergy Missouri Metro is allowed to keep when it remits sales and use taxes to the Missouri taxing authorities.

Q: Did Evergy Missouri Metro include the 2% discount benefit in this case?

A: Yes. The benefit of the 2% sales tax discount was recorded in account 456101 – Other Electric Revenue and was included as a benefit in our computation of revenue for the test period in Evergy Missouri Metro's true-up in this case. Therefore, the adjustment proposed by Mr. Riley proposed is not needed.

VIII. PROPERTY TAX

Q: Do you agree with Mr. Bailey's recommendation that the levelized property tax expense for Evergy Missouri Metro be based on the actual property taxes paid for 2025?

A: Yes. We believe that the actual property taxes paid for 2025 is a reasonable basis for determining the levelized property tax expense in this case and is consistent with the methodology adopted in Evergy Missouri West's most recent general rate case, ER-2022-0130. It is also appropriate for setting the base amount used in computing the amount of property taxes deferred under the property tax tracker in the future.

Q: Does that conclude your 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 MELISSA K. HARDESTY

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Melissa K. Hardesty, being first duly sworn on his oath, states:

1. My name is Melissa K. Hardesty. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. and serve as Senior Director of Taxes.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Melissa K. Hardesty

Subscribed and sworn before me this 11th day of August 2026.

Notary Public

My commission expires: April 26, 2029

ANTHONY R WESTENKIRCHNER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES APRIL 26, 2029
PLATTE COUNTY
COMMISSION #17279952