



Testimony in Opposition to SB 349

Chuck Caisley, SVP, Public Affairs/Chief Customer Officer, Evergy

For the Senate Committee on Utilities

February 15, 2022

Thank you, Mr. Chairman and members of the committee. Evergy strongly opposes this bill as both unworkable and unnecessary.

It would have the perverse and direct effect of increasing Evergy's cost of capital given the regressive regulatory environment that would be created were this bill to pass. When investors view a state as a higher risk for their return, the Company's cost of capital increases; specifically, its cost of borrowing increases. Those costs are ultimately borne by our customers. Similarly, it will make long-term costs needlessly higher and rates less competitive by significantly increasing carrying costs if the utility is asked to repeatedly defer increases for collections in future periods. In regulatory spaces this is oftentimes referred to as intergenerational inequities. In this case, that means that because of the deferral of costs, future customers would be inequitably paying for costs that were incurred to serve current customers but were not allowed to be recovered from the current customers.

Further, the bill would significantly reduce or eliminate investments in renewable energy and sustainability. We would have less capital to spend on those key strategic projects that provide the opportunity to reduce fuel costs over the long term. Our customers, shareholders and stakeholders have all expressed a desire to take advantage of Kansas' natural resources as a part of our energy mix. In addition, another unintended effect would be to lower our overall customer service quality by instituting unsustainable cost reductions. We simply would have less money to invest in our call centers and advanced customer solutions like outage texts and web platforms to help the nearly 1 million Kansans who rely on, and expect, quality service and innovation from their utility.

It would severely impact any grid modernization and grid hardening investments. We have demonstrated that our system is aging and without adequate funds to reinvest, it will be subject to more failures, which accelerate after assets reach and exceed their expected service

life. Areas like cybersecurity and technologies that help prevent outages before they happen will simply not be affordable under the restrictive conditions of this bill. Slides 3 through 11 show the need for infrastructure investment in Kansas.

Additionally, it would hamper the efforts of a utility to offer economic development rates to attract much needed technology and modern manufacturing companies to Kansas. Growth is one of the best strategies for bringing down rates over the long term. This committee recognized that very fact when it authorized economic development rates in 2020. As you can see on slides 12-13, those have had a real impact on the state of Kansas.

If this bill were to pass, it will surely be tested from a legal perspective as it violates both Kansas state law and the Constitution. You cannot require a utility to serve its customers and maintain reliability while at the same time proactively limiting the recovery of prudently incurred costs, especially investments that will benefit customers over the long term. The costly deferral mechanism, reliability and credit rating exceptions in the bill are not sufficient to remedy the legal problems created by this proposed rate cap.


Finally, Mr. Chairman, let me address rates. It has become fashionable in this building to say that rates are skyrocketing. That mantra flies in the face of the facts.

The opposite is actually true. I'd direct your attention to slide 15 in the attached presentation. Energy rates are down 5.1% since 2016. That refers to actual costs. Bills are going down. This legislature had a hand in that when it passed an income tax cut on utilities in 2020. And from a regional perspective, rates have gone down by .7%. Evergy's rates are declining faster than rates in surrounding states.

Why? A big part of that is the good work this Committee has done and the result of savings from the merger of KCP&L and Westar. We are currently in the fourth year of a rate moratorium in which base rates have not changed. Slide 16 shows you the aggressive cost management undertaken by Evergy resulting in a 25% drop in O&M spending by 2025. Others are recognizing that progress as well. Let me remind you of slide 17 from the KCC's presentation to you on January 25th when it offered its annual rate report. An Evergy metro customer bill has gone down by more than \$15/month since 2018. A Kansas Central customer's bill has gone down by more than \$18/month since 2018.


Industrial rates also declined in 2020. Colorado, Minnesota and South Dakota all are higher. Rates in Oklahoma and Texas are set to increase as the natural gas impact of winter storm Uri hits hard. Evergy rates are more competitive now than they have been in years.

Mr. Chairman and Committee, we appreciate this opportunity to present our view. Evergy has also appreciated the collaborative partnership in passing legislation that has had a downward pressure on rates for the last 3 years as shown on the last slide. We have been successful. This bill, though, is a giant step backward and would hurt the state of Kansas. We ask that you not advance it.




**Testimony to the Kansas Senate
Utilities on SB 349**

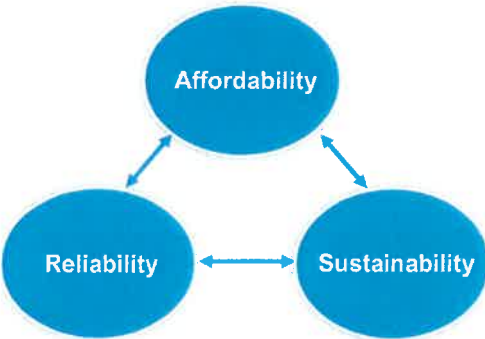
*Chuck Caisley
Chief Customer Officer
February 15, 2022*



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Core Tenets of Evergy's Strategy



- ✓ **Affordability:** Keeping rates affordable and improving regional rate competitiveness
 - Rates ↓ ~5% since 2016
 - Delivered ↑ \$420M in savings to customers since 2017
- ✓ **Reliability:** Targeting top-tier performance in reliability, customer service and generation
- ✓ **Sustainability:** Advancing ongoing emissions reductions and fleet transition as part of plan to achieve 70% carbon reduction by 2030 and net-zero¹ by 2045

Evergy is focused on driving a continuous improvement culture that consistently delivers against our affordability, reliability, and sustainability objectives

¹The trajectory and timing of reaching Evergy's net-zero carbon emissions goal are dependent on enabling technology developments and supportive energy policies and regulations



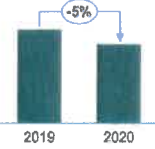
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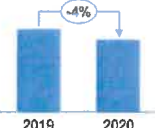
Focused on Reliability & Operational Excellence

SAIDI
Outage minutes per customer







Year	SAIDI (Outage minutes per customer)
2019	Higher
2020	Lower (-5%)

SAIFI
Outage frequency per customer




Year	SAIFI (Outage frequency per customer)
2019	Higher
2020	Lower (-4%)

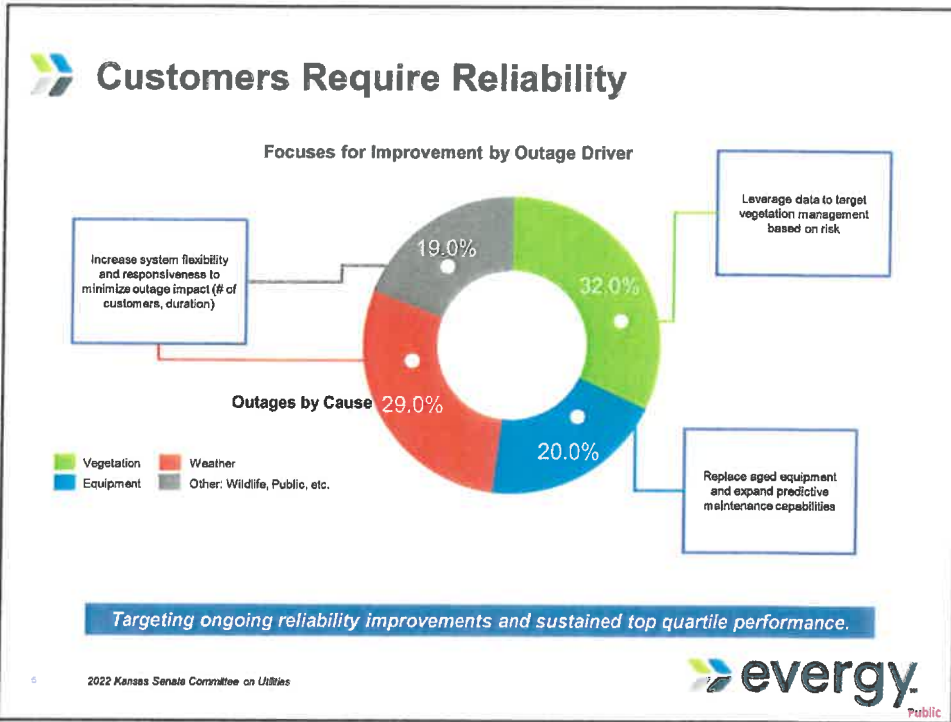
-  Modernizing transmission and distribution lines
-  Investing in smart grid technologies
-  Innovating vegetation management practices
-  Focusing on seasonal generation flexibility to meet demand in peak seasons

Targeting top-tier performance in reliability, customer service, and generation through grid modernization and continuous improvement in operations.

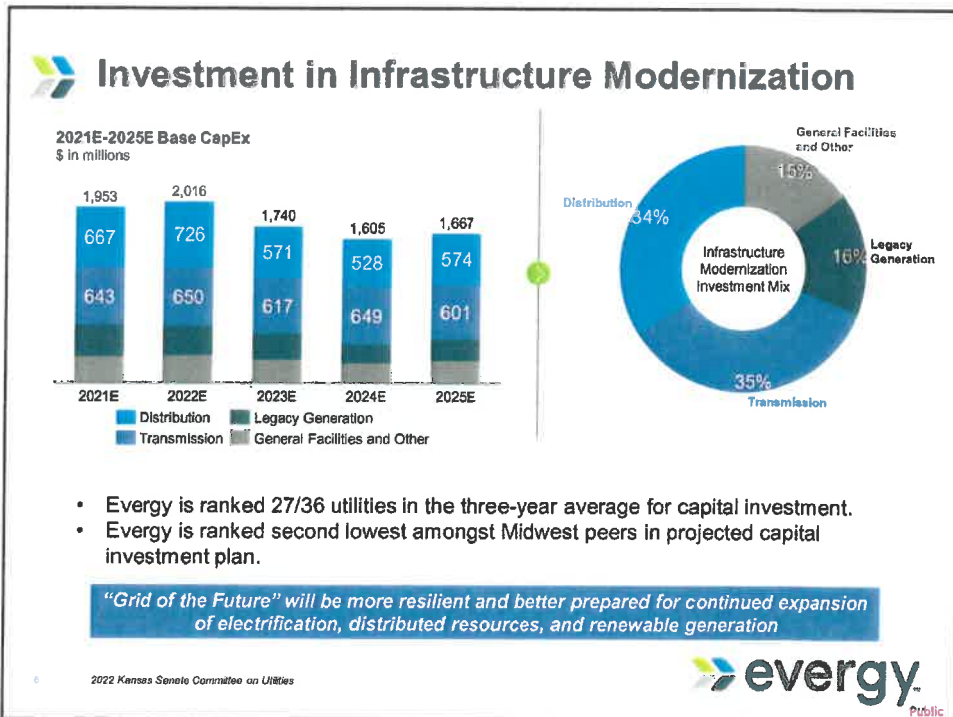
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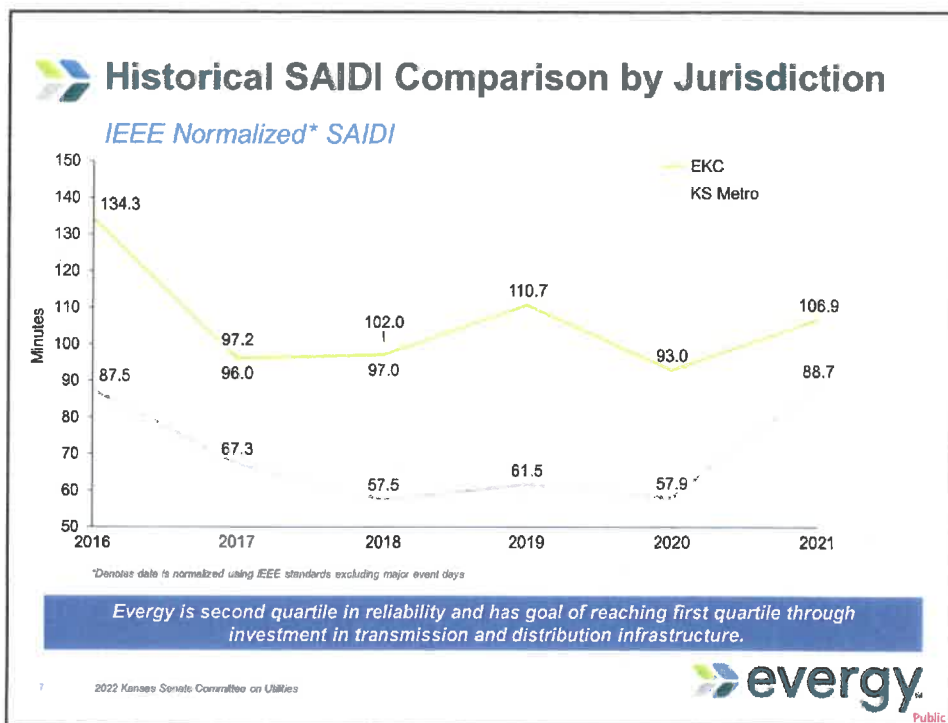
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Transmission Reliability & Resiliency

Replacing aged transmission lines to increase resiliency against severe weather and prevent equipment failures

Targeting high impact, with high-risk transmission asset replacements

Investing in transmission infrastructure to create a more reliable and resilient backbone and to support the grid through the ongoing energy transition.

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Transmission Aging Infrastructure Data

Key Asset Types	Average Age (years)		Expected Life (years)
	Kansas Central	Kansas Metro	
Wood Poles	41	36	40-45
Overhead Conductor	44	-	50
Substation Transformer - Non-LTC	50	39	45-50
Circuit Breakers - Air	52	43	40
Circuit Breakers - Oil	48	52	40

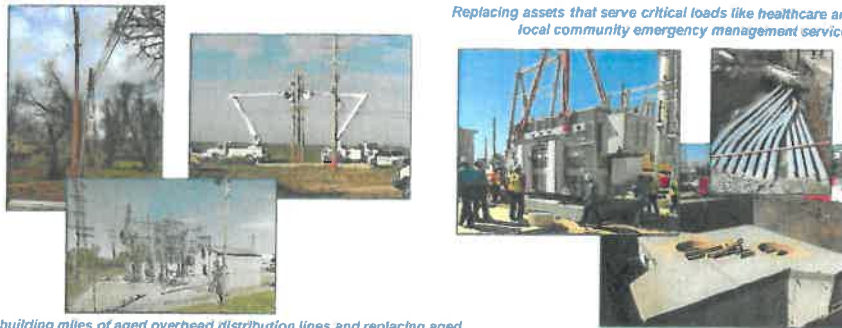
Energy transmission infrastructure requires investment to maintain and improve reliability and resiliency. In addition, renewable energy investments require additional transmission capacity.

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Distribution Reliability & Modernization



Replacing assets that serve critical loads like healthcare and local community emergency management services

Rebuilding miles of aged overhead distribution lines and replacing aged substation assets to support customer reliability

Distribution investment targeting low-performing equipment and replacing aged, near end-of-life assets in order to deliver sustained Tier 1 reliability for our customers

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Distribution Aging Infrastructure Data

Key Asset Types	Average Age (years)		Expected Life (years)
	Kansas Central	Kansas Metro	
Overhead Conductors	37	37	30
Underground Conductors	24	23	30
Poles	39	37	40-45
Line Transformers	26	34	20
Padmount Transformers	20	26	20

Evergy's distribution system is aging and requires investment to maintain and improve reliability and modernization in order to reduce outage frequency and duration.

¹¹ 2022 Kansas Senate Committee on Utilities



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Heavily Involved in Economic Development

✓ **\$1,199,159,060**
in **NEW Capital Investment** from
19 PROJECTS ranging from Logistics to
Manufacturing to Data Centers.

✓ **2,296** new jobs 

✓ **53,682 KW** in New Demand Growth 

✓ **Site Selection Magazine** Names
Evergy a **Top U.S. Utility in
Economic Development** 

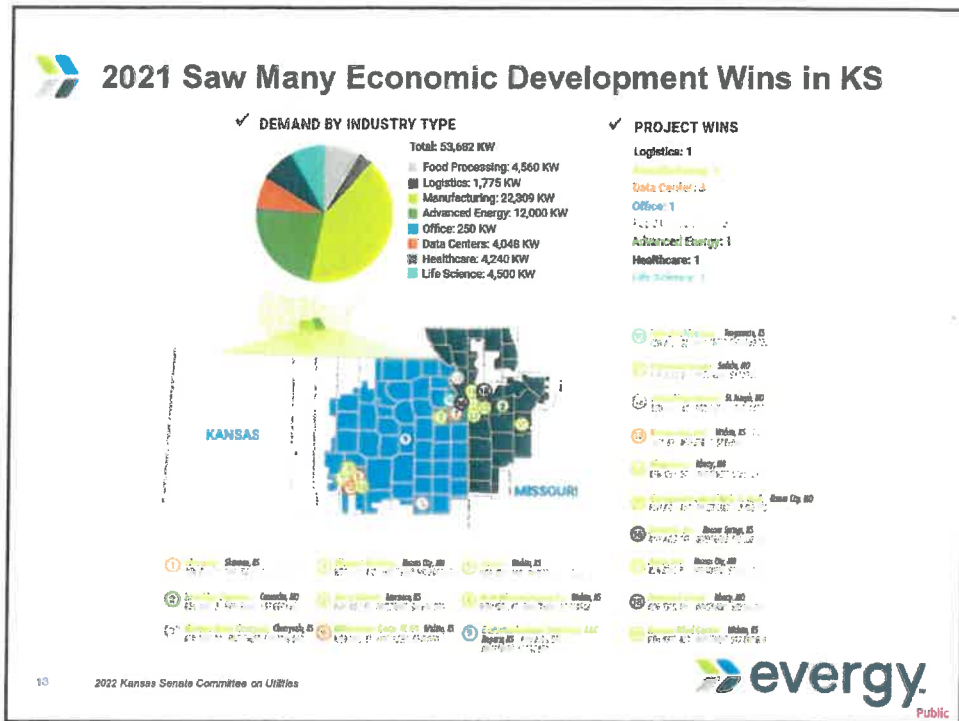


Working to help Kansas grow investment, jobs and tax base is a key priority for Evergy.

¹² 2022 Kansas Senate Committee on Utilities



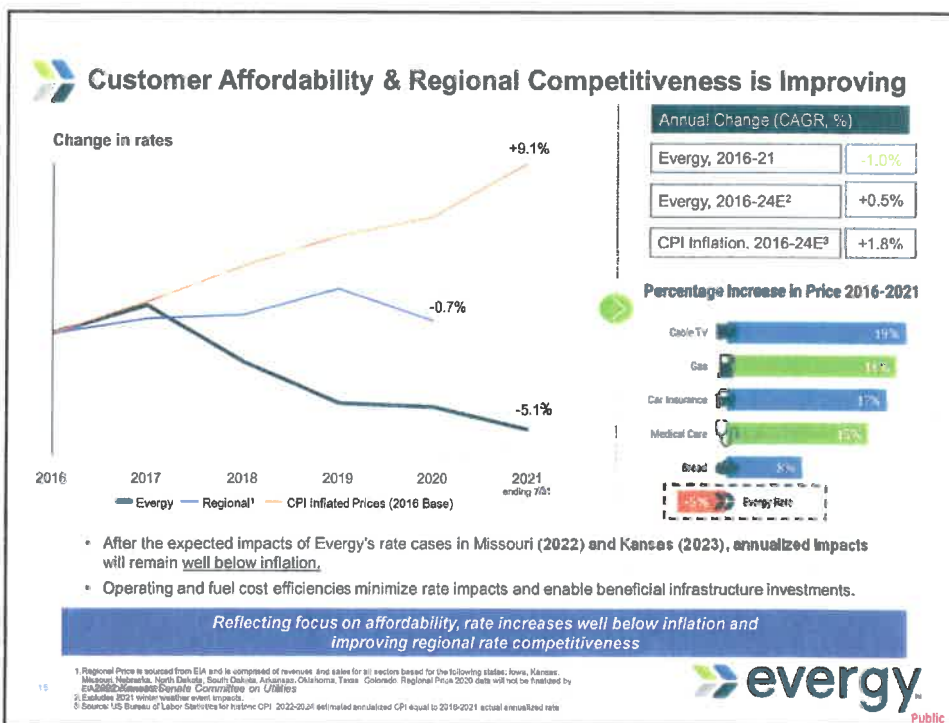
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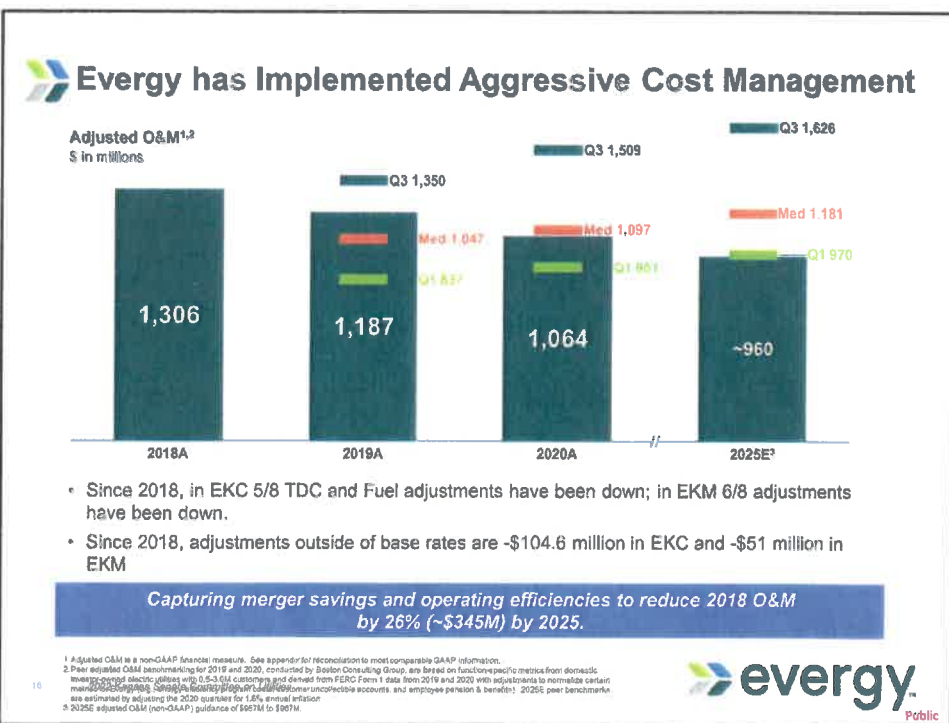
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Residential Monthly Bill Data— Energys

• Energys Monthly Bill data (from EIA) for residential customers shows that customer bills have grown less than inflation (CPI) over the last ten years

Energys Residential Customer Average Monthly Bill				
Year	Energys Kansas Metro	Energys Kansas North	Energys Kansas South	Combined Energys Kansas Central
2011	\$ 124.30	\$ 93.30	\$ 99.99	\$ 96.45
2012	\$ 123.04	\$ 96.46	\$ 101.85	\$ 99.00
2013	\$ 126.84	\$ 98.20	\$ 103.20	\$ 100.55
2014	\$ 125.84	\$ 106.29	\$ 111.92	\$ 108.94
2015	\$ 127.95	\$ 102.57	\$ 107.99	\$ 105.12
2016	\$ 139.16	\$ 111.90	\$ 116.41	\$ 114.02
2017	\$ 134.01	\$ 108.89	\$ 113.19	\$ 110.91
2018	\$ 145.39	\$ 120.07	\$ 121.70	\$ 120.84
2019	\$ 124.32	\$ 112.66	\$ 104.41	\$ 108.78
2020	\$ 129.92	\$ 106.51	\$ 109.73	\$ 108.02
10-YR CAGR	0.49%	1.48%	1.04%	1.27%
10-YR Growth	4.53%	14.16%	9.74%	12.00%

January 25, 2022 Kansas Corporation Commission

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Kansas Legislative Action on Utilities

Year	Bill/Resolution	Description	Energys Support?
2018	TCJA Resolution	Resolution to reduce rates for Trump tax cut.	Yes
2019	Electric Rate Study	Authorizes a comprehensive two-part electric rate study.	Yes
2020	SEED	Special Electric Economic Development rates.	Yes
2020	Utility Income Tax Repeal	Repeals state income tax on electricity, passing on a rate reduction.	Yes
2021	Utility Vehicle Safety	Requires drivers to move to a non-adjacent lane of a parked utility vehicle, if possible.	Yes
2021	Urban Transmission Lines	Puts more stringent restrictions on urban electric transmission lines.	Yes
2021	Securitization	Reduces cost of fossil power plant retirements. Supports investment in renewable energy in Kansas.	Yes

Over the last four years, the Kansas Legislature has been more active and passed more legislation regarding electric utilities, than almost any other state in the nation. Five of seven bills/resolutions have been specifically targeted at prioritizing regional rate competitiveness.

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