

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

DIRECT TESTIMONY OF

DAVID CAMPBELL

**ON BEHALF OF EVERGY KANSAS
CENTRAL, INC. AND EVERGY KANSAS SOUTH, INC.**

**IN THE MATTER OF THE APPLICATION OF
EVERGY KANSAS CENTRAL, INC. AND
EVERGY KANSAS SOUTH, INC. FOR APPROVAL TO MAKE
CERTAIN CHANGES IN THEIR CHARGES FOR ELECTRIC SERVICE
PURSUANT TO K.S.A. 66-117.**

Docket No. 25-EKCE-294-RTS

January 31, 2025

1 **I. INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is David Campbell. My business address is 1200 Main, Kansas City, Missouri
4 64105.

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

6 A: I am employed by Evergy Metro, Inc. and serve as President and Chief Executive Officer
7 for Evergy Metro, Inc. d/b/a Evergy Kansas Metro (“EKM”), and Evergy Kansas Central,
8 Inc. and Evergy Kansas South, Inc., collectively d/b/a as Evergy Kansas Central , Evergy
9 Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy Missouri
10 West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”), the operating utilities
11 of Evergy, Inc.

12 **Q: On whose behalf are you testifying?**

13 A: I am testifying on behalf of Evergy Kansas Central (“EKC” or “the Company”) in this
14 proceeding.

15 **Q: Please describe your education, experience, and employment history.**

16 A: After graduating with a Bachelor of Arts degree from Yale University, I earned a Master of
17 Philosophy degree from Oxford University and a Juris Doctor degree from Harvard Law
18 School. Prior to joining Evergy, Inc. in January 2021, I was the executive vice-president
19 and chief financial officer of Vistra Corp., which serves nearly five million retail electric
20 and natural gas customers and operates a diversified power generation fleet across the
21 United States. I previously served in executive leadership roles at power companies
22 including InfraREIT, Inc., Sharyland Utilities, Luminant and TXU Corp. Before joining
23 TXU, I was a partner at McKinsey & Company, where I led the corporate finance and

1 strategy practice in Texas. Within the electric power industry, I serve on the board of
2 directors of the Edison Electric Institute, Nuclear Energy Insurance Limited, and the
3 Electric Power Research Institute.

4 **Q: Have you previously testified in a proceeding before the Kansas Corporation**
5 **Commission (“Commission” or “KCC”) or before any other utility regulatory**
6 **agency?**

7 A: I have filed written testimony and appeared before the Public Utility Commission of Texas,
8 and I filed written testimony with the KCC in Docket No. 23-EKCE-775-RTS (“23-775
9 Docket”). I also filed written testimony in KCC Docket No. 22-EKCE-141-PRE; however,
10 that docket was later withdrawn by the Company.

11 **II. PURPOSE AND SUMMARY OF TESTIMONY**

12 **Q: What is the purpose of your testimony?**

13 A: The purpose of my testimony is to affirm to the Commission that EKC is committed to
14 providing affordable, reliable, and sustainable service to our Kansas customers. That
15 commitment entails:

- 16 • Ensuring our investments are *prudently* made and directed toward providing
17 dependable, efficient, and affordable service for our customers;
- 18 • Embracing *new technologies* and new service offerings that will enhance
19 customer service, increase customer options and serve the economic
20 development objectives of Kansas;
- 21 • Conducting our business openly, directly, and transparently with the
22 Commission, the Staff, the Citizens Utility Ratepayers Board (“CURB”) and
23 our customers;
- 24 • Continuing our path toward *responsibly transitioning* our generating fleet to
25 replace older generation units, take advantage of the ample renewable energy
26 resources available to Kansas, and maintain a diversified generation fleet that
27 enables us to cost-effectively and reliably serve our customers; and

- 1 • Managing our operations and expenditures, including our capital investments,
2 with the objective of maintaining or improving our regional *rate*
3 *competitiveness*.

4 My testimony is also intended to provide an overview of the macro environment EKC is
5 operating in with respect to economic development and the need for supportive regulatory
6 outcomes to support that development.

7 **Q: How is your testimony organized?**

8 A: My testimony is organized as follows:

9 I. INTRODUCTION

10 II. PURPOSE AND SUMMARY OF TESTIMONY

11 III. EKC’S FOCUS ON AFFORDABILITY, RELIABILITY AND
12 SUSTAINABILITY FOR THE FUTURE AND CONTINUED COMMITMENT
13 TO REGIONAL RATE COMPETITIVENESS

14 IV. ECONOMIC DEVELOPMENT OPPORTUNITIES FOR KANSAS AND EKC’S
15 SUPPORT FOR KANSAS COMMUNITIES

16 V. ACCESS TO CAPITAL AND A REASONABLE RETURN ON EQUITY AND
17 CAPITAL STRUCTURE

18 VI. EKC’S REQUESTS IN THIS CASE ARE SIGNIFICANT TO ITS LARGER
19 STRATEGY TO SERVE KANSAS

20 21 22 23 24 **Q: Please provide a summary of your testimony.**

25 A: EKC’s proposed rate adjustment in this case – including recovery of historical investments
26 in our system and a reasonable return and approach to capital structure – will help position
27 EKC to maintain its system, reliably serve existing and new customers, and support
28 economic development opportunities in Kansas. EKC is committed to the long-term future
29 and prosperity of Kansas. Since our last general rate case, EKC has continued its focus on
30 affordability, reliability, and sustainability, which has benefited customers and improved
31 EKC’s regional rate competitiveness. EKC has continued to make investments to support

1 the reliability of its system, and the timing is appropriate to submit those costs to the
2 Commission for recovery. The proposed increase will support recovery of investments
3 continuing to support reliability, grid modernization, and customer service. We have
4 strictly managed our costs in order to minimize the size of the requested increase as much
5 as possible.

6 The purpose of this case is to request authority from the Commission to implement
7 an 8.64% net bill increase for EKC in its general rates for electric service. Company
8 witness Mr. Darrin Ives provides more information on the drivers of our request in his
9 direct testimony. Our commitment to provide customers with exceptional, safe, reliable,
10 and affordable utility service requires that we continue to invest in programs that maintain
11 reliability, enhance our customer service, support economic development, and advance the
12 responsible transition of our generation fleet. To do this, EKC must have a reasonable
13 opportunity to earn the Commission-authorized return, and that return must be
14 commensurate with returns available to investors from other similarly risk-situated
15 investments so we can attract the capital necessary to support our prudent investments.
16 This rate request is designed to achieve those important objectives.

17 **III. EKC'S FOCUS ON AFFORDABILITY, RELIABILITY**
18 **AND SUSTAINABILITY FOR THE FUTURE AND CONTINUED**
19 **COMMITMENT TO REGIONAL RATE COMPETITIVENESS**

20 **Q: Please describe the three tenets of Evergy, Inc.'s corporate strategy.**

21 A: The three tenets of Evergy, Inc.'s corporate strategy are affordability, reliability, and
22 sustainability.

- 23 • Affordability means a focus on keeping rates affordable and maintaining or
24 improving regional rate competitiveness. We have focused on productivity

1 improvements and technology deployments to streamline our cost structure and on
2 growth-driven improvements in affordability.

3 • Reliability means targeting top-tier performance in safety, reliability, customer
4 service and generation. We have focused on improved resiliency and reliability for
5 customers and developing a flexible grid to enable demand transformation.

6 • Sustainability means leading the responsible energy transition in our region,
7 including replacing older generation units, taking advantage of the ample
8 renewable energy resources available to Kansas, and maintaining a diversified
9 generation fleet that enables us to cost-effectively and reliably serve our customers.

10 We have focused on establishing a defined pathway to a responsible fleet transition,
11 including advancing clean energy and adding new dispatchable natural gas
12 resources in tandem with an overall focus on reliability and affordability.

13 **Q: What steps has Evergy, Inc. taken to further its corporate strategy?**

14 A: Over the past few years, Evergy, Inc. has worked on several strategic initiatives, designed
15 to help move the company forward with respect to each of the tenets of our corporate
16 strategy. For example, we have had cross-functional teams focused on our infrastructure
17 investment plan, technologies and business capabilities, advancement of the portfolio
18 transition, and development of a plan for large load customers such as data centers, among
19 others. The Commission is seeing the output from these teams in the filings we have or
20 will soon have pending before it – this rate case proceeding, our predetermination filing,
21 and our tariff filing for large loads.

1 **Q: Can you provide some examples of EKC’s focus on the three tenets of corporate**
2 **strategy?**

3 A: As Mr. Ryan Mulvany discusses in his direct testimony, EKC has continued to invest
4 strategically in its distribution system in order to ensure reliability and resiliency.
5 Examples of those investments, discussed in detail by Mr. Mulvany, include our investment
6 in the distribution system in the southern part of Hutchinson, Kansas, which improved
7 efficiency and capacity and also provided additional reliability and redundancy in the area,
8 all of which support economic growth in the area. Mr. Mulvany also provides examples
9 of projects we have completed in the Wichita and Topeka areas, providing significant
10 reliability and operational flexibility benefits to our customers.

11 Although we are not proposing to recover the costs associated with our investment
12 in new natural gas generation in this filing, we continue to work on developing the tariff
13 structures that will enable cost recovery in the future through use of a Construction Work
14 in Progress (“CWIP”) rider that was authorized during the 2024 Kansas legislative session
15 by HB 2527. We plan to file the tariff for this rider with the Commission after we have an
16 opportunity to discuss its structure with Staff to allow for recovery at a time consistent with
17 the terms of the statute. As our witnesses have explained in the predetermination docket
18 pending before the Commission in Docket No. 25-EKC-207-PRE (“25-207 Docket”), use
19 of this rider will serve to lower cost impacts for customers overall. Additionally, as we
20 explained in our filing in the predetermination proceeding, our proposal to construct two
21 new natural gas plants and a new solar facility is consistent with our goals of providing
22 reliable service at a reasonable cost while furthering the responsible transition of our fleet.

1 Our filing to implement new tariffs for large load customers, which will be filed
2 soon with the Commission, will enable us to efficiently respond to these customers who
3 are interested in locating in our area but will also protect other customers and ensure they
4 are not subsidizing the costs of adding these new large loads.

5 We continue to place an emphasis on effective cost management and look for ways
6 to operate our business efficiently to keep rates competitive for our customers. Inflation
7 between June 2023 (the true-up period from the last rate case) and June 2024 (the test
8 period ending in this case) was 2.97%.¹ Our rolling 12-months non-fuel operating and
9 maintenance expense for the same time period *decreased* 1.57%, while supporting
10 increased infrastructure investments.

11 **Q: Can you discuss further EKC's continued focus on affordability?**

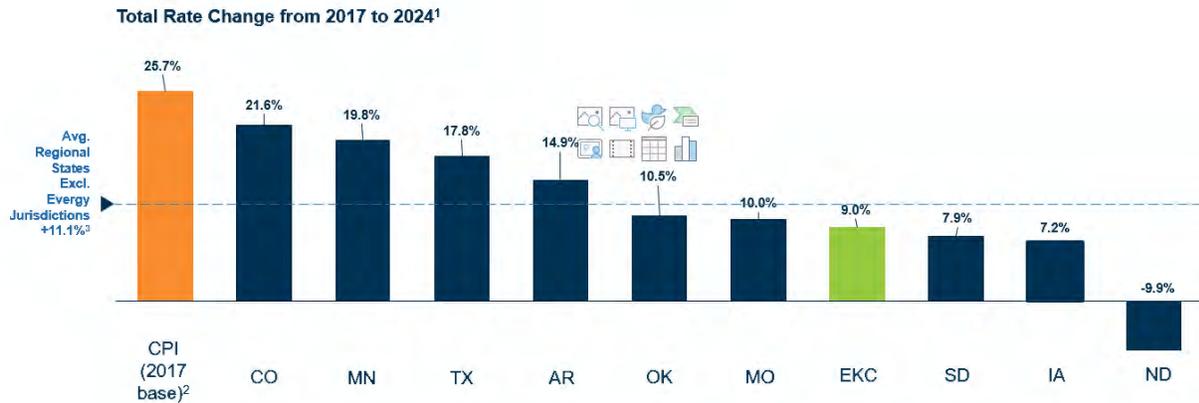
12 A: Even with the rate increase proposed in this proceeding and our investment in new
13 generation the 25-207 Docket, EKC retains a focus on *affordability*. Achieving regional
14 rate competitiveness has been and continues to be a fundamentally important objective for
15 EKC. This is an objective we share with the Commission, our customers, and the state and
16 we have worked hard to continue to advance this objective.

17 The result is that EKC's regional rate competitiveness has continued to improve
18 significantly. As depicted in **Figure 1** below, since 2017, EKC's rates have increased by a
19 cumulative 9.0%, well below the increases experienced in Colorado, Minnesota, Texas,
20 Arkansas, and Oklahoma, and significantly below the cumulate change in inflation during
21 this period of 25.7%.

¹ U.S. Bureau of Labor Statistics; accessed 1/1/2024; https://www.bls.gov/data/inflation_calculator.htm

Figure 1

Evergy & Peer State Total Rate Change Comparison



Source: Evergy Ledger, EIA, and Bureau of Labor Statistics

1) Regional state data is sourced from EIA and is comprised of revenues and sales for all sectors, with 2024 data using a rolling twelve-month average of rates ending October 2024. EIA data is preliminary that is subject to change, with 2024 data to be finalized in October 2025.

2) US Bureau of Labor Statistics for historic CPI-U uses rolling twelve-month average ending October 2024.

3) 11.1% is the simple average of the eight states' percentage change. Using a sales weighted average, the average rate is 15.1%



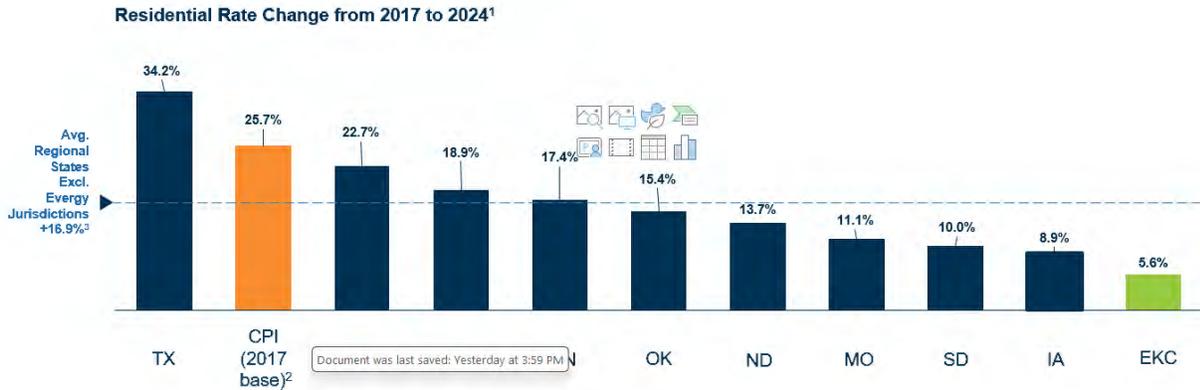
2 **Q. How have residential rates been impacted over this time frame?**

3 A. A similar conclusion is reflected in **Figure 2**, which compares residential rates from 2017
 4 to October 2024. EKC residential rates have continued to become more competitive, as
 5 reflected by the 5.6% cumulative increase, while regional state's residential rates on
 6 average have increased by roughly 16.9%, and Oklahoma's and Texas' residential rates
 7 have increased by 15.4% and 34.2%, respectively.

1
2

Figure 2

Evergy & Peer State Residential Rate Change Comparison



Source: Evergy Ledger, EIA, and Bureau of Labor Statistics

¹ Regional state data is sourced from EIA and is comprised of revenues and sales for all sectors, with 2024 data using a rolling twelve-month average of rates ending October 2024. EIA data is preliminary that is subject to change, with 2024 data to be finalized in October 2025.

² US Bureau of Labor Statistics for historic CPI-U uses rolling twelve-month average ending October 2024.

³ 16.9% is the simple average of the eight states' percentage change. Using a sales weighted average, the average rate is 25.2%.



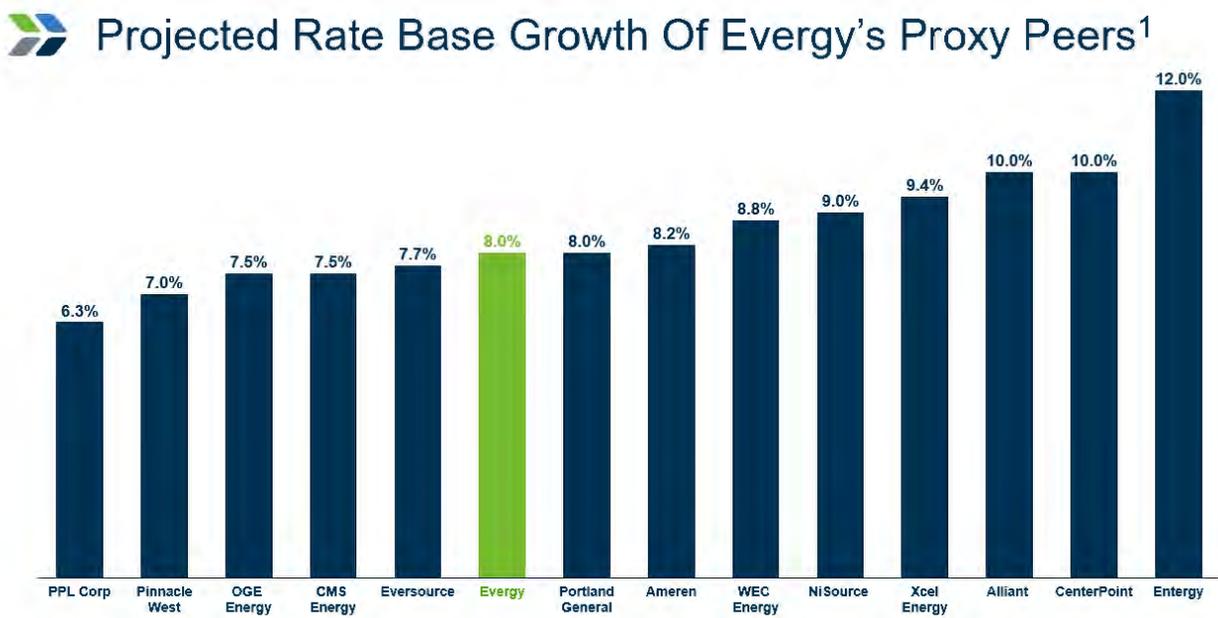
3

4 **Q: Prospectively, do you expect EKC to maintain and improve its competitive rate status**
5 **within the region?**

6 **A:** That is my expectation, and it reflects our assessment of our plan relative to neighboring
7 utilities. Since our last general rate case, we have continued and will continue to make
8 significant investments in technology and infrastructure. Such investments are necessary
9 for EKC to function as an efficient, reliable, and resilient utility service provider, and
10 reflects a prudent infrastructure investment plan that addresses the key issues in our system.
11 As Company witness Ms. Ann Bulkley explains, EKC's projected level of capital
12 investment has increased over the last several years, with planned investments in natural
13 gas generation and other investments in the reliability of our system. However, this
14 increased investment level is occurring across the industry, and, in fact, our pace of capital

1 investments has been below average relative to our regional peers. In addition, as reflected
 2 in **Figure 3** below, based on public disclosures of forward capital investment plans, our
 3 investment level over the next three to five years is projected to remain below average
 4 relative to regional peers.

5 **Figure 3**



¹Analysis excludes DTE Energy and Black Hills as they don't disclose rate base growth targets

6
 7 Our plan also calls for continuing efforts to ensure the efficiency and productivity of our
 8 cost structure. The long-term impact is that our rates within the region should continue to
 9 be competitive or even further improve as our rate base growth is relatively lower than
 10 neighboring utilities and we continue to manage costs efficiently.

11 **Q: How will the rate change proposed in this docket and the investments proposed by**
 12 **EKC in its predetermination docket impact EKC's regional rate competitiveness?**

13 **A:** In consideration of current rates and pending regulatory proceedings in neighboring states,
 14 we expect that EKC's rates will remain competitive regionally, even after the requested

1 increase. When the requested increase is considered in isolation without consideration of
2 the expected increases of other utilities, EKC's rates still remain competitive regionally.

3 After the impact of the requested rate increases in this case is included, EKC's
4 residential rates will have increased by 16.5% since 2017. This is still lower than the
5 average increase in residential rates for our regional peers from 2017 through October 2024
6 of 16.9%, as was shown in **Figure 2** above, and well below the cumulative change in
7 inflation. In addition, **Figure 2** does not yet reflect the cumulative impact of increases
8 implemented in neighboring states in 2024 nor does it include any increases those states
9 and customers will experience during 2025. Of course, EKC is not the only utility in the
10 region with requested or planned rate increases over the next year. We know that many of
11 our peers in Colorado, Indiana, Minnesota, Missouri, North Dakota, Oklahoma, and Texas
12 have rate cases pending today.

13 With respect to our planned investments addressed in the predetermination
14 proceeding, those investments in new generation are similar to investments being made or
15 sought across the utility sector, so we believe we will remain competitive relative to others
16 in our region. Because the projects proposed in in EKC's predetermination filing will not
17 be placed into service and into base rates for several years, it is highly speculative to do a
18 relevant comparison of the impact the projects will have on EKC's rates to the rates of
19 other utilities in those future years. We do not have certainty into what generation additions
20 or other system investments our peer utilities will be making over the next two to five
21 years. Based on the current demand for natural gas plant construction – as discussed in our
22 predetermination filing – and the number of announced solar, wind, and storage projects
23 across the country, it is likely that many of our peer utilities are planning to construct or

1 acquire new generation during that time period. As reflected in Figure 3, based on the
2 expected level of investment that will be occurring by electric utilities in the next several
3 years, we expect EKC to remain in a good position as far as rate competitiveness even after
4 the investments proposed in this docket are included in rates. We continually update and
5 review our peer utility rate competitiveness comparisons and consider the comparisons in
6 the development of our future investments and planning.

7 **Q: How would you summarize the rate increase requested in this proceeding with respect**
8 **to how it relates to EKC's corporate strategy?**

9 A: EKC's request reflects necessary, but well-managed cost increases, consistent with our
10 continued commitment to being a responsible Kansas utility and our obligation to provide
11 reliable service at a reasonable cost.

12 **IV. ECONOMIC DEVELOPMENT OPPORTUNITIES FOR KANSAS AND**
13 **EKC'S SUPPORT FOR KANSAS COMMUNITIES**

14 **Q: EKC has talked a lot recently about historic economic development opportunities.**
15 **Can you explain what that means and why it is significant to the Commission and**
16 **EKC's customers?**

17 A: It is correct that EKC has an historic opportunity to aid in bringing new growth to Kansas,
18 with the state experiencing record levels of economic development opportunities both from
19 local business expansions and new business interests. The current business expansion
20 pipeline represents a generational opportunity for Kansas to grow its economy. EKC's low
21 costs and access to a diverse energy portfolio are competitive advantages because
22 businesses prioritize reliable, affordable electricity when evaluating locations.

23 The United States is experiencing a renaissance in development of its domestic
24 industrial economy, primarily driven by AI and cloud computing data centers and advanced

1 manufacturing. Being at the forefront of this generational opportunity is likely to define
2 the 21st century economies of states that “win” these customers. Data centers are looking
3 to expand beyond their traditional footprint; our region is expected to benefit.

4 **Q: How has this development impacted Kansas?**

5 A: Kansas has participated in significant economic development over the past few years. The
6 most recent example was the announcement of the Panasonic EV battery plant in 2023.
7 Several companies are currently and actively evaluating Kansas for advanced
8 manufacturing and data centers. At this time, our development pipeline across Evergy’s
9 operating utilities’ footprint includes over 20 customers with more than 6 GWs of
10 incremental demand.

11 **Q: What benefits result from this type of economic development?**

12 A: Economic development drives benefits for all stakeholders. The broader Kansas economy
13 benefits from job creation – both construction and permanent positions – as well the
14 establishment of a larger tax base to pay for schools, roads, and services. New businesses
15 in turn drive the development of ancillary businesses and services, further diversify the
16 economic industrial base, and improve resiliency. For existing EKC customers, growth in
17 total demand enables system fixed costs to be spread over a wider usage base.

18 **Q: How are your requests in this rate case related to this potential economic
19 development?**

20 A: I want to stress that the investments we seek recovery for in this case are historical
21 investments we made to ensure reliable service for our existing customers and do not relate
22 to any potential new large load customers that might locate on our system in the future.

1 However, our requests for return on equity (“ROE”) and capital structure in this case do
2 relate to our ability to support economic development in the future.

3 In order to serve both existing customers and any new customers that choose to
4 locate in EKC’s territory, new investments in generation assets and transmission and
5 distribution assets will be required to maintain reliability, comply with environmental rules,
6 and meet system reserve margins. These investments will require funding of debt and
7 equity from investors to finance assets needed to support new and existing customers. In
8 2025-2029, we expect to need approximately \$7.3 billion of incremental financing to fund
9 our capital plan, with approximately \$2.2 billion expected to be Evergy, Inc. equity or
10 equity-like securities. As discussed in detail below, a regulatory environment that supports
11 a fair and competitive capital structure and ROE directly supports EKC’s ability to compete
12 for large new customers that bring significant benefits to the Kansas economy.

13 **Q: How would an uncompetitively low ROE or an unrepresentatively low capital**
14 **structure adopted in this case impact EKC’s ability to compete for these new loads in**
15 **the future?**

16 **A:** At best, it would impact how quickly we could react and build what was needed to meet
17 the demands of these new customers. At worst, it would prevent us from being able to
18 make the investments needed due to the inability to access adequate capital at reasonable
19 rates. Over the longer term, an uncompetitively low ROE or unrepresentatively low capital
20 structure will, if we are able to access the capital, result in higher costs incurred for that
21 debt or equity capital which will increase costs for all customers.

1 **Q: What are prospective customers looking for with respect to electric service when they**
2 **decide where to locate a new facility?**

3 A: Many of the prospective customers we have engaged with recently have indicated they
4 value 1) reliability and 2) speed to market to serve their load. Customer analysis of
5 reliability and speed includes the assessment of whether the utility can raise the capital
6 needed to fund critical infrastructure investments needed to enable their projects. EKC will
7 be competing for capital available from debt and equity investors to raise the approximately
8 \$7.3 billion needed to fund these investments, and investors will prioritize capital
9 allocation to utilities in states where they observe reasonable and competitive risk-adjusted
10 return prospects.

11 **Q: You have discussed EKC’s support of economic development in Kansas. Does EKC**
12 **also support Kansas communities in other ways?**

13 A: Yes. We believe that healthy communities are beneficial for our customers by supporting
14 residential and business expansion and enabling economic development opportunities that
15 spread costs and maintain affordability. Supporting our communities also provides
16 opportunities for our employees to be engaged in civic and charitable activities, programs
17 and boards, which enhances regional vitality and helps us attract and retain talented
18 employees who live in our communities and serve our customers every day. In 2023, the
19 Eversource companies provided \$6.7 million in community support. Those contributions were
20 focused on programs supporting community vitality and environmental leadership.

21 Additionally, EKC implemented demand-side management (“DSM”) programs in
22 2024 following approval by the Commission in Docket No. 22-EKME-254-TAR of its
23 application under the Kansas Energy Efficiency and Investments Act (“KEEIA”). The

1 Commission stated in its Order that it intended "to implement the goals of our State's
2 highest policymakers and ensure those Kansas residents and businesses with the greatest
3 need to control their bills have options available to do so." Through approval of our KEEIA
4 portfolio, customers have gained access to programs to help them better control their usage
5 and their bills.

6 The programs are designed to deliver an effective and balanced portfolio of energy
7 and demand savings opportunities across all customer segments – including residential,
8 commercial and low-income. EKC's DSM portfolio allows for demand reduction to
9 contribute (in the short-term) to load reductions and reduces generation build requirements
10 (in the long-term), as reflected in our IRP.

11 DSM reinforces EKC's responsible energy transition and contributes to a reliable
12 grid by providing yet another tool to rely upon to manage customer demand - it is flexible
13 demand and is an important part of EKC's portfolio. These programs complement each of
14 Evergy Inc.'s three tenets of its corporate strategy - affordability, reliability, and
15 sustainability.

16 **Q: Does Evergy, Inc. have a defined community investments and charitable strategy?**

17 A: Yes. Evergy's Community Impact Strategy can be found at
18 <https://www.evergy.com/community/community-involvement> and its mission is to
19 empower a better future for our customers and communities. Making a positive impact in
20 the communities we call home is a foundational component of our business. Our key pillars
21 of investment are community, vitality, and environmental leadership. This support is
22 leveraged by employees actively engaged in the community and employee giving
23 campaigns.

1 **Q: Has EKC remained committed to having a presence in downtown Topeka?**

2 A: Yes. EKC continues to maintain a significant number of employees located in its
3 downtown Topeka headquarters and continues its charitable giving program in Topeka and
4 support of numerous Topeka charitable and economic development organizations. As the
5 Commission is aware, EKC chose to purchase its downtown Topeka headquarters building
6 in 2022 after leasing the high-rise building for a number of years previously. We have
7 recently completed necessary renovations to that building to ensure that it remains usable
8 for the foreseeable future.

9 **Q: Is EKC proposing any programs that will support its customers in this rate case?**

10 A: Yes, we are proposing a new program – the Stay Connected Pilot program – as part of our
11 application in this docket. Ms. Kimberly Winslow discusses the details of this program in
12 her direct testimony. In summary, it is a three-year pilot designed to keep income-eligible
13 EKC residents current on their account by relieving some of their financial burden through
14 monthly bill credits. The program helps customers avoid getting into a crisis by offering
15 more manageable monthly bills. This pilot program is similar to a program we have
16 successfully operated in our Missouri jurisdictions for a number of years, and we believe
17 it will provide significant benefits to eligible customers and also benefit customers as a
18 whole by reducing our bad debt expense over time.

19 **V. ACCESS TO CAPITAL AND A REASONABLE RETURN ON EQUITY**
20 **AND CAPITAL STRUCTURE**

21 **Q: Why is EKC’s request for ROE and capital structure such an important component**
22 **of this rate case?**

23 A: Setting rates based on a reasonable ROE and representative capital structure in this case is
24 essential to EKC’s ability to raise capital on terms competitive with its peers, fund

1 infrastructure investments, and serve customers. We have appreciated the continued dialog
2 with Staff and the Commission, as well as other stakeholders, with respect to these issues
3 since our last general rate case. It is clear that the Commission has recognized the
4 importance of these issues for EKC, our customers, our shareholders, and the State of
5 Kansas, and we ask the Commission to apply a reasoned and well-balanced approach when
6 evaluating our request in this docket.

7 **Q: How should the Commission approach its decisions on ROE and capital structure in**
8 **this case?**

9 A: The Commission should recognize that it is in the shared interest of customers and
10 shareholders to have a financially healthy and competitive utility. While setting an
11 authorized capital structure and ROE that are uncompetitive relative to peers could
12 artificially reduce rates in the short term, such an approach would signal to the capital
13 markets that the regulatory compact in Kansas is an outlier relative to other states and it
14 would affect our ability to raise capital at reasonable rates for years to come. Such a ruling
15 would put at risk the stability and reliability essential to meeting our customers' needs and
16 would create a much more challenging long-term, structural problem that would not serve
17 customers or the public interest.

18 In order for EKC to be well-positioned to manage significant events and to support
19 economic development in Kansas, (1) the Commission should balance the interests of
20 customers and the interests of investors when making decisions about EKC's recovery of
21 costs and allowed return, and (2) EKC should have the opportunity to earn a reasonable
22 return commensurate with returns available on competing investments with similar risks.

1 Competitive frameworks for capital structure and ROE are critical enablers of continued
2 infrastructure investment for the benefit of Kansas customers and economic growth.

3 **Q: Has the Kansas legislature taken steps recently to indicate its support for regulation**
4 **that results in a financially healthy utility that can support economic development in**
5 **Kansas?**

6 A: Yes. In 2024, the legislature passed HB 2527, which was developed and passed to enhance
7 Kansas electric utilities' ability to attract competitively priced capital from investors to
8 fund the infrastructure investments that enable economic opportunity and growth.
9 However, the state still needs the Commission's support in its approach to setting rates,
10 including ROE and capital structure, consistent with the state's policy in favor of economic
11 growth.

12 While the passage of HB 2527 was noted as a significant step, investors and rating
13 agencies have continued to express concerns regarding the relative competitiveness of the
14 Kansas regulatory environment and supportiveness of financial strength of Kansas utilities.
15 This is demonstrated by the RRA regulatory ranking of Kansas in the bottom 25% of
16 regulatory jurisdictions as well as thorough reads of investment analysts' reports issued
17 after the passage of HB 2527. Clarity of the Commission's financial policy regarding ROE
18 and capital structure and alignment of that policy in supporting economic development and
19 utility investment necessary to support reliable service for existing and new customers is
20 necessary to demonstrate to investors that Kansas will provide a fair and reasonable return
21 on investor capital deployed in Kansas.

1 **Q: What standard should the Commission apply to EKC’s request for ROE and capital**
2 **structure in this case?**

3 A: Mr. Geoffrey Ley and Ms. Ann Bulkley address the standards applicable to the
4 Commission’s decision on ROE and capital structure in detail in their direct testimonies.
5 Mr. Ives provides an extensive policy discussion in his direct testimony on these issues as
6 well. In addition, EKC has filed a Legal Memorandum with its application providing a
7 legal analysis of the applicable standards. The governing standard can be stated with a
8 single principle: a reasonable return for a regulated utility is commensurate with returns
9 available on competing investments with similar risks.

10 I hope that the Commission will also consider what is best for the long-term
11 interests and health of Kansas and the electrical infrastructure that drives our economy, and
12 the adoption of a standard that reflects the balanced interests of all stakeholders rather than
13 tipping the balance in any one direction. An ROE in the middle of the pack could prove to
14 be cost-effective insurance in ensuring competitiveness and keeping the Kansas economy
15 on the right track towards sustained prosperity and a financially strong future.

16 **Q: Why shouldn’t the Commission expect EKC to cut corners to reduce expenses or**
17 **simply provide weaker returns for investors instead of requesting a rate increase?**

18 A: EKC cannot meet its obligations to Kansas customers by simply cutting corners or
19 producing weaker returns for investors. Of course, cost management is and remains an
20 important and ongoing focus of EKC’s management. However, as a regulated utility, EKC
21 has the legal obligation to serve all customers willing to pay the just and reasonable
22 regulated rate; meaning we cannot ever refuse a customer. With that comes the legal right

1 to recover our prudently incurred costs and have the opportunity to earn a reasonable return
2 commensurate with returns earned by investors in other enterprises having similar risks.

3 Moreover, there should be recognition that an authorized return is simply a
4 permission, not a guarantee. The returns for investors are necessarily residual; that is, they
5 are “what’s left over” when all the other bills – most of which have been rising – are paid.
6 In a generally rising price environment, the deck is stacked against EKC ever earning its
7 allowed return. Due process requires the Commission to balance the interests of customers
8 with the interests of investors when making decisions regarding EKC’s recovery of costs
9 and allowed return.

10 The Commission acts as a surrogate for competition for its regulated utilities to
11 keep utilities disciplined in their management decisions in light of real-world economic
12 conditions. This inherently means that the principles applied to setting rates cannot be
13 artificial and must ensure that rates reflect the true nature of costs, required revenues, and
14 an opportunity to achieve a reasonable return on investment in both the short and long
15 terms. We manage EKC for the very long term. It is that same long-term context in which
16 I believe the Commission should make its decision in this case.

17 **Q: Can you summarize EKC’s ROE and capital structure requests?**

18 A: We are requesting that the Commission balance the interests of customers and shareholders
19 by approving a 10.5% ROE that is in the middle of ROEs recently supported in requests
20 by our peers, supported in detail by Mr. Ley and Ms. Bulkley, and utilize the actual, stand-
21 alone capital structure of EKC, the operating utility, which accurately represents the source
22 of capital used to finance the operation of EKC and is consistent with the practice across
23 the country and specifically for our peers with whom we compete for capital.

1 It is important to emphasize that this rate case is focused on recovering EKC's
2 historical investment, and does not include recovery of costs for future investments related
3 to economic growth. However, we have a historic opportunity for economic development,
4 and it will be essential in those parallel proceedings to set rates appropriately for new large
5 customers.

6 **Q: Does this conclude your testimony?**

7 A: Yes, it does. Thank you for the review of our application and for consideration of our
8 request that the Commission approve new rates that are fair and reasonable.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

David Campbell, being duly sworn upon his oath deposes and states that he is the Chairman and CEO, for Evergy, Inc., that he has read and is familiar with the foregoing Testimony, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.



David Campbell

Subscribed and sworn to before me this 31st day of January 2025.


Notary Public

My Appointment Expires:

May 30, 2026

