BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

DARRIN R. IVES

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

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Darrin R. Ives. 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 Vice President – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Kansas Metro, Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central, Evergy Metro, Inc. d/b/a as Evergy Missouri Metro, Evergy Missouri West, Inc. d/b/a Evergy Missouri West, the operating utilities of Evergy, Inc.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Evergy Kansas Central ("EKC" or "the Company").

Q. What are your responsibilities?

A. My responsibilities include oversight of EKC's Regulatory Affairs Department, as well as all aspects of regulatory activities including policy, cost of service, rate design, revenue requirements, regulatory reporting, and tariff administration.

Q. Please describe your education, experience, and employment history.

A. I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant holding certificates from Kansas and Missouri. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand LLP. I was first employed by Kansas City Power & Light Company ("KCP&L") in 1996

and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

Q. Have you previously testified in a proceeding at the Kansas Corporation Commission ("Commission" or "KCC") or before any other utility regulatory agency?

A. Yes, I have testified before the Commission and the Missouri Public Service Commission ("MPSC") on a number of occasions. I have also provided written testimony to the Federal Energy Regulatory Commission ("FERC") and testified before Kansas and Missouri legislative committees.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my direct testimony is to support the rate adjustments and other requests contained in EKC's application. I will provide an overview of EKC's filing from a regulatory policy perspective, including,

- Overview of the Case and EKC's Witnesses
- Economic Development Policy and Efforts
- Western Plains Wind Farm Modifications and Wolf Creek Nuclear Production Tax Credit
- Return on Equity and Capital Structure Policy

Q. How have you organized your testimony?

A. I have organized my testimony consistent with the foregoing list of issues.

III. OVERVIEW OF THE CASE

Q. Why is EKC filing this rate case at this time?

A. Since its last rate case, EKC has continued to invest in maintenance and improvement of the assets that are necessary to serve Kansas customers reliably and efficiently. The rate adjustment proposed in this case seeks recovery for these investments as well as a reasonable return and appropriate capital structure. These prudent investments EKC seeks recovery for will help position EKC to be prepared to meet future challenges and are foundational for anticipated economic development opportunities in Kansas.

EKC remains steadfastly committed to its focus on affordability, reliability, and sustainability. This commitment has benefited customers and has significantly improved EKC's regional rate competitiveness. EKC has continued to make investments to support the reliability of its system, and the timing is reasonable and appropriate to submit those costs to the Commission to request recovery.

EKC has a historic opportunity to help bring new growth to Kansas, with the state experiencing record levels of economic development opportunities both from local business expansions and new business interests. EKC's competitive cost and access to a diverse energy portfolio are competitive advantages because reliable, affordable electricity is an important priority for businesses when evaluating locations.

It is essential that the Commission adopt a reasonable capital structure and return on equity in setting EKC's revenue requirement in this proceeding. It is in the shared interest of customers and shareholders to have a financially healthy and competitive utility. Setting rates based on a reasonable and competitive ROE and capital structure in this case

is vital to EKC's ability to raise capital on terms competitive with its peers, fund infrastructure investments, and serve customers.

In order for EKC to be well-positioned to prepare for and manage significant events (e.g., Winter Storm Uri) and to support a historic period of economic development in Kansas, EKC is asking the Commission to balance the interests of customers and the interests of investors when making decisions about EKC's recovery of costs and allowed return and permit EKC the opportunity to earn a reasonable return commensurate with returns available on competing investments with similar risks.

EKC's requests in this case are timely and consistent with requests it is currently making in other filings before the Commission, including predetermination requests for natural gas and solar generation, and its upcoming proposal to implement a new tariff for large load customers. In those proceedings, EKC is proposing new generation in order to provide reliable service to all customers in its territory and to implement a new tariff structure to enable us to efficiently respond to very large customers who are interested in locating in our area and also to protect other customers and ensure they are not subsidizing the costs of adding these new large loads. EKC's plan – advanced here and in those other dockets – is part of a robust, resilient resource plan that considers least cost options to meet near and long-term planning requirements, meets EKC's obligation to provide dependable, efficient, and affordable service to EKC's customers, and facilitates the continuation of Kansas' successful economic development achievements. Commission support in maintaining EKC as a financially healthy and competitive utility is essential in meeting these objectives.

Q. What is the revenue increase EKC is requesting in its application?

A. We are requesting a revenue increase of $196 million, excluding the impact of rebasing property taxes. This rate request is necessary to allow EKC to continue to provide reliable service to its present and future customers while earning a fair and reasonable rate of return. EKC expects that a fair rate of return and capital structure in this case will foster investment and support economic development in the state. To be considered fair and reasonable, EKC's revenue requirement must be based on a capital structure that represents the source of funds used to finance the operation of the utility. Similarly, the authorized return on equity ("ROE") for a healthy utility should be comparable to returns being established across the country for other utility companies with which EKC competes for capital.

Q. Please provide an overview of EKC's request to increase its rates and the key drivers of that request.

A. The request, its major drivers and key attributes of the case are set out in **Figure 1**.

Figure 1

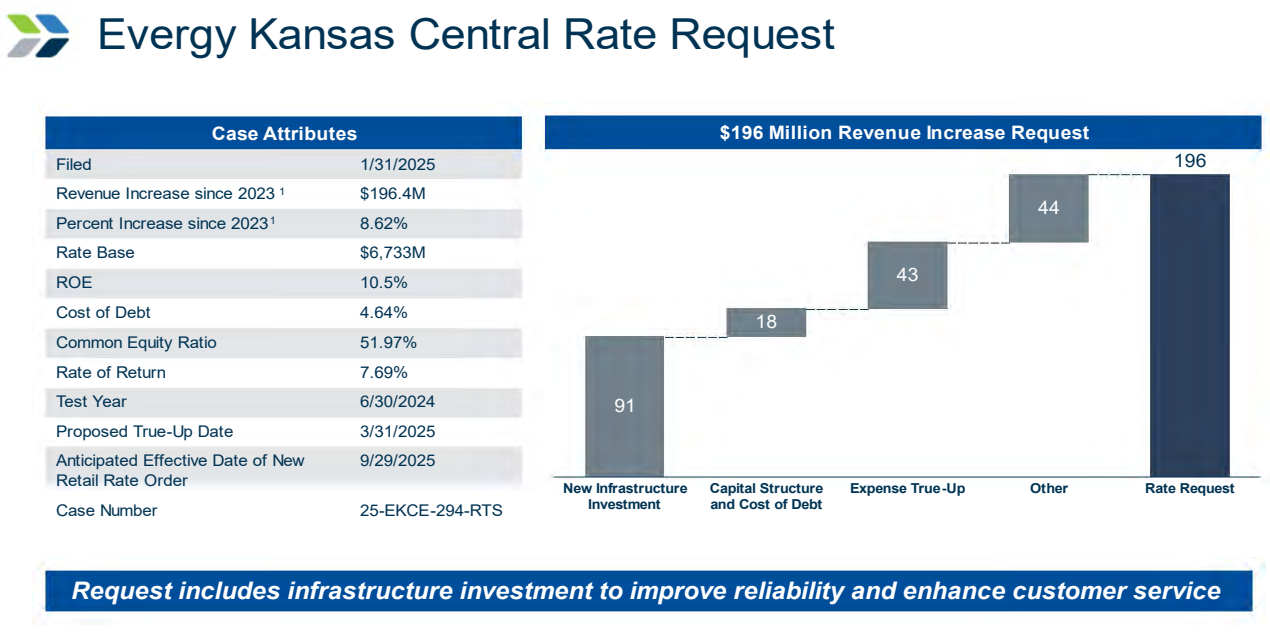


Figure 1 shows that this is a straight-forward rate request to include necessary updates to the revenue requirement to reflect current costs to serve EKC customers. Almost half of the increase relates to the impact of including in rates the recovery of and on new infrastructure investments in the system to enhance reliability and customer service. The requested update to rate of return levels, which comprises a majority of the remainder of the requested increase, reflects EKC's actual debt costs and capital structure to fund investments and is supported by the testimony and analysis of the Company's expert witness, Ms. Ann Bulkley, and the Company's Vice President and Treasurer, Mr. Geoffrey Ley. Updating operating expenses and revenues to current levels comprising EKC's service supports the remaining revenue requirement request. Combined, the rate adjustments represent fair and reasonable amounts necessary to maintain a financially healthy Kansas utility that will be well-positioned to continue the investments necessary to maintain reliability for EKC's existing customers and support economic development opportunities in Kansas by providing cost-effective and competitive access to capital required for these investments.

Investments in the generating resources that are the subject of EKC's active predetermination proceeding and investments related to the Panasonic plant in De Soto *are not* costs that are going into rates in this case.

Q. What other witnesses are submitting direct testimony on behalf of EKC in support of this application?

A. The following lists the witnesses filing direct testimony and summarizes the topics and issues they address:

WITNESS	TOPIC(S)
David Campbell	Overview of how EKC's rate request is significant to EKC's larger strategy to serve Kansas; EKC's commitment to providing reliable, sustainable, and affordable service to Kansas customers; Maintaining regional rate competitiveness; Investments made to give customers more options and to serve the economic development objectives of Kansas; Access to capital and reasonable ROE and capital structure.
Darrin R. Ives	Overview of the case and EKC's witnesses; Economic development policy and efforts; Western Plains Wind Farm modifications and Wolf Creek Nuclear Production Tax Credit; Return on equity and capital structure policy
Geoffrey Ley	Fair rate of return and requested ROE; Average cost of long-term debt and common equity balances; EKC's capital structure and why adopting the actual capitalization ratio is essential to determining a fair rate of return.
Ronald A. Klote	Revenue requirement model and schedules supporting the rate requests; Test year used to develop the revenue requirements and the true-up period; Overview of witnesses who support various accounting adjustments; Accounting adjustments.
Linda Nunn	Accounting adjustments made to the test year for EKC and adjustments for certain riders or surcharges including the Transmission Delivery Charge ("TDC") and the Retail Energy Cost Adjustment ("RECA").
Darcie Kramer	Rate base, revenue and cost of service adjustments.
Aron Branson	Rate base and cost of service adjustments; Cash working capital.
Ryan Mulvany	EKC's distribution systems; Reliability performance and challenges to maintaining and/or improving EKC's distribution system reliability; EKC's distribution system investment strategy and major investments and programs; EKC's storm reserve in the last rate case; EKC's approach to Hazard Trees.
John Bridson	EKC's proposal to modify some of the terms for the regulation and recovery of the Western Plains Wind Farm, including removal of the performance band applied to the asset.
Jessica Tucker	EKC's fuel inventory management policies, inventory values and costs for coal, oil and fuel additives.
Melissa Hardesty	Tax-related adjustments and the income tax calculation; Property taxes and Kansas ad valorem surcharge;

	Adjustments to exclude tax-related items for Western Plains Wind Farm and Persimmon Creek Wind Farm; Adjustments for the sharing of 1997 merger savings; Potential nuclear production tax credits available on the Wolf Creek Nuclear Generation Station.
Kimberly Winslow	Update on EKC's Rate Modernization and Residential Battery Energy Storage Pilot; Request to continue to recover education and marketing costs for TOU rates in a regulatory asset account; EKC's new payment assistance pilot program, "Stay Connected"; Rate increase applied to transportation electrification schedules.
Bradley D. Lutz	Optional TOU rate for C&I customers; Notification to non-LED lighting customers and proposed Conversion Plan; Street lighting schedule modifications; Miscellaneous tariff changes; Rules & Regulations changes; Rate implementation considerations.
Marisol Miller	EKC's annualized/normalized revenues; Electric Class Cost of Service ("CCOS") Study and Electric Rate Design; Off-Peak Rider.
Albert R. Bass, Jr.	Weather normalization; Test-year customer annualization; Energy efficiency annualization.
Ann Bulkley	Analyses and recommendation regarding the appropriate return on equity; Assessment of the proposed capital structure to be used for ratemaking purposes.

Q. What specifically is EKC requesting from the Commission in its Order to be issued in this docket.

A. EKC is requesting the Commission to issue an order:

(1) permitting the revised schedules of rates for electric service to become effective, as proposed, in order to increase the net amount of annual revenues for electric service for EKC by $196.4 million;

(2) approving EKC's proposed cost allocation and rate design for each class of customer, changes to the existing rate schedules, and the creation of the new rate schedules as proposed in EKC's Application and testimony;

(3) approving the proposed updates to EKC's Rules and Regulations;

(4) approving a nuclear PTC tracker and granting deferral to ensure all benefits related to the nuclear PTC are preserved and returned to customers;

(5) approving modification to the terms of the prior Western Plains Wind Farm settlement to reflect current considerations and align its regulation with the terms in place for the Persimmon Creek Wind Farm;

(6) approving Tracker 2 for Pension and OPEBs to be included in rate base as an update to the prior agreement based on change in market conditions;

(7) approving the Stay Connected Pilot program as requested;

(8) approving the Conversion Plan to convert non-LED private, unmetered lights, and defer incremental costs for consideration to a future general rate proceeding;

(9) granting a waiver of the Billing Standards to allow EKC to execute the rate changes resulting from this docket based on the customer billing cycle date instead of on one fixed date for everyone;

(10) approving continuation of the regulatory asset and liability treatments, including continuation of the reg asset/liability tracker mechanism;

(11) approving an amortization rate request for New plant account 30316 for software; and

(12) for such other and further relief as the Commission deems just and reasonable.

IV. ECONOMIC DEVELOPMENT POLICY AND EFFORTS

Q. What does EKC see as near-term opportunities for economic development in Kansas?

A. Evergy, Inc.'s current customer pipeline includes over twenty (20) customers with more than 6 GWs of incremental demand, which includes substantial interest in the EKC service territory.

Q. What about future potential opportunities?

A. Evergy is presently working with many prospective large load customers who are evaluating Kansas and Missouri locations. A few are in the later stages of working with us to assess the feasibility of meeting their requirements as they aim for project announcements in the first half of 2025. These large load customers are more likely to select Kansas for development if they are confident that Kansas utilities can provide them with the level of electric service they need for their operations in a timely manner.

Q. How will the addition of this new load benefit EKC's existing customers if new investment is required to serve it?

A. Our existing customers receive a relative benefit in rates as the current system fixed costs are spread over a larger usage base. In addition, bringing these new businesses to Kansas benefits our economy through job creation, a larger tax base and franchise fees to pay for schools, roads, and other public facilities and services, development of ancillary businesses and services, and improved economic resiliency by further diversifying Kansas' economic industrial base.

Q. But the rates established in this docket will recover only historical investment costs, not future costs, correct?

A. That's correct. However, it will be essential in this and EKC's other parallel proceedings to set rates appropriately for new large customers so EKC can access the capital needed at favorable terms and provide service in a timely manner to ensure the net benefits of this growth accrue to our existing customers.

Q. Please discuss EKC's need for resource adequacy and dispatchable supply to meet its present and future growth and economic development opportunities.

A. EKC filed its most recent Integrated Resource Plan ("IRP") on May 17, 2024, in Docket No. 24-EKCE-387-CPL. The 2024 IRP shows that EKC will need 1,400 MW of new generation resources by 2030 and 1,700 MW more by 2035. On January 30, 2024, the Commission issued an Order finding that the Company's IRP complied with the requirements of the capital plan framework.

Q. Is much of this investment necessary primarily to service large data centers locating into EKC's territory?

A. No. These infrastructure investments are the result of EKC's regular planning process identifying the supply resources necessary to support service to all customers existing and expected in its service territory. It is not unique to or tailored to serve new large loads.

Q. What steps has EKC taken so far to meet the need reflected in the IRP?

A. On November 6, 2024, EKC filed a predetermination application under K.S.A. 66-1239 for three new generation resources: (1) the planned construction and acquisition of 50% of a 710 MW combined cycle gas turbine ("CCGT") located in Kansas near its Viola Substation ("Viola Generating Station" or "Viola plant"), (2) a 50% interest in a second 710 MW CCGT located near Hutchinson, Kansas ("McNew Generating Station" or "McNew plant"), with flexibility to acquire the second 50% of the McNew Generating Station, and the construction and ownership of approximately 200 MW_{DC} (159 MW_{AC}) of solar generation, known as the Kansas Sky generating resource ("Kansas Sky"). EKC also launched its demand-side management programs in 2024 as approved by the KCC in Docket No. 22-EKME-254-TAR.

Q. How will EKC raise the capital needed to make these investments?

A. Over the coming years, EKC will issue debt, reinvest undistributed equity earnings, and Evergy, Inc. plans to issue equity as necessary to fund these investments. The proceeds of the equity issuance will be used, primarily, to help fund the investments needed at its subsidiaries – EKC, Evergy Kansas Metro ("EKM"), Evergy Missouri Metro and Evergy Missouri West, Inc., the operating utilities of Evergy, Inc.

Q. Why not reduce Evergy, Inc.'s shareholder dividend during this time of high investment to help alleviate the pressure caused by the capital demands of the operating utilities?

A. Reducing Evergy Inc.'s standard dividend sends a very negative signal to the marketplace that would likely have long-term, far-reaching negative consequences for the company in the financial markets. Additionally, long-term shareholders investing in utilities, like Evergy, Inc., do so expecting a dividend; indeed, many smaller shareholders rely on the dividend to supplement their income. Lower than expected dividends typically result in diminished stock performance and higher cost of debt and equity. As a result, reducing the dividend paid to our shareholders is something we would only do in extreme situations, which is not the case here. What we are talking about here is normal, albeit heightened, utility investment necessary to continue to provide efficient and sufficient service to its customers.

Q. How do the decisions in this docket impact the investments you have identified?

A. Adequate financial recovery is essential for EKC to be in the position to help optimize economic development in Kansas. In this docket, the Commission will set EKC's revenue requirement, establishing how that revenue requirement is set and signaling how necessary

investment by EKC in Kansas will be recovered. Fair state regulatory policies on return on equity and capital structure are critical to EKC achieving competitive terms from the financial markets on debt and Evergy, Inc.'s ability to access capital on reasonable terms in the equity capital markets. When Evergy and EKC approach investors and lenders in the capital markets, how EKC is being treated by its regulators, relative to how utilities are treated in other jurisdictions, is a key factor in determining whether EKC can access the best credit terms possible. This means that EKC's revenue requirement should be set in this docket at a level that allows the Company to recover its reasonable cost incurred to provide service. Fair, competitive and consistent regulatory outcomes make economic development happen. This includes regulatory policy employed in establishing EKC's ROE and its capital structure. I will discuss EKC's ROE and capital structure in more detail later in my testimony.

Q. What other actions has EKC taken to address economic development for Kansas?

A. EKC has already filed an updated Economic Development Rider ("EDR") tariff, which has been approved, and a Phase 2 Transportation Electrification ("Phase 2 TE") portfolio, which is pending before the Commission in Docket No. 25-EKCE-169-TAR. EKC will also soon file a Large Load Power Service ("LLPS") tariff.

Q. What was proposed in EKC's EDR tariff?

A. EKC's EDR application implemented the changes adopted by the 2024 Kansas Legislature to K.S.A. 66-101j, the statute authorizing the Commission to approve discounted rates under certain circumstances for economic development purposes.

Q. Please explain the LLPS tariff that EKC plans to propose.

A. The LLPS tariff will establish the terms under which large load customers can request and

receive service. It will be helpful for such customers to know in advance what to expect when they begin the process of establishing their electric service. It will also adopt provisions requiring contributions from large customers for construction costs incurred solely to serve such customers to protect other customers from having to bear those costs.

The LLPS tariff is expected to be filed in the first half of 2025 and as early as the next few weeks. EKC will request the Commission issue an order on the application on an expedited basis instead of the 240-day timeline provided for in K.S.A. 66-117. To make this possible, EKC will suggest that the procedural schedule adopted in the LLPS tariff docket incorporate a Report & Recommendation from Staff upon which interested parties can file responsive comments instead of rounds of pre-filed testimony. In our proposed schedule, we will also shorten the time periods applicable to EKC's deadlines to support a shorter proceeding. If approved by the Commission, this would provide us with a decision on the application within roughly six months of the filing, as early as the summer of 2025 depending on the timing of the filing.

Q. Is there a reason EKC plans to file the LLPS tariff separately instead of including it in this rate case application?

A. Yes, there is. We have a number of customers and potential customers who have expressed an interest in a potential LLPS tariff for EKC for the purpose of developing their future business plans. Customers and other stakeholders need clarity as to what the terms of the LLPS service will be to help them make decisions and move forward. EKC needs to provide them with the details on the LLPS tariffs as soon as possible to assist them in their planning and for consistency in treatment among similarly situated large load customers.

Q. Are there other proposals related to LLPS customers being pursued by EKC that will accommodate and promote economic development?

A. In addition to the base LLPS tariff, EKC plans to propose the following LLPS riders: Demand Response & Local Generation Rider, Green Solution Connections Rider, Alternative Energy Credit Rider, Renewable Energy Program Rider, Clean Energy Choice Rider, and Customer Capacity Rider. We will also update our Rules and Regulations as needed to implement and maintain the LLPS tariffs, as will be explained in detail in the direct testimony of Company witness, Mr. Brad Lutz in the LLPS docket.

Q. EKC filed a docket in September 2024 (Docket No. 25-EKCE-169-TAR) to expand its electrification programs. How will the programs filed in that docket advance economic development in Kansas?

A. Transportation Electrification ("TE") refers to the transition from vehicles powered by an internal combustion engine to those powered partially or fully by electricity. The Commission approved EKC's first phase of TE programs by Order issued December 6, 2021, in Docket No. 21-EKME-320-TAR ("21-320 Docket"). The 21-320 Docket identified potential benefits of managed charging and other efforts to shift electric vehicle ("EV") charging activity to off-peak periods. But with few EVs in the market at the time and limited industry experience with managed charging, only limited educational efforts were planned, and the benefits of managed charging were not included in the associated cost-benefit analysis. Grid management activities were deferred in the 21-320 Docket pending further information and the development of supporting technologies. Since then, new data from EKC's TE portfolio and the broader utility industry have enabled EKC to

now effectively pursue and assess the incremental benefits of managing the system impacts of TE.

EKC's Phase 2 TE application was filed on September 30, 2024, in Docket No. 25-EKCE-169-TAR. Our commercial and industrial customers are interested in adopting and expanding their deployment of electric fleet vehicles. EKC is seeking an order from the Commission allowing it to implement its portfolio comprised of a Fleet Advisory Services ("FAS") Program and a Residential Managed Charging ("RMC") Pilot. Not only do these programs respond to the desires expressed by our customers, but they also focus on delivering benefits to all ratepayers by shaping EV charging load to make the best use of existing electric system capacity.

Q. In September 2023, the KCC conditionally approved demand-side management ("DSM") programs for EKC and EKM. What is the status of EKC and EKM offering DSM programs to their customers?

A. The Commission conditionally approved the Initial Program Settlement and the Financial Settlement with seven modifications[1]. The approved portfolio, consisting of programs for residential, business and low-income customers, includes a 4-year program budget of $73.7 million and a reserve of $17.7 million for EKC. The seven modifications and status of those modifications are shown in **Table 1** below:

[1] Docket No. 22-EKME-254-TAR, *Order on Evergy's Application and Settlement Agreements*.

Table 1

Condition	Status
Downward modification of Earnings Opportunity	Financial recovery compliance tariffs filed on February 29, 2024
Approval of Evaluation, Measurement, and Verification ("EM&V") approach	Joint Filing of EM&V approach on January 23, 2024 Commission approval on January 31, 2024
No direct ratepayer funding of fuel-switching measures	Compliance program tariffs filed on January 31, 2024
Report to the Commission regarding Federal funding guidance	Initial Report was filed on October 31, 2023 Update Report was filed on May 31, 2024
Modification of the Initial Program Settlement to clarify the Commission retains full jurisdiction to consider a future Pay-As-You-Save ("PAYS") Program	Stakeholder engagement has ensued in 2024 and program filing is planned for 1Q 2025
At least 12 months prior to any application to renew or extend KEEIA, EKC and EKM would provide a workshop update detailing the effectiveness of EKC's and EKM's current KEEIA programs and changes expected in the subsequent application	Not applicable as of yet
Updated implementation timeline	Included in Joint Filing of EM&V approach on January 23, 2024 Commission approval on January 31, 2024

EKC successfully launched its programs in 2024. Below in **Table 2** and **Table 3**, I present the availability of the residential and business programs by year. Since launching, EKC and EKM have seen positive results and participation from our engagement with customers.

Table 2
Residential Programs

Program Name	Offer Name	Availability 2024	2025	2026	2027
Whole Home Efficiency Program	HVAC Rebates	X	X	X	X
	Air Sealing & Insulation Rebates	X	X	X	X
	Energy Efficient Products (Online Marketplace)		X	X	X
Hard-to-Reach Homes Program	Enhanced HVAC Rebates			●	●
	Enhanced Air Sealing & Insulation			●	●
	Enhanced Energy Efficiency Products (Offer Center)		X	X	X
	Enhanced Appliance Recycling			●	●
	Energy Saving Trees			●	●
	School Kits		X	X	X
	Foodbank Giveaways	X	X	X	X
	Energy Assessment & FREE Energy Savings Kit	X	X	X	X
	Income Eligible Multi-Family	X	X	X	X
	Weatherization Assistance	X	X	X	X
Home Energy Education Program	Marketing for Residential Education	X	X	X	X
	Community Events	X	X	X	X
	Digital Tools	X	X	X	X
	Kansas LILIES	X	X	X	X
	Rural Community Engagement	X	X	X	X
	Home Energy Education Report	X	X	X	X
Home Demand Response Program	Residential Demand Response	X	X	X	X
	Water Heater Demand Response			X	X
Pilots		X	X	X	X

● = *Availability contingent on budget*

Table 3
Business Programs

Program Name	Offer Name	Availability 2024	2025	2026	2027
Whole Business Efficiency Program	HVAC Rebates (custom only)	X	X	X	X
	Air Sealing & Insulation Rebates (Custom)	X	X	X	X
	Energy Efficient Products	X	X	X	X
	Refigeration Rebate	X	X	X	X
	Mechanical Upgrade Rebate	X	X	X	X
	Custom	X	X	X	X
Hard-to-Reach Businesses Program	Enhanced HVAC Rebates (custom only)	X	X	X	X
	Enhanced Air Sealing & Insulation Rebates (Custom)	X	X	X	X
	Enhanced Energy Efficient Products	X	X	X	X
	Enhanced Refigeration Rebate	X	X	X	X
	Enhanced Mechanical Upgrade Rebate	X	X	X	X
	Custom	X	X	X	X
	Energy Assessment & FREE Energy Savings Kit		X	X	X
Business Energy Education Program	Marketing for Business Education	X	X	X	X
	Community Events	X	X	X	X
	Digital Tools	X	X	X	X
	Rural Community Engagement	X	X	X	X
	Building Operator Education	X	X	X	X
Business Demand Response Program	Business Demand Response	X	X	X	X
Pilots		X	X	X	X

In addition to implementing approved programs, EKC and EKM have had several constructive workshops with Staff and stakeholders in 2024 to discuss unlocking additional budget for the Hard-To-Reach Homes program, Hard-To-Reach Business program, and Whole Business Efficiency program, as provided for in the Initial Programs Settlement. EKC and EKM have also engaged with Staff and stakeholders on the PAYS program design and anticipates a filing in 1Q 2025.

Q. How do DSM programs advance economic development?

A. A leading benefit of the approved programs includes lowering energy bills for EKC's customers. When bills are reduced, a business or household can spend that money elsewhere in the economy promoting overall economic growth. Another direct result of offering energy efficiency programs is job creation. For example, most energy efficiency jobs are local because installation and maintenance of higher efficiency equipment is done locally. Lastly, EKC offers tailored programs to low- and moderate-income customers and small businesses who typically need additional outreach to engage in energy efficiency education and incentives so that those vulnerable groups can also be more successful in lowering their bills. Not only is energy efficiency considered the lowest cost resource to meet energy needs, but economic development is a key outcome of offering the programs. EKC customers are now on an equal playing field with other states that have energy efficiency programs and incentives, including Missouri.

Q: In the 2023 rate cases for EKC and EKM, EKC was granted an increase of $74.0 million, while EKM received a decrease of $32.9 million, which were net of costs recoverable through Commission approved riders. Now EKC is requesting another increase while EKM's rates stay the same. Is this an inequity between the two

operating utilities of Evergy, Inc.?

A: No, there is not inequity. EKC and EKM are two separate operating companies, with separate infrastructures (generation and distribution systems) that have separate ages and are in different conditions. The customer profiles of the two operating companies and the customer density and geographical span of the customer base are different as well. As mentioned in Mr. Ryan Mulvany's direct testimony, EKC's level of distribution investment has not kept pace to address the utility's aging infrastructure. EKC has made significantly more distribution investments to help begin addressing the aging infrastructure over the past two years and EKC's customer base has been receiving the benefit of these investments. The increased level of distribution investment into EKC's infrastructure is a primary driver for the rate increase requested in this application.

V. WESTERN PLAINS WIND FARM MODIFICATIONS AND WOLF CREEK NUCLEAR PRODUCTION TAX CREDIT

Q. What is EKC proposing in this case concerning the Western Plains Wind Farm ("Western Plains")?

A. EKC is requesting the Commission modify the terms of the settlement agreement in Westar's 2018 rate case in Docket No. 18-WSEE-328-RTS ("18-328 Docket" and "18-328 S&A") to align the regulatory treatment for Western Plains with those applicable to the Persimmon Wind Farm, as approved in EKC's 2023 rate case in Docket No. 23-EKCE-775-RTS ("23-775 Docket"). The specific modifications requested for Western Plains are:

- Remove the performance band applicable to Western Plains
- Remove the transfer of the residual value of the wind farm at the end of the 20-years (i.e., retain the residual value at EKC for retail customers). This would permit

the wind farm asset to remain in rate base and continue operating for the benefit of EKC retail customers consistent with traditional regulatory assets.

- After twenty years, allow the levelized revenue requirement to be reevaluated to consider any maintenance capital expenditures, costs associated with life extension for the plant, or other additional costs incurred to operate and maintain the resource.

Q. What is the basis for this request?

A. The request is filed under Paragraph 23 of the 18-328 S&A which reads:

> In the event of changes in law or regulations, or the occurrence of events outside the control of Westar that result in a material adverse impact to Westar with respect to recovery of the Western Plains revenue requirement, Westar, as applicable, may file an application with the Commission proposing methods to address the impact of the events, including adjusting the credit due to customers through the ACA described above. The other Parties to this settlement shall have the right to contest any such application, including whether the impact of the change or event is material to Westar, and whether the proposed remedy in the application is reasonable.[2]

Since the time of the 18-328 S&A, the federal government has extended the Production Tax Credit ("PTC") for wind farms, and other governmental subsidies and pro-wind policies have been implemented. These events were outside the control of EKC and will result in material adverse impacts to EKC with respect to its ability to recover Western Plains' revenue requirement.

Q. Will the modifications harm EKC's customers?

A. They will not. The modifications are intended to remove provisions contained in the 18-328 S&A that no longer make sense and that unreasonably penalize EKC for the efficient operation of an asset that provides real value to EKC's customers. Company witness, Mr. John Bridson, addresses this issue in depth in his direct testimony.

[2] 18-328 Non-Unanimous Settlement Agreement filed July 17, 2018 ("18-328 S&A"), pp. 6-7, ¶23.

Q. What is EKC requesting in this case regarding a PTC for Wolf Creek's nuclear generation?

A. The Inflation Reduction Act of 2022 created a new tax credit for electricity produced by nuclear facilities that is sold after December 31, 2023, and before December 31, 2032. The credit is intended to help support nuclear facilities that produce emission-free electricity.

The US Treasury has provided guidance on the prevailing wage requirement, but it has not provided any guidance on how gross receipts should be calculated. If EKC is allowed to use the gross receipts we receive from the sale of power to the SPP marketplace EKC could receive $60-$70 million in PTC credits a year from 2024-2032. However, if we must compute gross receipts using the amounts we receive from customers in our rate cases, we expect our PTC to be $0.00 annually over the same period. We believe the SPP market pricing is a reasonable method to determine the gross receipts used to compute the credits, but guidance is needed before a final determination can be made.

Q. How will this PTC impact EKC's customers?

A. Because of the uncertainty of the credit currently, we have not included it in the computation of income tax expense or as a deferred tax asset in this case. In this application, EKC is asking the Commission for approval of a regulatory accounting tracker mechanism so that if a credit is received in the future, it will be deferred into the tracker and included in the next rate case through an amortization or other approved mechanism for return to customers, to be approved by the Commission in that next rate case proceeding.

As such, any credit received by EKC will flow through to our customers in rates once realized by EKC. This could potentially result in a substantial benefit to our customers if the Treasury interprets the PTC methodology for gross receipts to be applied

utilizing market pricing which we believe would be a reasonable determination under the legislation.

Q. When will EKC know the outcome of this potential credit?

A. At this time, it is unknown when the IRS will provide necessary guidance to determine the value of the PTC's to EKC, if any. However, Commission approval of EKC's PTC regulatory liability deferral request in this case ensures that customers will receive the full benefit of any PTCs that are ultimately received. For the details and status of the issue, I refer you to the direct testimony of Company witness, Ms. Melissa Hardesty.

VI. RETURN ON EQUITY AND CAPITAL STRUCTURE POLICY

Q. What capital structure and ROE is EKC proposing in this docket?

A. Our revenue requirement calculation uses EKC's actual stand-alone capital structure of 48.03% debt and 51.97% equity, and a ROE of 10.50%. The direct testimonies of Mr. Geoffrey Ley and Ms. Bulkley provide evidentiary support for these positions.

Q. You state above that "fair, competitive and consistent regulatory outcomes make economic development happen," and that this "includes regulatory policy employed in establishing EKC's ROE and its capital structure." Please explain your concern in this regard.

A. While I do not intend to relitigate what happened in EKC's and EKM's 2023 rate case in Docket No. 23-EKCE-775-RTS ("23-775 Docket"), some background from that case is necessary to understand the Company's position on these issues in this case.

Q. What happened in the 2023 case on capital structure?

A. In that case, EKC proposed rates that were based on the stand-alone capital structure of EKC, consistent with the terms and tenor of the Commission's May 24, 2018 Order

approving the merger of Kansas City Power & Light Company and Westar in Docket No. 18-KCPE-095-MER ("18-095 Merger Order"). The purpose of the financial commitments implemented as part of the 18-095 Merger Order was to ensure the separation of the capital structures of Evergy, Inc. and its operating utilities and to protect the financial integrity of the operating utilities. The companies fulfilled the financial and hold harmless commitments agreed to in the merger docket, keeping separate debt and equity financing for the utilities, securing all EKC and EKM debt by the assets of only EKC and EKM, respectively, under their separate mortgages and prohibiting all cross-default risk between the entities. As a result, at the end of the 5-year moratorium post-merger, the capital structures for the utility companies were separate from each other and from Evergy, Inc. Furthermore, the stand-alone capital structures of the utility companies were reasonable when compared to what are the normally accepted capital structures for setting utility rates – EKC's capital structure was approximately 48% debt and 52% equity. The 2023 case did not include any evidence indicating that the actual capital structures of the utility companies were inappropriately imbalanced, not representative of utility operations, or otherwise questionable.

As part of the case, EKC presented substantial evidence that the requested capital structure reflected the capital structure supporting utility operations. Despite these facts, Staff took the position that EKC's and EKM's rates should be set apportioning Evergy, Inc. debt to the operating utility capital structure. Staff advocated for the application of the lowest overall cost of capital representative of utility operations and recommended a capital structure that resulted in the lowest cost without addressing whether it was truly representative of utility operations. Importantly, and as further described in the testimony

of Mr. Ley[3], in preparation for the ROE/Capital Structure Workshop in November 2024, EKC and its consultants looked at the capital structures authorized for electric operating companies owned by 29 holding companies in their most recent rate proceedings. Review of 109 rate case decisions did not find an instance for these companies in which their regulator explicitly allocated or imputed parent level holding company debt to the operating company, which supports the position that imputing holding company debt to the operating company is irregular and inconsistent with typical regulatory practice.

In short, a recommendation to consider Evergy, Inc. debt when establishing EKC's and EKM's capital structures and rates of return was inconsistent with the presented facts, peer utility and jurisdiction treatment, and applicable regulatory policy.

Q. What about the argument that the higher debt level at Evergy, Inc. had a negative impact on the capital costs of EKC and EKM?

A. There was no evidence indicating the capital costs of the operating utilities were negatively impacted by the level of debt at the parent company. The contention that, since Evergy, Inc. essentially owned only its operating utilities and its only real source of income was the dividends from these operating utilities the consolidated capital structure of all the entities should be used, was misplaced. Specifically, that position encroaches on the Commission's stated policy of employing a capital structure *that will result in the lowest overall cost of capital that is representative of utility operations.*[4] It also conflicts with the standalone principle more fully discussed by Mr. Ley in his direct testimony, as well as the

[3] Ley Direct, pp. 22-23.

[4] Order, *In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company and Westar Energy, Inc., for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated*, Docket No. 16-KCPE-593-ACQ (April 19, 2017), pp. 41-42 (emphasis added).

fundamentals of the three standards outlined by *Hope and Bluefield*.[5] Mr. Ley addresses these issues and explains why considering the debt at Evergy, Inc. reflects an inaccurate understanding of the parent/subsidiary relationship and how the markets work in these circumstances.

Q. Are there other reasons to reject the assumptions inherent in advocacy for the consolidated capital structure position?

A. Yes. As I said above, utilizing a consolidated capital structure gives no consideration to the separation of the financing activities of the parent and operating companies. Instead, arguments for a consolidated capital structure approach ignored the distinguishing features of the actual capital situation at the operating utilities, extensive merger financial commitments that have been met, the regulatory policy of the standalone principle and the relative treatment of utility peers in their regulatory jurisdictions. This was not a small matter in the case; the potential use of a consolidated capital structure translated into a revenue requirement reduction from EKC's filed position of *$25 million*.

Q. What about recommendations on ROE in the 2023 cases?

A. The Company requested the Commission authorize a 10.25% ROE in the 23-775 Docket in reliance upon the analysis of its expert witness, Ms. Bulkley, and the testimony of Evergy, Inc.'s then Chief Financial Officer, Mr. Kirk Andrews. Staff recommended a 9.3% ROE, the same as was approved for EKC and EKM in 2018.

The Company's requested ROE reflected the significant changes that had occurred in the capital markets and the cost of capital since 2018. Interest rates had risen dramatically, and U.S. Government securities (both short and long-term), corporate bonds,

[5] See *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va*., 262 U.S. 679, 689-90 (1923), *and Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591 (1944) (referred to as "Hope and Bluefield").

home mortgage rates, auto loans, and bank certificates of deposit all showed markedly higher capital costs than in 2018. Dividend yields in the stock market had risen and Price-Earnings ratios had fallen for investor-owned utilities. Given the facts in 2023, a recommendation to hold the ROE flat relative to the level authorized in 2018 ignored these significant charges in the broader market, as well as the rising trend in authorized ROEs for regulated utilities across the country - the same companies with whom EKC competes for capital. Again, this was a major issue in the case; the recommendation to hold ROE flat at 9.3% translated into a revenue requirement reduction of *$38 million.*

In total, the recommendations for a consolidated capital structure and 9.3% ROE resulted in a total revenue reduction from EKC's filed position of *over $63 million.*

Q. If the alternative recommendations on capital structure and ROE were unreasonable, why did the Company enter into a settlement agreement accepting those recommendations?

A. As it was the first post-merger case filed after a five-year rate moratorium, the 2023 rate case was very complex with many issues at play. In balancing the risk on those many issues, EKC determined it was necessary to accept the settlement in its entirety and then work with Staff and others outside of a rate case to explore a path forward on capital structure and ROE. As I explained in my testimony in front of the KCC in support of the 2023 Kansas Rate Case settlement,

> (w)hile resolved for purposes of this case, there remain some disagreements as to foundational policy issues that Evergy intends to continue to work on with the Parties after this proceeding. The Company's goal is for Kansas to have policies in place that are supportive of economic development and growth opportunities for businesses and individuals in our state. To help advance those objectives, utilities in Kansas must have the financial strength and flexibility to be supportive partners in achieving these positive

> outcomes for Kansas. We will be engaging with stakeholders to create clarity that utilities in Kansas are afforded opportunities to maintain their financial strength consistent with industry peers with which we compete for financial investment.

So, while the 2023 rate case was ultimately settled, the wide ranges between intervenor positions in testimony on capital structure and authorized ROE created uncertainty and drew considerable attention, highlighting the need for collaborative dialogue before the Commission.

Q. Has EKC worked on these issues since the 2023 cases ended?

A. Yes. EKC supported House Bill 2527 during the 2024 legislative session. As initially drafted, the legislation would have required the Commission to use certain defined standards when adopting a capital structure and authorizing an ROE to set rates, providing better predictability around these issues for the Commission, the companies, customers, and investors.

Negotiations on HB 2527 resulted in passage of a compromise bill wherein the specific capital structure and ROE provisions were removed and, instead, the parties agreed to pursue an open workshop to further engage on these critical elements of ratemaking. The KCC held that workshop on November 20, 2024.

Q. Did the workshop result in a Commission order providing policy or guidance on future capital structure and ROE decisions?

A. It did not. The workshop involved a presentation by EKC's internal staff and outside capital market consultants explaining, in a more conversational setting, capital structure and ROE policy and the practical and competitive reasons to adopt and apply well-established standards, such as the stand-alone policy on capital structure explained below.

Q. What information was provided to the Commission by EKC at the workshop?

A. Presentations were made by the following individuals on the topics indicated:

- Darrin Ives, Evergy, Inc.'s Vice President Regulatory Affairs, on "Economic Development Opportunity and Infrastructure Investment"
- Geoffrey Ley, Evergy, Inc.'s Vice President Corporate Planning and Treasurer, on "Capital Structure and Return on Equity (ROE) Fundamentals"
- Bryan Buckler, Evergy, Inc.'s Executive Vice President Chief Financial Officer, on "Comparability of ROEs and Capital Structures in the Industry; Importance to Attract Capital"
- Todd A. Shipman, CFA (Consultant at Concentric Energy Advisors; former Sector Specialist for North American Utilities at S&P Global Ratings), on "The Rating Agency and Fixed Income Investor Perspectives"
- Dan Ford, Vice Chairman of Natural Resources and Clean Energy Transition Group at Citigroup; former utility equity research analyst, on "Industry Capital Needs and the Equity Investors' Perspectives"

I have provided a copy of these presentations as **Exhibit DRI-1**.

Q. What standards should the Commission follow in adopting a capital structure and setting an ROE for EKC in this case?

A. There is precedent and policy that informs the Commission when adopting a capital structure and ROE. I am not a lawyer, but I will touch on these legal standards from an experienced layperson's perspective. Concurrent with the filing of this Application, EKC has also filed a legal memorandum addressing the standards and I defer to that analysis for support of my comments that follow.

The U.S. Supreme Court set out the guiding principles for determining a fair rate of return for a public utility in two seminal cases: *Bluefield Water Works and Improvement Co. v. Public Service Comm'n*. and *Federal Power Comm'n v. Hope Natural Gas Co*.[6] It is referred to as the "*Hope and Bluefield*" standard, which recognizes that the fair rate of return on equity should be:

- Commensurate with returns investors expect to earn on other investments of similar risk (the "comparable risk" standard);
- Sufficient to assure confidence in the company's financial integrity (the "financial integrity" standard); and
- Adequate to maintain and support the company's credit and to attract capital (the "capital attraction" standard).[7]

Q. Does a *Hope & Bluefield* analysis result in identifying an ROE range of reasonableness?

A. No. It establishes the qualitative parameters for a Commission to follow. Traditionally, most regulatory jurisdictions use various models to do the quantitative analyses that result in a recommended range for an appropriate ROE. If those analyses are performed correctly and fairly, the Commission can reasonably rely on the results for evaluating what ROE, within that range, should be adopted.

[6] *Federal Power Commission v. Hope Natural Gas Co*., 320 U.S. 591 (1944) ("*Hope*"); *Bluefield Waterworks & Improvement Co., v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) ("*Bluefield*").

[7] *Bluefield*, at 692-93; *Hope*, at 603.

Q. If it's a range, shouldn't the lowest end of the range always be used so as to keep rates as low as possible?

A. Not necessarily, if it were that simple then there would be no purpose in considering a range. *Hope & Bluefield* dictate that the Commission must apply its three standards to the analysis – the comparable risk standard, the financial integrity standard and the capital attraction standard. If utility companies with comparable risk to EKC are generally receiving authorized ROEs higher than the minimum of the range, then something higher than the minimum should be approved for EKC to meet the comparable risk prong of *Hope & Bluefield*. Similarly, if the lowest in the range would compromise EKC's financial integrity or harm its ability to attract capital on favorable terms similar to other similarly situation utilities, then the lower part of the range is not appropriate and does not comply with *Hope & Bluefield*.

What investors consider in their evaluation of investment opportunities among utility companies is extremely relevant to this analysis – in fact, it is an integral aspect of the analysis. Investors value an authorized ROE that is comparable to what is being authorized for other companies with whom EKC and Evergy, Inc. compete for capital.

It is also important to recognize that a lower authorized ROE does not necessarily equate to lower rates – at least not in the long run. Mr. Ley discusses this further in his direct testimony.[8]

[8] Ley Direct, pp. 16-18.

Q. Are there standards adopted in Kansas that guide the establishment of an appropriate ROE?

A. Yes. The Commission follows the standard set out in *Hope & Bluefield*.[9] In addition, consistent with federal precedent, the Kansas Supreme Court has said that the Commission is to balance the public need for adequate, efficient, and reasonable service with the utility's need for sufficient revenue to meet the cost of furnishing service and to earn a reasonable profit.[10]

Q. Are there standards adopted in Kansas that guide the Commission's determination on the appropriate capital structure to use in setting a utility company's revenue requirement?

A. Yes. As I said above, the Commission follows *Hope & Bluefield* which encompasses capital structure as well as ROE.

Additionally, Commission Orders routinely set out a policy of adopting the capital structure ratios used by a utility to fund its regulated utility operations. By definition, this would be the utility's standalone capital structure absent evidence showing that a different capital structure is what actually funded the regulated utility's operations and assuming the utility's capital structure is balanced. We saw this in a Kansas court of appeals case where the court was reviewing a KCC decision that adopted a hypothetical capital structure for Moundridge Telephone[11]. The Court said,

[9] For example, *see* Docket No. 15-WSEE-115-RTS, Order issued September 24, 2015, pp. 25-26.

[10] *See* EKC's "Memorandum Regarding Subsidiary Utility Capital Structure Determinations" ("Legal Memorandum"), filed in this docket on January 31, 2025, p. 9, discussing *Danisco Ingredients USA, Inc. v. Kansas City Power & Light Co*., 267 Kan. 760, 773 (1999).

[11] *See* Legal Memorandum at pp. 9 and 11, discussing *Moundridge Telephone Co., Inc. v. Kansas Corp. Com'n,* 361 P.3d. 523 (2015), unpublished decision.

> When a capital structure is considered unbalanced, issues arise. A utility heavy in equity as opposed to debt increases the company's revenue requirement under the standard formula … Using a hypothetical capital structure ***when actual structures are unbalanced*** has been consistently viewed as a legitimate means of balancing the investors' interests with the costs to the utility's customers.[12]

The Commission's ability to use capital structures other than the utility's was acknowledged by the court, but only when the "actual structures are unbalanced."

Q: Are there specific standards from other jurisdictions that address capital structure policy?

A: Yes. The FERC's policy is to rely on the actual capital structure of the utility if it is within industry norms, so long as the utility issues its own non-guaranteed debt, has a bond rating, and has an equity ratio within the historical range approved by the FERC.[13] If the operating utility meets these criteria, it has made a prima facie showing of financial risk separation between the operating company and the parent company.[14] FERC has rejected capital-structure challenges in cases where there was no showing that the capital structures employed were inaccurate, unreflective of their actual capitalizations, or inconsistent with previously approved capital structures, and the courts have upheld this approach.

Q. Can you summarize what EKC is seeking from the Commission regarding the use of a capital structure and the authorization of an ROE in setting EKC's rates?

---

[12] *Moundridge*, at *38 (emphasis added).

[13] *See* Legal Memorandum at pp, 3, 6, 7, discussing *High Island Offshore System, L.L.C.* 110 FERC, ¶ 61,043, P134. See also *Enbridge*, 100 FERC ¶ 61,260 at P 173, *Michigan Gas Storage Co*., 87 FERC ¶ 61,038 at 61,157-61 (1999); *Transcontinental Gas Pipe Line Corp*., Opinion No. 414-A, 84 FERC ¶ 61,084 at 61,415 (Transco), reh'g denied, Opinion No. 414-B, 85 FERC ¶ 61,323 (1998), petition for review denied, *North Carolina Utilities Commission* v. FERC, 203 F.3d 53 (D.C. Cir. 2000) (per curiam).

[14] *See* Legal Memorandum at pp, 3 and 6, discussing *Ass'n of Bus. Advocating Tariff Equity Coalition v. Midcontinent Indep. Sys. Operator, Inc.* 156 FERC ¶ 61,060, at P 29 (2016)); see, also, *Transcon. Gas Pipeline Corp*., Opinion No. 414, 80 FERC ¶ 61,157, at 61,664 (1997) (stating "a utility should be regulated on the basis of its being an independent entity; that is, a utility should be considered as nearly as possible on its own merits and not on those of its affiliates.").

EKC and our investors seek and benefit from clarity, fairness and consistency in KCC policy on these rate case issues, now and in the future. Kansas has recently been one of the lower rated regulatory environments for utility investors, which creates impediments to raising capital for investments necessary to support economic development. The passage of HB 2527 signaled positive legislative and stakeholder support of future utility investment in the state and support for economic development. As a result, Regulatory Research Association ("RRA") raised Kansas' ranking in July 2024 from "Below Average/1" to "Average/3" due to the enactment of HB 2527, which RRA expected would help mitigate - though not necessarily eliminate - regulatory lag.

However, investors continue to raise questions about the relative competitiveness of the Kansas regulatory environment and supportiveness of financial strength of Kansas utilities; capital structure and ROE are key factors cited. According to data from RRA, vertically integrated electric utilities that operate in the most constructive regulatory environments ("Above Average/3" and higher from RRA) have higher earned ROEs and interest coverage ratios, ***which benefit customers through higher credit metrics, better credit ratings, and lower capital costs***. Between 2019 and 2023, EKC's interest coverage ratio and earned ROE have generally been below the median, and below the average of peer utilities that operate in jurisdictions ranked equal to or worse than Kansas.[15]

Clarity of the Commission's financial policies regarding ROE and capital structure, alignment of those policies with supporting economic development and the utility investment necessary for economic development, and consistent application of those

[15] Source: Regulatory Research Associates, Utility Subsidiary Quality Measures Databook 2019Y – 2023Y (August 5, 2024). Excludes pure play natural gas utilities and T&D-only electric utilities.

policies in rate cases will provide benefits by demonstrating to investors that Kansas will provide a fair, competitive, and reasonable return on investor capital deployed in Kansas.

Q. How can the Commission provide such clarity in this case?

A. The Commission can endorse the "stand-alone policy" for capital structure and apply it in this case. EKC meets the 3-prong test, so its individual capital structure should be used. Under such a policy, another party would need to present evidence that the utility's capital structure is inappropriate for some reason, or out of sync with the norm, before the burden would shift back to the utility to present evidence proving otherwise. Such a policy would serve to benefit all parties involved in the analysis; and it would meet the *Hope & Bluefield* standards.

On ROE, the Commission can make clear its intent to bring the authorized ROEs of Kansas utility companies more in line with other comparable entities by adopting an ROE for EKC that places a stated emphasis on the comparable risk standard of *Hope & Bluefield*. Although utility companies almost always address the comparable risk standard in the testimony they file in rate cases, it is frequently given little attention and often only referenced to explain why it is being rejected as a relevant factor impacting the analysis. The Commission should avoid the practice of taking the lowest ROE possible when it is out of sync with ROEs being authorized around the country for other similar-risk utility companies.

VIII. CONCLUSION

Q. How would you summarize your testimony and this rate case application?

A. In summary, EKC's proposals in this docket support the Company's on-going focus on affordability, reliability, and sustainability. EKC has continued to make investments to

support the reliability of its system, and we have an opportunity now to make new investments that will help bring new economic growth to Kansas. EKC is excited about the future for Kansas and approving the requests in this application will position EKC well for meeting these opportunities with a diverse energy portfolio, DSM programs, competitive rates, and the advantages of reliable, affordable electricity.

To succeed, it is essential that the revenue requirement set for EKC be adequate, including the adoption of a reasonable capital structure and return on equity. It benefits customers and shareholders alike for the Commission to employ policies that will maintain EKC as a financially healthy and competitive utility.

Q. Does this conclude your testimony?

A. Yes, thank you.

Capital Structure & Return on Equity Policy Workshop

November 20, 2024

evergy

Presentation Agenda

- **Section 1: Economic Development Opportunity and Infrastructure Investment**
  - Slides 10-18
    - *Speaker: Darrin Ives – Vice President, Regulatory Affairs*
- **Section 2: Capital Structure and Return on Equity (ROE) Fundamentals**
  - Slides 20-30
    - *Speaker: Geoffrey Ley – Vice President, Corporate Planning and Treasurer*
- **Section 3: Comparability of ROEs and Capital Structures in the Industry; Importance to Attract Capital**
  - Slides 32-39
    - *Speaker: Bryan Buckler – Executive Vice President, Chief Financial Officer*
- **Section 4: The Rating Agency and Fixed Income Investor Perspectives**
  - Slides 44-58
    - *Speaker: Todd A. Shipman – CFA (Consultant at Concentric Energy Advisors; former Sector Specialist for North American Utilities at S&P Global Ratings)*
- **Section 5: Industry Capital Needs and the Equity Investors' Perspectives**
  - Slides 60-69
    - *Speaker: Dan Ford – Vice Chairman of Natural Resources and Clean Energy Transition Group at Citigroup; former utility equity research analyst*

Capital Structure and ROE Workshop Background

- The current business expansion pipeline represents a generational opportunity for Kansas to grow its economy. HB 2527 was developed and passed to enhance Kansas' electric utilities' ability to attract competitively priced capital from investors to fund the needed infrastructure investment that enables this economic opportunity
- The original form of HB 2527 included provisions that would have provided better predictability around capital structure and authorized ROE to the Commission, company, customers, and investors
- Parties to the HB 2527 discussions agreed to remove these provisions and instead pursue an open workshop to further engage on these critical elements of ratemaking, outside the confines of a legislative session or rate case
- While Evergy's 2023 rate case was ultimately settled, the wide ranges between intervenor positions in testimony on capital structure and authorized ROE created uncertainty and drew considerable attention, highlighting the need for collaborative dialogue before the Commission

HB 2527 is supportive, enabling legislation creating opportunities for additional investment by Evergy in Kansas. While positive for investors, concerns remain after the 2023 Evergy Rate Case as to whether Kansas will have competitive frameworks for capital structure and ROE

Importance Of Kansas ROE And Capital Structure Competitiveness

In Evergy testimony in front of the KCC in support of the 2023 Kansas Rate Case settlement, Evergy's witness stated,

"*while resolved for purposes of this case, there remain some disagreements as to foundational policy issues that Evergy intends to continue to work on with the Parties after this proceeding.* ***The Company's goal is for Kansas to have policies in place that are supportive of economic development and growth opportunities for businesses and individuals in our state****. To help advance those objectives,* ***utilities in Kansas must have the financial strength and flexibility to be supportive partners in achieving these positive outcomes for Kansas****. We will be engaging with stakeholders to create clarity that* ***utilities in Kansas are afforded opportunities to maintain their financial strength consistent with industry peers with which we compete for financial investment.***"

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

Regulatory Environment Evaluation After HB 2527

- The Kansas and Missouri regulatory environments are currently ranked by Regulatory Research Associates ("RRA") as "Average/3," which is in the bottom third of U.S. state regulatory commissions
  - 34 jurisdictions are viewed as more constructive than Kansas and Missouri, while 19 are viewed as the same or less constructive
- **RRA raised Kansas' ranking in July 2024 from "Below Average/1" to "Average/3"** due to the enactment of HB 2527, which RRA expects to help mitigate (though not necessarily eliminate) regulatory lag

RRA state regulatory evaluations — Energy*

(By category, jurisdictions to watch highlighted)

Above Average/1	Above Average/2	Above Average/3	Average/1	Average/2	Average/3	Below Average/1	Below Average/2	Below Average/3
Alabama	Florida	Iowa	Arkansas	Delaware	Illinois	Alaska	Arizona	Maryland
	Georgia	North Carolina	California	Hawaii	Kansas	New Jersey	Connecticut	
	Pennsylvania	Tennessee	Colorado	Idaho	Louisiana — NOCC	New Mexico	Dist. of Columbia	
		Wisconsin	Indiana	Kentucky	Maine	West Virginia		
			Michigan	Louisiana — PSC	Missouri	New Mexico		
			Mississippi	Massachusetts	Montana	West Virginia		
			Nebraska	Minnesota	Oklahoma			
			Nevada	New Hampshire	South Carolina			
			North Dakota	New York	Texas — PUC			
			Texas — RRC	Ohio	Vermont			
			Virginia	Oregon	Washington			
				Rhode Island				
				South Dakota				
				Utah				
				Wyoming				

Data compiled July 31, 2024.
NOCC = New Orleans City Council; PSC = Public Service Commission; PUC = Public Utility Commission; RRC = Railroad Commission.
*Within a given subcategory, states are listed in alphabetical order, not by relative ranking.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

As companies compete for financing to fund economic development, investors' evaluations consider long-term return prospects which are rooted in expected regulatory outcomes

Hope And Bluefield Standards

- The U.S. Supreme Court established the guiding principles for establishing a fair rate of return for a public utility in two seminal cases: Bluefield Water Works and Improvement Co. v. Public Service Comm'n. and Federal Power Comm'n v. Hope Natural Gas Co.
- The Hope and Bluefield decisions recognize that the fair rate of return on equity should be:
  - Commensurate with returns investors expect to earn on other investments of similar risk (the "comparable risk" standard)
  - Sufficient to assure confidence in the company's financial integrity (the "financial integrity" standard); and
  - Adequate to maintain and support the company's credit and to attract capital (the "capital attraction" standard)

A fair and reasonable return satisfies all three of these standards

Ratemaking Capital Structure – The "Stand-Alone Principle"

- The stand-alone principle is fundamental to traditional utility ratemaking in North America and has been applied consistently. Under the stand-alone principle only the revenues and expenses of the regulated utility are considered for purposes of determining the revenue requirement, not those of either the holding company within which a utility is held or other affiliates within the holding company family
- Because the return on capital is a component of the revenue requirement, the stand-alone principle holds true for the authorized return (i.e., the capital structure and the costs of both debt and equity) as it does with any other component of the revenue requirement
- Regulators have typically used a three-prong test for an operating company's actual capital structure to be deemed appropriate (e.g., Missouri PSC and the FERC):
  1. that the regulated entity issues debt in its own name;
  2. that the entity is rated as a stand-alone entity by a credit agency (has its own issuer credit rating or corporate bond rating); and
  3. that the company's capital structure is reasonably consistent with other capital structures previously approved by the regulator and those of the proposed proxy group companies

If all three tests are met, the operating company's capital structure is deemed most appropriate for ratemaking purposes

Background Takeaways

- Kansas has historically been one of the lower rated regulatory environments for utility investors, which creates impediments to raising capital for investments necessary to support economic development
  - The passage of HB 2527 signaled positive legislative and stakeholder support of future utility investment in the state and support for economic development
  - As a result, RRA raised Kansas' ranking in July 2024 from "Below Average/1" to "Average/3" due to the enactment of HB 2527, which RRA expects to help mitigate (though not necessarily eliminate) regulatory lag
- Investors continue to raise questions about the relative competitiveness of the Kansas regulatory environment and supportiveness of financial strength of Kansas utilities
  - Clarity of the Commission's financial policy regarding ROE and Capital Structure and alignment of that policy in supporting economic development and utility investment necessary for the economic development are likely necessary to demonstrate to investors that Kansas will provide a fair and reasonable return on investor capital deployed in Kansas

Economic Development and Infrastructure Investment

Speaker: Darrin Ives

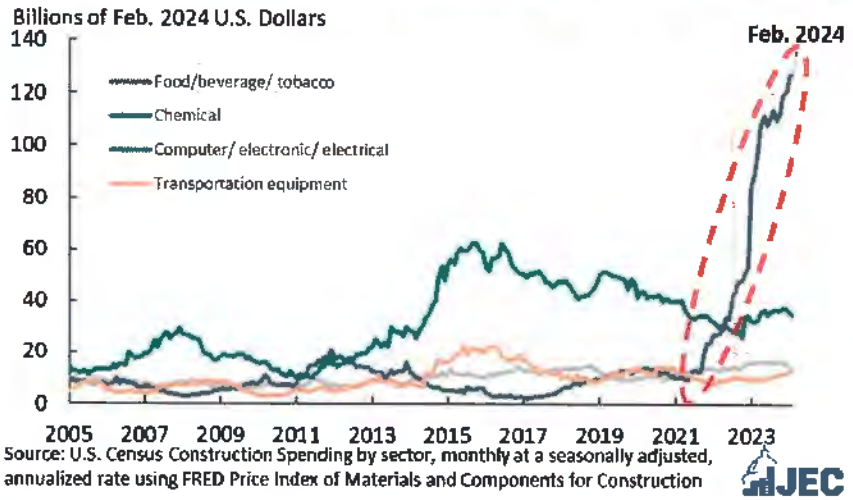
evergy

Economic Development Opportunity

Total US Manufacturing Construction Spending

Source: FRED Total Manufacturing Construction Spending, monthly at a seasonally adjusted, annualized rate using FRED Price Index of Materials and Components for Construction

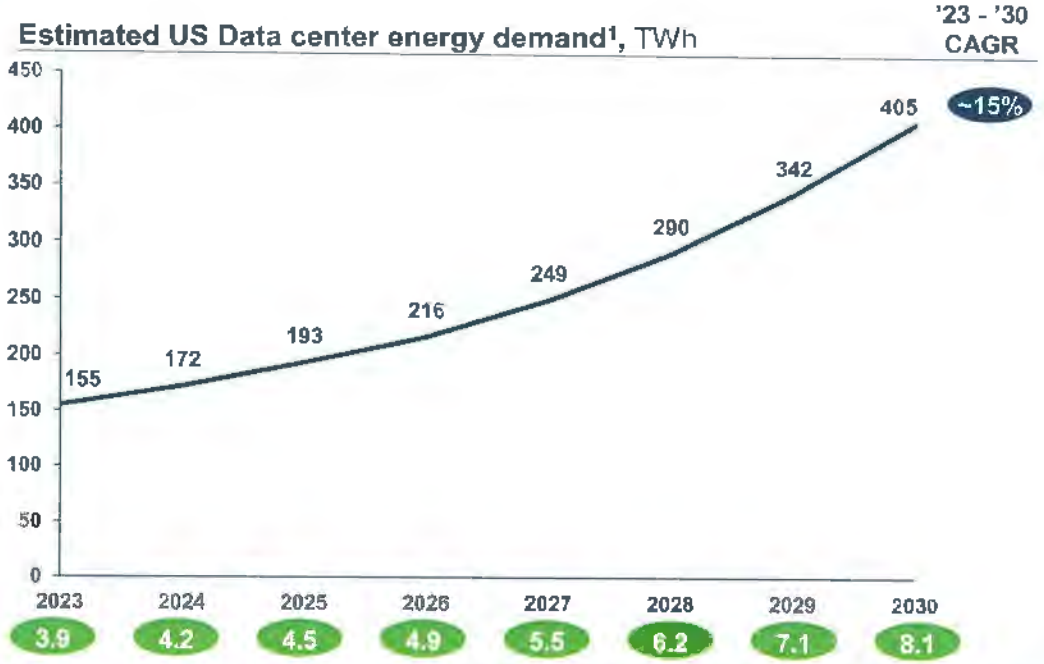
Total US Manufacturing Construction Spending By Sector



Source: U.S. Census Construction Spending by sector, monthly at a seasonally adjusted, annualized rate using FRED Price Index of Materials and Components for Construction

The US is experiencing a renaissance in development of its domestic industrial economy, primarily driven by AI and cloud computing data centers and advanced manufacturing

US Data Centers Are Powering A New Growth Era



1. Energy consumed by Data Centers from the grid. Energy consumption is calculated in hours by year based on power, power usage effectiveness and utilization.

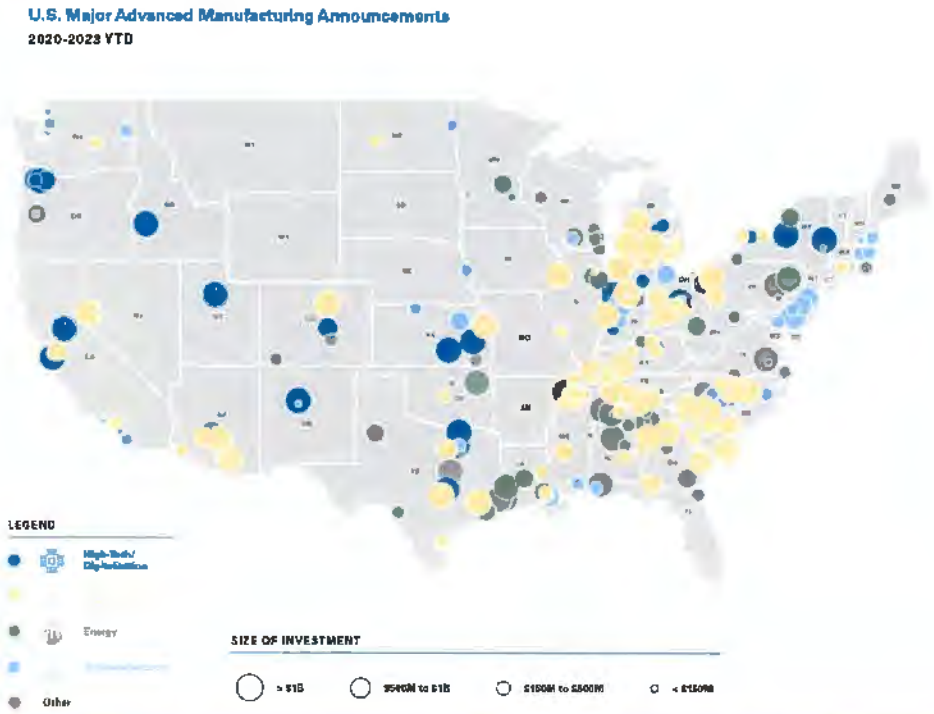
Source: McKinsey Energy Solutions Global Energy Perspective 2023, McKinsey Data Center demand model

XX % of total US power demand

- Artificial intelligence workload and continued cloud migration are expected to significantly increase the demand for new US data centers
- Data center customers are requesting very large load ramps over a short period; ability to quickly & efficiently add capacity will be essential for competing for these businesses
- Industry experts are forecasting 2023 to 2030 data center demand to grow by ~250 TWh, at a CAGR of 15%, doubling its share of total US power demand to ~8%

Data centers and advanced manufacturing have energy requirements that exceed those of traditional industrial customers; electric demand for US data centers is expected to grow ~250 TWhs over the next 6-7 years

Economic Development Is An Opportunity For Kansas



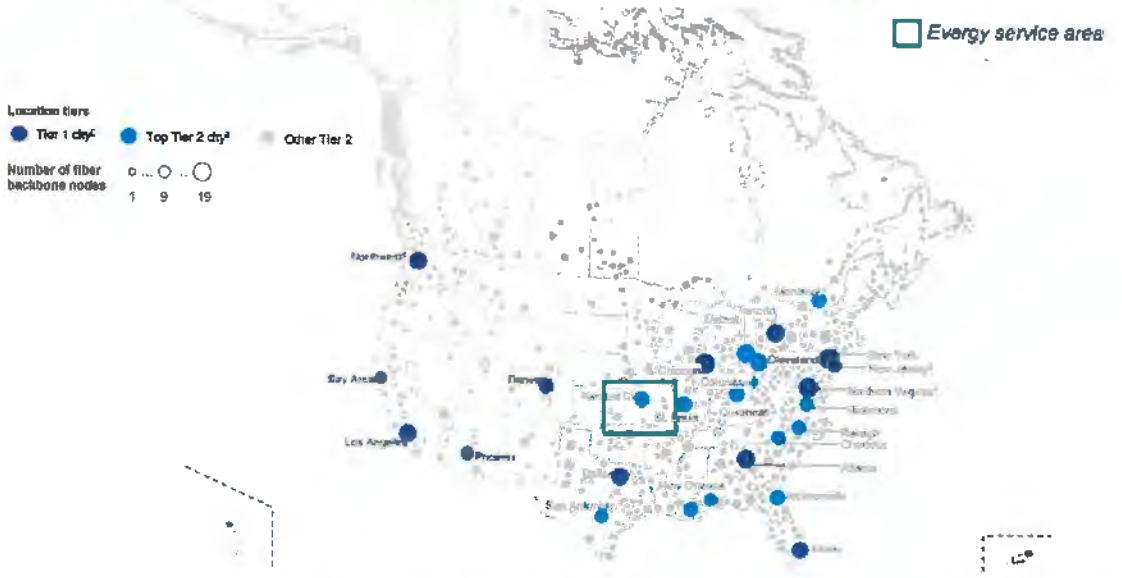
- Kansas has participated in the economic development renaissance the past few years
- The most recent example was the announcement of the Panasonic EV battery plant in 2023
- Several companies are currently and actively evaluating Kansas for advanced manufacturing and data centers
- Being at the forefront of this generational opportunity is likely to define the 21st century economies of states that "win" these customers

Kansas has an opportunity to expand on its recent economic development wins, most recently Panasonic, to establish the state's economic foundation for the remainder of the 21st century

Source: Newmark Group, Inc.: "Manufacturing Momentum (Part 1 of 3): Advanced Manufacturing Ascendency in North America", September 21, 2023

Data Centers Are Interested In Our Region

Tier-1 & Tier-2 Cities: Based on Access to Fiber and Energy Costs*



1. Based on the top 20 US Telcos and the top 6 Canadian Telcos; 2 As defined by JLL 2016 Colocation report; 3 All non-Tier 1 Cities with > 10 fiber backbones, and less expensive cost of electricity over a Tier 1 city within 400 miles of location or within 600 of 2 or more Tier 1 cities; 4 Based on Washington D.C. energy cost index; 5 Based on Seattle energy cost index; 6 Based on Newark energy cost index; 7 Based on San Francisco energy cost index

Source: Telegeography, Census Bureau Population Estimates Program, American Community Survey

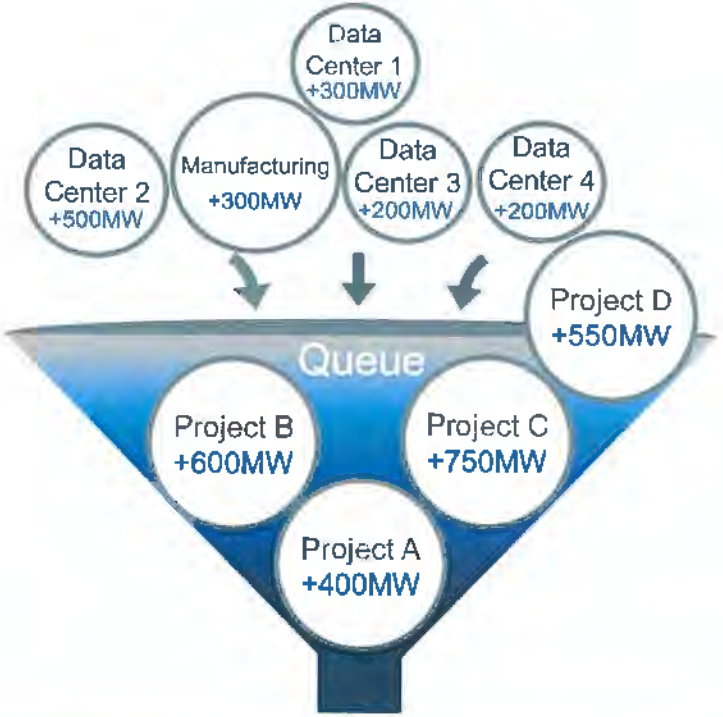
* *Map sourced from McKinsey & Company presentation – April 2024.*

- Tier-1 locations for DCs (e.g. Northern Virginia) are facing power capacity constraints, leading DC industry to prioritize Tier-2 locations
- Tier-2 cities are expected to become a large piece of market growth with winning locations likely being determined by areas with:
  - Excess generation and transmission capacity
  - Favorable energy prices
  - Increased fiber density
  - Local tax incentives

Data centers are looking to expand beyond their traditional footprint; our region is expected to benefit

Evergy's Large Customer Pipeline Is Robust

- Currently, our pipeline includes over 20 customers with more than 6 GWs of incremental demand
- Existing Evergy customers receive a relative benefit in electric rates as current system fixed costs are spread over a wider usage base
- Benefits to the broader Kansas economy from large customer acquisitions:
  - Job creation
  - Larger tax base to pay for schools, roads, services, etc.
  - Development of ancillary businesses and services
  - Improved economic resiliency by further diversifying Kansas' economic industrial base



Evergy is working with many prospective large load customers who are evaluating Kansas and Missouri locations. A handful are in the late stages of working with Evergy to assess feasibility toward meeting their requirements as they aim for project announcements beginning in 2025

Evergy Customer Benefits From Economic Development

- To attract these new large customers and support Kansas' economic development goals, significant incremental investment by Evergy will be required to serve their needs and those of existing customers
  - New generation assets to provide electricity to new customers and maintain required reliability margins for peak demand
  - Transmission and distribution investments for new connections
- These investments will require funding of debt and equity from investors to finance assets needed to support new and existing customers

New, large load customers will provide benefits to existing customers and the broader Kansas economy, and Evergy will play a pivotal role in executing on these opportunities

Evergy's 2025E-2029E Infrastructure Investment Plan

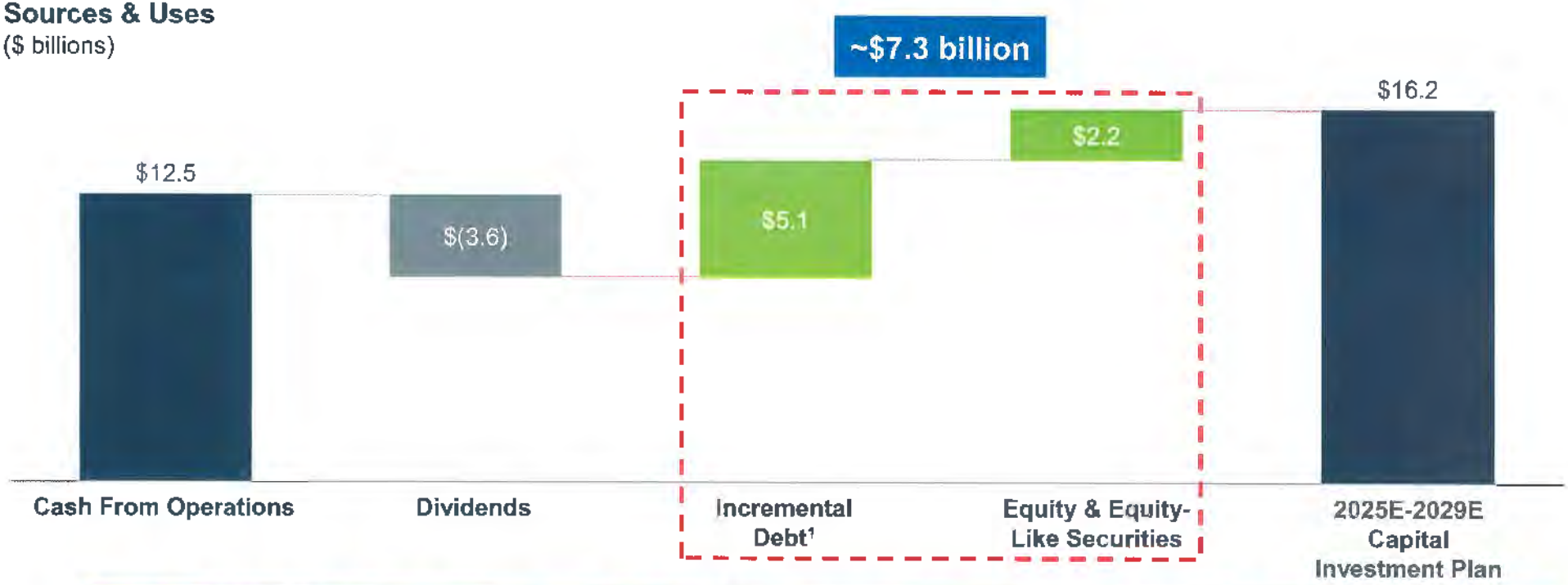
$ in millions	2025E	2026E	2027E	2028E	2029E	Total
New Generation/Renewables	472	852	1,158	1,557	1,228	**5,267**
General Facilities, IT, and Other	156	160	227	256	262	**1,062**
Transmission	528	555	682	710	728	**3,203**
Distribution	984	1,139	925	918	941	**4,907**
Legacy Generation	344	344	331	354	363	**1,736**
Total	**2,484**	**3,050**	**3,323**	**3,795**	**3,522**	**16,174**

Note: Approximately $9.6 billion, or ~60%, of our $16.2 billion capital plan is allocable to Kansas Central and Kansas Metro

Significant investment in generation resources and transmission & distribution infrastructure is required to meet new customers needs while improving reliability, complying with environmental rules, and meeting system reserve margins

2025E – 2029E Financing Plan

Sources & Uses
($ billions)



In 2025-2029, we expect to need ~$7.3 billion of incremental financing to fund this capital plan; ~$2.2 billion is expected to be Evergy equity or equity-like securities

[1]*Debt issuances incremental to debt needed to fund $3.8 billion of long-term debt maturities in 2025-2029E*

Economic Development Competitive Environment

- Kansas is competing with many states for large, new customers, including data centers and advanced manufacturing facilities, such as the Panasonic battery manufacturing facility being constructed in De Soto, KS
- These prospective customers value 1) reliability and 2) speed to market to serve their load
- Customer analysis of reliability and speed includes the assessment of whether the utility can raise the capital needed to fund critical infrastructure investments needed to enable their projects
- Evergy will be competing for capital available from debt and equity investors to raise the ~$7.3 billion needed to fund these investments, and investors will prioritize capital allocation to utilities in states where they observe the strongest risk-adjusted return prospects

A regulatory environment that supports a fair and competitive capital structure and ROE directly supports Evergy's ability to compete for large new customers that bring significant benefits to the Kansas economy

Capital Structure And ROE Fundamentals

Speaker: Geoffrey Ley

evergy

What Is Capital Structure

Evergy Electric Utility Companies

Long-term Debt Issuances (debt)	Shareholder's Equity (equity)

At least $7.3 billion of equity and debt capital will be needed from investors over the next 5 years to fund Evergy's electric infrastructure

Capital structure is the mix of long-term funds used to finance an entity

Capital Structure Financing Sources

	Operating Utility (e.g., Evergy Kansas Central; Evergy Metro)	Parent Company (e.g., Evergy, Inc.)
Long-term Debt	• **First Mortgage Bonds**	• **Unsecured Bonds** • *Subordinated Debt*
Equity	• **Retained Earnings** • **Equity Contributions from Parent**	• **Retained Earnings** • **Common Equity (shares of EVRG)** • *Preferred Equity* • *Minority Interests* • *Proceeds from Asset Sales*

Current financing sources for Evergy and its subsidiaries

Other common financing sources not currently used by Evergy and its subsidiaries

Operating utilities are typically financed with a mix of first mortgage bonds, retained earnings, and equity contributions from Parent companies; Parent companies have access to a broader array of sources of debt & equity financing

To Whom Are Capital Structure And ROE Important?

Customers: a capital structure and ROE that support competitive rates and a financially healthy utility with ready access to capital markets to fund beneficial investments supporting economic growth and grid reliability

Equity Investors: compared to other, similar investment opportunities, a competitive return on equity through earnings per share and dividend growth that is predictable based on constructive regulation

Debt Investors: an equity ratio and ROE which allow robust cash flow needed to service interest and principal payments over long investment horizons (5 – 30 years) to enhance recovery prospects in downside scenarios

Rating Agencies: provide information upon which debt investors, banks and vendors rely to judge the riskiness of a company. Consistent with debt investors, prefer an equity ratio and ROE which support robust cash flow and ample access to debt & equity markets given the capital-intensive nature of the business

Banks: providers of liquidity facilities used to finance capital investments and working capital; similar views to debt investors and rating agencies on preference for an equity ratio and ROE which support robust cash flow to repay borrowings

Vendors: provide short-term financing to utilities through payment terms which are generally determined based on credit ratings, offering longer payment terms to entities with better credit ratings, which reduces costs to customers

Capital structure and ROE are important to many constituents, including customers and shareholders, and signal the relative attractiveness of investing in Kansas vs. other states

Credit Ratings And Investors

Increasing Credit Risk

Moody's	S&P	
Aaa (1 / 2 / 3)	AAA (+ / -)	Investment Grade
Aa	Aa	
A	A	
Baa	BBB	
Ba	BB	Non-investment Grade
B	B	
Caa	CCC	
Ca	CC	
C	C	
n.a.	D	Default

- Investors across all industries use credit ratings as an input to how they price debt of a company
- Debt investors want to understand the certainty of payment of principal and interest for the bonds in which they invest
  - A key metric for utility debt investors and rating agencies is FFO/Debt – a measure of a company's cash from operations over its debt – higher FFO/Debt means the company should have adequate cash flow to make debt payments
- Equity investors want to ensure that companies have high enough credit ratings to allow access to debt & credit markets
- Consolidated utilities are typically rated Baa/BBB, and operating utilities typically have A-rated debt issuances

Credit rating agencies are a key constituent to whom capital structure matters; due to the capital-intensive nature of utilities, cash flow metrics are the key determinant of debt ratings and pricing

Peer Corporate (Parent Co/Consolidated) Credit Ratings

Denotes Regional Peer

Moody's Sr. Unsecured Credit Ratings

Portland General Electric Company	A3
ALLETE, Inc.	Baa1
Ameren Corporation	Baa1
Consolidated Edison, Inc.	Baa1
NextEra Energy, Inc.	Baa1
OGE Energy Corp.	Baa1
PPL Corporation	Baa1
Pinnacle West Capital Corporation	Baa1
Wisconsin Energy Corporation	Baa1
Xcel Energy Inc.	Baa1
AVANGRID, Inc.	Baa2
Alliant Energy Corporation	Baa2
American Electric Power Company, Inc.	Baa2
Avista Corporation	Baa2
Black Hills Corporation	Baa2
CMS Energy Corporation	Baa2
CenterPoint Energy, Inc.	Baa2
DTE Energy Company	Baa2
Dominion Energy, Inc.	Baa2
Duke Energy Corporation	Baa2
Entergy Corporation	Baa2
Evergy, Inc.	Baa2
Eversource Energy	Baa2
Exelon Corporation	Baa2
IDACORP, Inc.	Baa2
NiSource Inc.	Baa2
NorthWestern Corporation	Baa2
Otter Tail Corporation	Baa2
Public Service Enterprise Group	Baa2
Sempra Energy	Baa2
Southern Company	Baa2
Unitil Corporation	Baa2
Edison International	Baa2
FirstEnergy Corp.	Baa3
TXNM Energy, Inc. (formerly PNM)	Baa3
PG&E Corporation	Ba1
Hawaiian Electric Industries, Inc.	B1

S&P Issuer Credit Ratings

Alliant Energy Corporation	A-
American Electric Power Company, Inc.	A-
Consolidated Edison, Inc.	A-
Eversource Energy	A-
NextEra Energy, Inc.	A-
PPL Corporation	A-
Wisconsin Energy Corporation	A-
Xcel Energy, Inc.	A-
Ameren Corporation	BBB+
AVANGRID, Inc.	BBB+
Black Hills Corporation	BBB+
CMS Energy Corporation	BBB+
CenterPoint Energy, Inc.	BBB+
DTE Energy Company	BBB+
Dominion Energy, Inc.	BBB+
Duke Energy Corporation	BBB+
Entergy Corporation	BBB+
Evergy, Inc.	**BBB+**
Exelon Corporation	BBB+
NiSource Inc.	BBB+
OGE Energy Corp.	BBB+
Pinnacle West Capital Corporation	BBB+
Portland General Electric Company	BBB+
Public Service Enterprise Group	BBB+
Sempra Energy	BBB+
Southern Company	BBB+
Unitil Corporation	BBB+
Xcel Energy Inc.	BBB+
ALLETE, Inc.	BBB
Avista Corporation	BBB
Edison International	BBB
FirstEnergy Corp.	BBB
IDACORP, Inc.	BBB
IPALCO Enterprises, Inc.	BBB
NorthWestern Corporation	BBB
Otter Tail Corporation	BBB
TXNM Energy, Inc. (formerly PNM)	BBB
PG&E Corporation	BB
Hawaiian Electric Industries, Inc.	B-

Evergy's Consolidated Baa2 / BBB+ ratings are strong investment grade ratings and are consistent with peers and regional peers; strong investment grade ratings are important determinants of cost of debt and maintaining robust access to debt capital markets

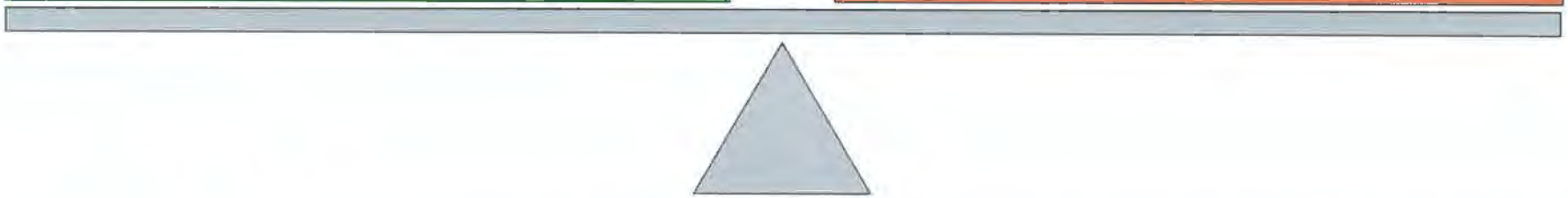
Balancing Relationship Between Capital Components

Utility Long-term Debt

- Requires mandatory debt service payments (interest and principal)
- Cost to customers less than equity
- Debt holders can force a company into bankruptcy if payments are missed

Utility Equity (Owners of the company)

- Flexible dividends (subsidiary dividends can be shaped for capital investments; can manage parent dividend growth)
- Cost to customers is higher than debt
- The more equity, the more financial strength of companies to ensure long-term viability of operations



Utilities must balance mix of long-term debt and equity to ensure financial stability of the company to balance affordable rates for customers and meet shareholder return requirements to maintain access to capital

Capital Structure Role In Customer Rates

Return on Rate Base = % Long-term Debt in Long-term Capital Structure ✖ Wtd. Avg. Cost of Long-term Debt + % Equity in Long-term Capital Structure ✖ Authorized Return on Equity (pre-tax)

All shareholder returns are derived from this component of revenue requirement

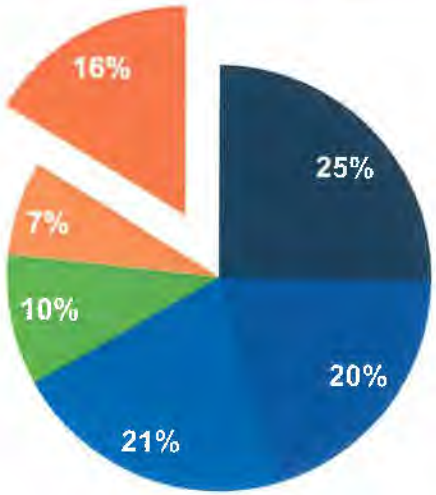
Utility Annual Revenue Requirement

- Operating Expenses
- \+ Depreciation & Amortization
- \+ Taxes Other Than Income Taxes
- \+ Other Expenses
- \+ **Return on Rate Base** ✖ Rate Base
- = **Total Utility Annual Revenue Requirement**

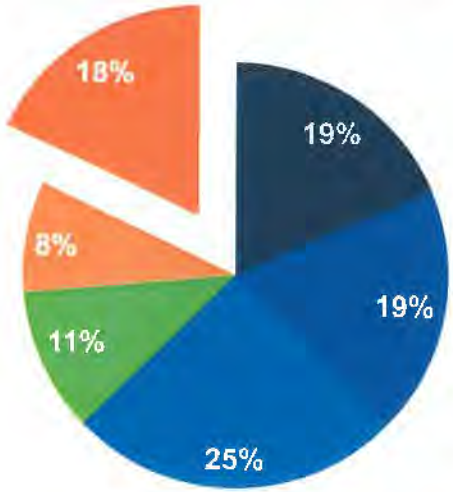
Customer rates are determined based on utility revenue requirement; return on rate base is one of many inputs that feeds the calculation of revenue requirement

Revenue Requirement – EKC & EKM In 2023 Rate Cases

Evergy Kansas Central (EKC)



Evergy Kansas Metro (EKM)



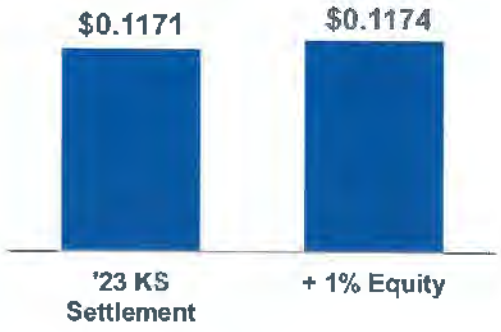
- Non-fuel Operating Expenses
- Fuel & Purchased Power
- Depreciation & Amortization
- Taxes Other than Income Taxes
- Rate of Return – Debt
- Rate of Return – Equity

The equity return component, which is responsible for investor returns, represents ~16-18% of Kansas Central's and Kansas Metro's total revenue requirement

Illustrative Example: Equity Ratio Impact On Customers And Shareholders

Equity Ratio[1]

Average Retail Rates ($/kWh)



- $6.5 million increase in revenue[2]
- $0.0003 increase in average retail rates
- 0.2% increase in average retail rates

- Equates to ~$70 million of equity value that can be used for further infrastructure investments[3]
- From the equity investor perspective, a significant driver and comparator across jurisdictions

[1] Reflects Evergy's interpretation of the black-box settlement filed in docket 23-EKCE-775-RTS for Kansas Central and Kansas Metro combined; based on 9.4% ROE stated for the TDC, Evergy's filed cost of debt of 4.37%, and pretax return on rate base of 8.144%

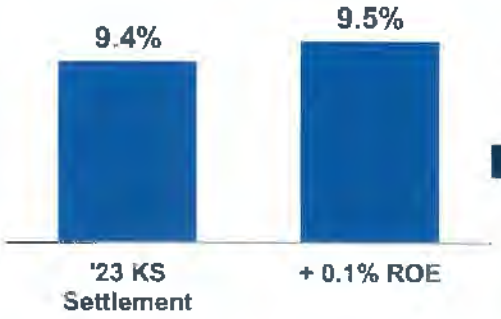
[2] $8.631 billion of retail rate base multiplied by the change in pretax return on rate base due to a 1% increase in the equity ratio (8.220% - 8.144%) = $6.5 million

[3] $6.5M of revenue equates to $5.1M of earnings, or $0.02 per share with 230.6M shares outstanding. Utility stocks trade at a multiple of earnings per share (PE multiple). Evergy is currently trading at ~16x 2024 earnings. $0.02 earnings per share x 230.6 million shares x 16 P/E = $73.8 million

A 1% increase in equity capitalization would increase retail rates 0.2%, or $0.0003/kWh, and impact earnings by 0.5%, increasing equity value by ~$70 million

Illustrative Example: Authorized ROE Impact On Customers And Shareholders

Allowed ROE Ratio[1]



Average Retail Rates ($/kWh)

- $7.0 million increase in revenue[2]
- $0.0003 increase in average retail rates
- 0.2% increase in average retail rates

- Equates to ~$70 million of equity value that can be used for further infrastructure investments[3]
- From the equity investor perspective, a significant driver and comparator across jurisdictions

[1] Reflects Evergy's interpretation of the black-box settlement filed in docket 23-EKCE-775-RTS for Kansas Central and Kansas Metro combined; based on 9.4% ROE stated for the TDC, Evergy's filed cost of debt of 4.37%, and pretax return on rate base of 8.144%

[2] $8.631 billion of retail rate base multiplied by the change in pretax return on rate base due to a 0.1% increase in the authorized ROE (8.208% - 8.144%) = $5.5 million; plus impact on TDC rate base $3.272 billion x 68.9% of TDC rate base subject to KCC jurisdictional ROE with e 0.1% increase in authorized ROE (8.229% - 8.162%) = $1.5 million; total impact to customers of $7.0 million ($5.5 million + $1.5 million)

[3] $7.0M of revenue equates to $5.5M of earnings, or $0.02 per share with 230.6M shares outstanding. Utility stocks trade at a multiple of earnings per share (PE multiple). Evergy is currently trading at ~16x 2024 earnings. $0.02 earnings per share x 230.6 million shares x 16 P/E = $73.8 million

A 0.1% increase in authorized ROE would increase retail rates 0.2%, or $0.0003/kWh, and impact earnings by 0.5%, increasing equity value by ~$70 million

Section Takeaways

- Utilities are capital intensive businesses that rely heavily on external debt and equity capital to finance their infrastructure investment programs
- Company earnings and shareholders returns are driven by the equity return component of the revenue requirement embedded in customer rates
    - Equity returns are approximately 16% to 18% of Evergy Kansas Central's and Evergy Kansas Metro's total revenue requirement
- A 1% change in equity capitalization or 0.1% change in authorized ROE equates to a ~0.2% change in average customer rates and ~$70 million of shareholder value, highlighting the relative importance of the issue for equity investors as they consider the relative competitiveness and attractiveness of the jurisdictions in which they choose to invest
- All else being equal, an increase in equity capitalization and/or authorized ROE results in higher internally generated cash flow, mitigating external financing needs and costs
    - Importantly, a below average ROE or equity capital structure can result in an adverse signal to investors which results in equity and debt capital diverting to other states

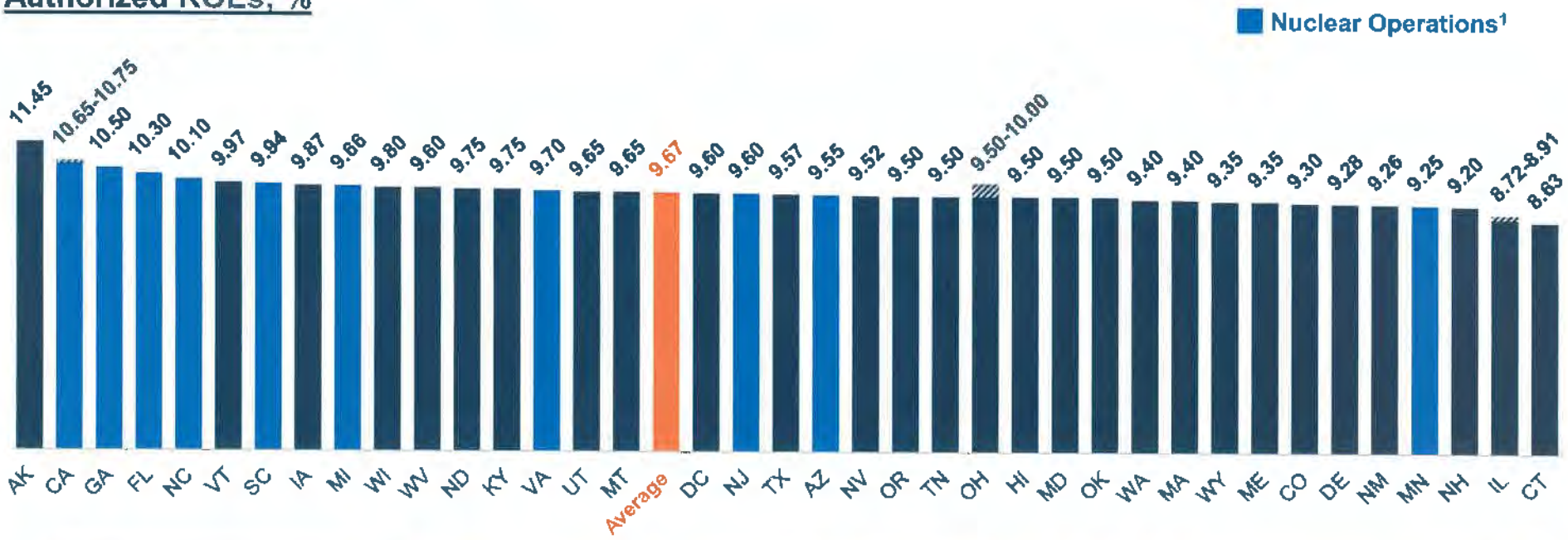
Comparability of ROEs and Capital Structures in the Industry; Importance to Attract Capital

Speaker: Bryan Buckler

evergy

Regulated Utility Authorized ROEs By State

Authorized ROEs; %



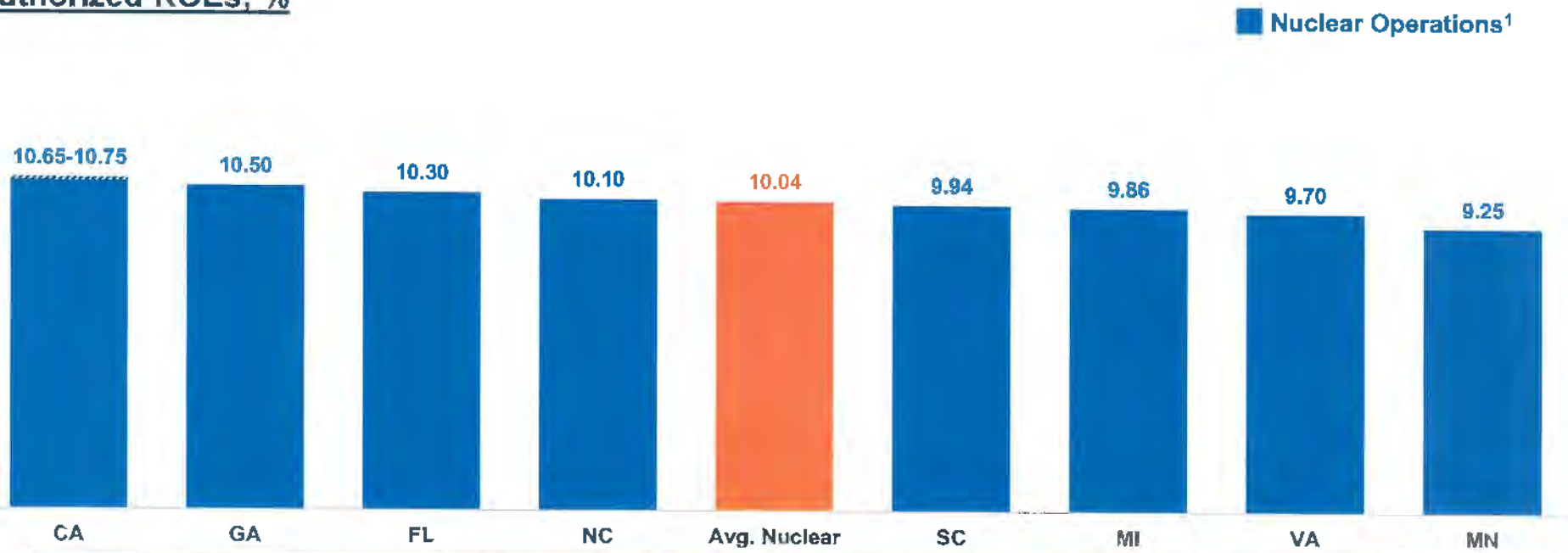
The average US utility authorized ROE is 9.67%

[1] *States with investor-owned regulated utilities that are vertically integrated and have nuclear operations*

Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available

Regulated Utility Authorized ROEs With Nuclear Operations

Authorized ROEs; %



Utilities with nuclear operations have more risk than those which do not; states with nuclear operations in investor-owned, vertically integrated utilities have an average authorized ROE of 10.04%

[1] *States with investor-owned regulated utilities that are vertically integrated and have nuclear operations*

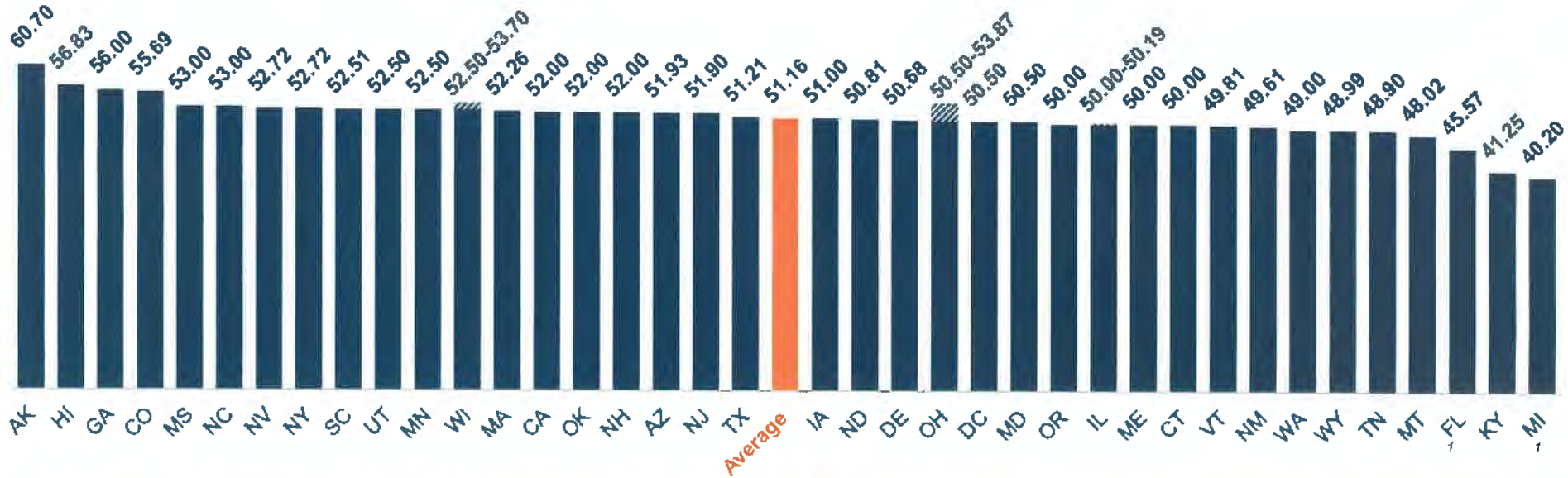
Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available.

ROE Section Takeaways

- As recognized in Hope and Bluefield, ROE, and its relative level with companies of comparable risk is important to investors and customers
- Providing a fair and reasonable return commensurate with the returns that investors expect aligns not only with regulatory policy established under Hope and Bluefield but also with the fundamental Kansas case law in review of KCC orders
- ROEs of utilities that include nuclear operations are typically higher (~37 bps) than the average ROEs granted across the industry and in excess of 50 bps higher than Kansas

Regulated Utility Authorized Equity Capitalization By State

Authorized Equity Capitalization; %



The average US authorized equity capitalization for regulated utilities is 51.16%

[1]On an adjusted basis, equity ratio believed to be ~50% for Michigan and 53%+ in Florida

Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available. Florida, Indiana, and Michigan are "zero-cost" jurisdictions whose capital structure calculations are not directly comparable with others due to calculations that include credits and deposits not include in other states

Consolidated Long-term Equity Capitalization

Consolidated Long-term Equity Capitalization as of June 30, 2024; %

Evergy's consolidated long-term equity capitalization has a higher level of equity content than industry averages and most industry peers

Source: 2024 Q2 Form 10-Q Filings

[1] Industry peers specified in Ann Bulkley's testimony in Docket No. 23-EKCE-775-RTS

[2] Industry peers used in KCC Staff's annual report for Docket No. 19-KCPE-096-CPL "In the Matter of the Capital Plan Compliance Docket for Kansas City Power and Light Company and Westar, Inc. Pursuant to Commission Order in 18-KCPE-095-MER"

Consolidated Long-term Equity Capitalization – Nuclear[1]

Consolidated Long-term Equity Capitalization as of June 30, 2024; %

Evergy's consolidated long-term equity capitalization is the 2nd highest among industry peers who have nuclear operations as part of their fleet

Source: 2024 Q2 Form 10-Q Filings

[1] *Investor-owned utility holding companies that own vertically integrated regulated utilities and have nuclear operations*

[2] *Industry peers specified in Ann Bulkley's testimony in Docket No. 23-EKCE-775-RTS*

[3] *Industry peers used in KCC Staff's annual report for Docket No. 19-KCPE-096-CPL, "In the Matter of the Capital Plan Compliance Docket for Kansas City Power and Light Company and Westar, Inc. Pursuant to Commission Order in 18-KCPE-095-MER"*

Ratemaking Capital Structure – Operating Company vs. Consolidated

- The use of the operating company capital structure for ratemaking purposes is nearly universal with state commissions.
  - **Review of 29 holding companies including Evergy peers, in 109 rate cases there was not a single instance where a Commission explicitly imputed holding company debt to the operating company.**
- The few exceptions to that approach most often substitute a hypothetical capital structure which is intended to approximate the capital structure of the industry, typically as shown by the proxy group of the utility companies used to estimate the return on equity.
- Average authorized equity ratios for vertically integrated electric utilities have been well above electric holding company equity ratios in every year since at least 2010, supporting the conclusion that U.S. regulatory commissions do not generally rely on holding company capital structures when determining the appropriate ratemaking capital structure.

Average Authorized Equity Ratio for Vertically Integrated Electric Utilities vs. Average Holding Company Book Equity Ratios

Source: Regulatory Research Associates. Authorized equity ratios for vertically integrated electric utilities. Excludes limited issue rider cases. Excludes decisions from states that include non-investor supplied capital in the ratemaking capital structure (Arkansas, Florida, Indiana, Michigan). Includes decisions that use short-term debt in the ratemaking capital structure. Holding company average excludes pure play natural gas holding companies and holding companies whose electric operations are primarily T&D.

In review of rate cases involving investor-owned utilities, operating capital structures are consistently used across jurisdictions to establish rates and have significantly higher equity capitalization than holding companies

Capital Structure Section Takeaways

- Provided that the "Standalone Principle" and Hope & Bluefield criteria have been met, it is standard for utility ratemaking to be based on actual operating utility capital structures
  - In a comprehensive review of rate cases across the industry, utility operating company capital structures are used to establish rates
  - The "capital attraction" standard of Hope and Bluefield is critical for companies like Evergy to deliver the infrastructure needed in Kansas
- Capital structure is important to more than just equity investors
  - Credit rating agencies prefer operating utilities with robust equity layers to absorb potential financial shocks and to withstand periods when credit/debt markets are unavailable
- Significant equity capital will be required for Evergy to finance infrastructure needed to enable the generational economic development pipeline ahead of us, which will yield benefits to existing customers and the Kansas economy
  - Evergy is not alone with respect to its capital needs and will have to compete with other utilities who are also investing to position their states/jurisdictions to capitalize on economic development opportunities and meet the needs of large new customers

Appendix to Company Presentation

evergy

Utility Investor Analyst Comments On Kansas After 2023 Rate Case Outcome Leading To HB2527 Initial Filing

Downgrading to NEUTRAL from Buy: We are downgrading EVRG to NEUTRAL from BUY on the back of the environment in Kansas and the uncertainty regarding pathways forward to improve the jurisdiction despite shares showing a noticeable valuation discount and our constructive stance around management/the EVRG core story which remains a solid regulated utility in both KS and MO – this is a call against Kansas, not EVRG hence why KS is in the negative category in our regulatory analysis section earlier on in this report. In our view, Kansas' actions last year were some of the most draconian in the space, with the prospects for double leverage questions to reappear in the next case, absent a legislative solution this winter which can prolong the issue. Given legislation is such a jump ball for utility policy, we believe it is prudent to step to the sidelines at this time – if the company is not successful legislatively, clarity on double leverage may have to wait until the next case, creating a yearlong structural overhang in the interim (dead money). However, we note that legislative traction in Kansas this winter could be a catalyst to revert our thesis – ***put differently, this could be a short-term call for us given the Committee turnaround deadline is 2/23, and we would potentially look to revisit if the data points heading into floor voting was positive.*** Importantly, we stress that we remain positive on management and Missouri as a jurisdiction. We believe management did a good job last fall ripping the band aid off post-KCC and resetting growth expectations in the NT – we simply remain skeptical in the NT that the state of KS can yield a sensible legislative outcome that would warrant multiple compression… this downgrade is more geared towards the deteriorated backdrop in KS vs. any negative perceptions around EVRG. ***– Guggenheim, January 22, 2024***

Utility Investor Analyst Comments On Kansas In Response To KCC Staff ROE/Capital Structure Testimony Filing

We continue to share investor concern around the Kansas baseline and the potential for the KCC to remain sympathetic to Staff's surprising leverage arguments. ***– Guggenheim, September 2023***

Loss of confidence in Kansas regulatory environment.

We thought EVRG took all the right steps into the Kansas case – keeping rates flat for 5 years amidst rampant inflation and rising regional peer rates, regularly reviewing the capex plan with the KCC, agreeing to lower transmission ROEs, and even declining to sell the company back when Elliott was involved. But that seemed to go unappreciated with KCC Staff testimony at the end of August. This saw a recommended **rate decrease** and an equity ratio that imputed parent debt unlike most other states (and Kansas itself when EVRG was over-equitized coming out of the GXP/WR merger).

Execution on cost control has been strong and we like the mgmt. team... EVRG has seemingly done all the right things in Kansas – keeping rates flat and aligning with stakeholders on a variety of issues. But if rates can't be raised and ROEs/equity ratios are weaker than peers, we struggle to see investor sponsorship for the jurisdiction. ***– Wolfe Research, September 10, 2023***

The global settlement removes the immediate overhang of a protracted case process that, in our view, could have seen the Commission finishing not far removed from Staff's draconian opening mark. By not fighting Staff's earlier surprise double leverage look-through, the issue seems to remain open for another day, a prospect that we believe will remain an overhang … ***– Guggenheim, October 2023***

Kansas good for customers, bad for shareholders

The state is clearly very sensitive to rates and imputing parent debt into equity ratios remains unresolved. EVRG is talking to a legislative strategy to improve cost of capital and capital structure in KS, with a tie to economic development / infrastructure investment, but it's early days and broad stakeholder support is TBD. ***– Wolfe Research, November 7, 2023***

The Rating Agency and Fixed Income Investor Perspectives

Speaker: Todd A. Shipman

evergy

CONCENTRIC
ENERGY ADVISORS

KANSAS WORKSHOP

CAPITAL STRUCTURE AND RETURN ON EQUITY

TODD A. SHIPMAN, CFA ON BEHALF OF EVERGY INC.

November 20, 2024

My Background and Experience

- Almost 40 years analyzing or working in the industry
- Specialized in evaluating regulatory decisions and behavior right from the start
- 21 years at S&P Global Ratings
- Sector Specialist for North American (U.S. & Canada) utilities team
- Created or collaborated on all criteria now in use for utilities across the globe
- Utility consulting and expert testimony since 2018

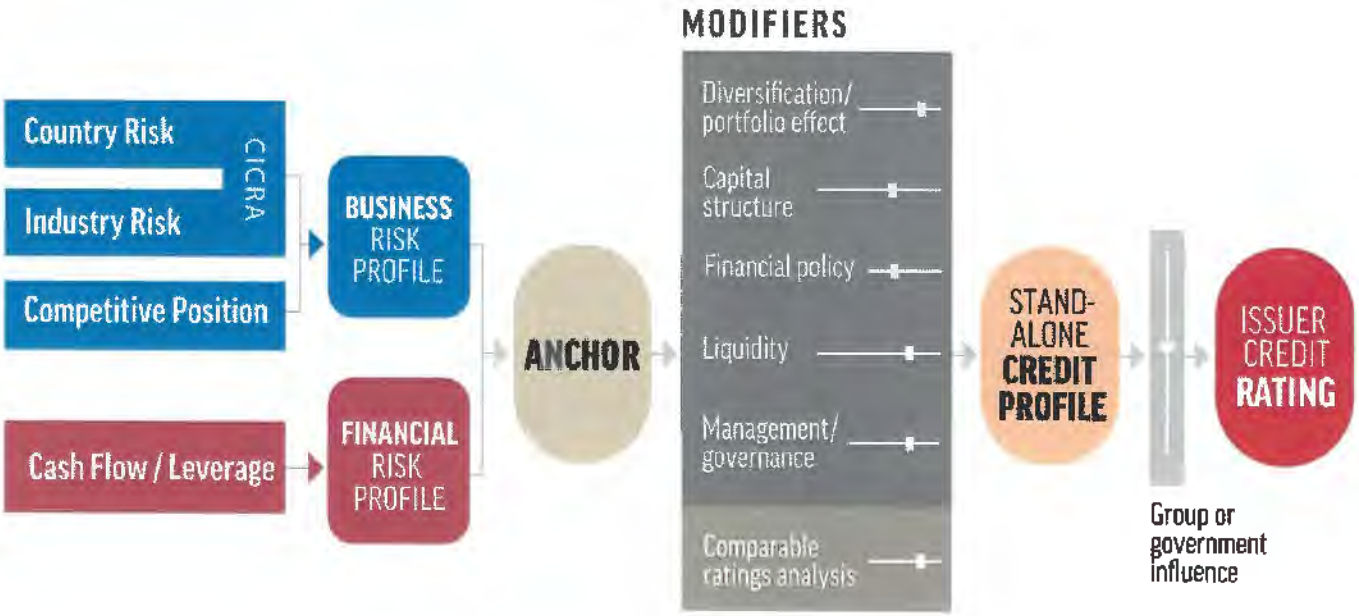
Why Do Credit Ratings Matter?

- A credit rating summarizes credit risk – the ability and willingness of an issuer to pay on time and in full
- Fixed income investors use ratings to price risk – the terms on which they are willing to provide debt capital to a utility or other issuer
- Has a lasting effect on the embedded cost of debt
- Also used by equity investors and other parties as a risk proxy

Affinity of Rating Agencies and Utility Regulators

- Ratings are a ***comprehensive*** view of a utility's financial health and strength
- Ratings are ***long-term*** in nature
- Ratings are ***independent*** opinions – no skin in the game
- Therefore an ideal benchmark to assist regulators as they navigate among the competing interests of a utility's stakeholders in a balanced manner

Evolution of Rating Criteria



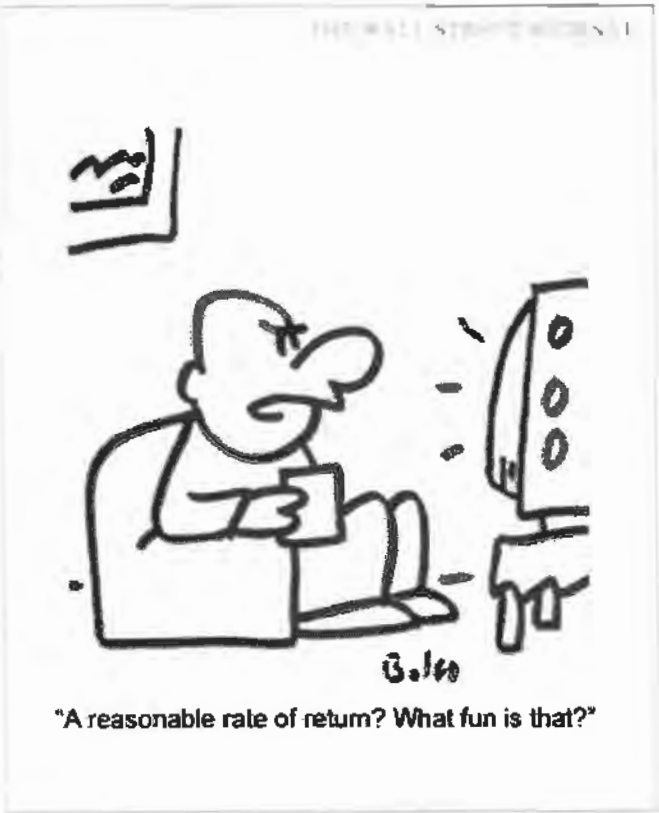
Stand-Alone Credit Profiles (SACP) and Issuer Credit Ratings (ICR)

- The SACP is not rating, but a step (an important step) in the credit analysis on the way to the final rating outcome.
- An SACP is an opinion of an issuer's creditworthiness "in the absence of extraordinary intervention from its parent or affiliate".
- Investors generally focus on the final rating, but utilities are considered naturally insulated due to the comprehensive regulation of its operations and finances.
- Thus, utility investors in my experience consult the SACP as well as the ICR when making investment decisions.

Importance of Capital Structure and ROE to Utility Ratings

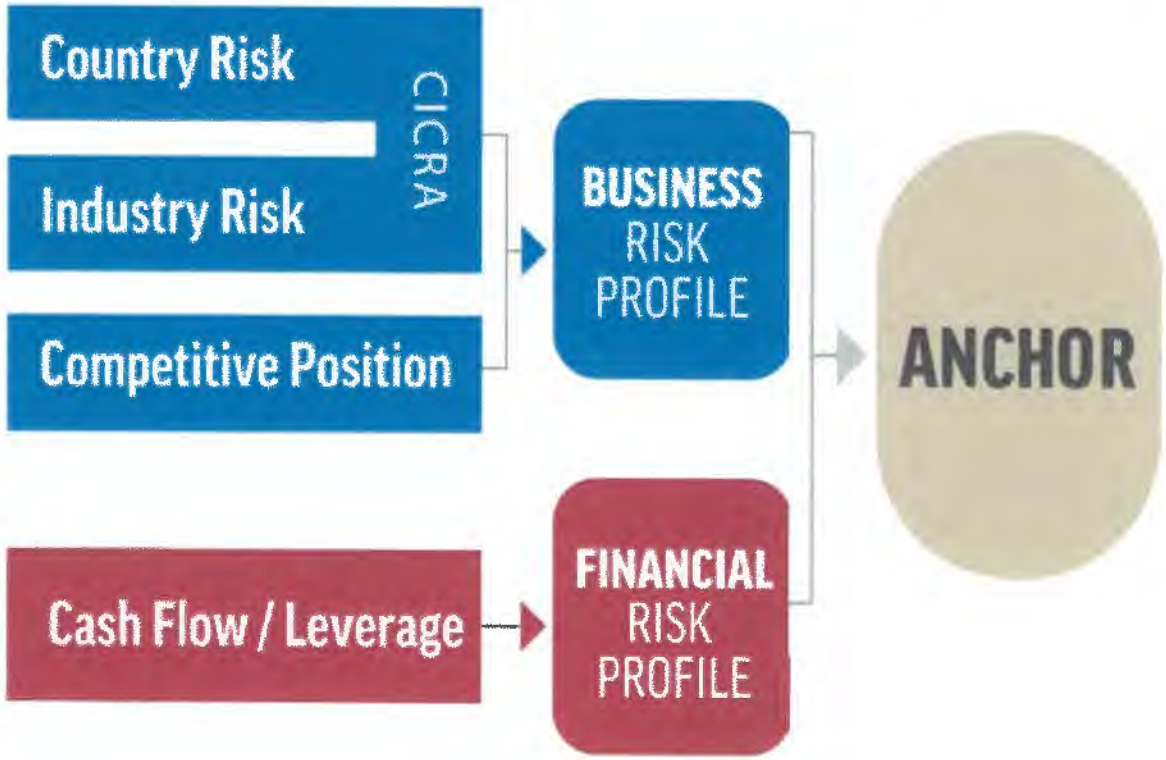
- Stronger balance sheet and competitive returns have an obvious impact on FINANCIAL RISK.
- Just as important: the subtler meme of a regulator's capital structure/return on equity decisions have an impact on BUSINESS RISK
- This signaling effect reveals in a concise, shorthand way the regard a jurisdiction has for the investors who are furnishing the capital needed for safe, reliable service and to achieve public policy goals.
- A profound and durable impact on a utility's cost of capital.

Interlude



"A reasonable rate of return? What fun is that?"

Why and How It Affects Credit Quality and Ratings



How Regulation Affects A Utility's Risk Profile

- Regulatory risk has an outsized effect on the assessment of utility credit quality
- Not just a matter of the nuts-and-bolts of ratemaking – investors and rating agencies reward CONSISTENCY and PREDICTABILITY
- Fixed income investors and therefore rating agencies tend to have a long-term horizon, so those two principles matter A LOT

Why A Long-Term Perspective is Useful

OCT. 14, 1954

Making Solar Power Devices Is Wide Open Field, Scientist Says

Demand in Fuel-Short Areas Is Great, But No One Makes Them, Authority Notes

By Ellis Haller
Staff Reporter of The Wall Street Journal

NEW YORK—Hoping to get into a brand new business? Then consider the possibility of manufacturing solar power machines—stoves that convert the sun's energy into heat.

The field is wide open. No company in the world is making such devices commercially at present but demand for them is likely to grow as scientists push their quest for new sources of energy.

That word comes from an authority on sun power, Charles G. Abbot, of the Smithsonian Institution in Washington. He told a meeting of businessmen here yesterday that there's an unfilled demand for small solar power machines, up to five horsepower, for irrigation, heating and cooling of dwellings, charging batteries and other farm or ranch uses.

Few May Take Plunge

A few manufacturers are apt to plunge

JAN. 4, 1974

Shale Sale

Is Shale Oil an Answer To Energy Shortages? U.S. Starts Finding Out

Tuesday's Bidding May Lead To Vast Project Someday; Potential Yield Is Huge

Ecologists Fear a Nightmare

By D'Arcy O'Connor
Staff Reporter of The Wall Street Journal

DENVER—At 10 a.m. Tuesday, Interior Department officials here will unseal bids of millions of dollars from companies hoping to tap up to four billion barrels of oil locked in 5,100 acres of rugged cliffs and canyons 200 miles to the west.

The auction will mark the start of the federal government's "prototype" oil-shale leasing program, which has been spurred by current shortages of crude oil and the resulting scramble to develop alternative sources of energy.

Fuel from the oil shale [illegible] the U.S. consumer is now

MARCH 28, 1976

The Future Revised

No Crippling Shortage Of Energy Expected, But Cost Will Be High

Oil Could Start to Vanish By 1990s; Coal Supplies Will Help Fill the Gap

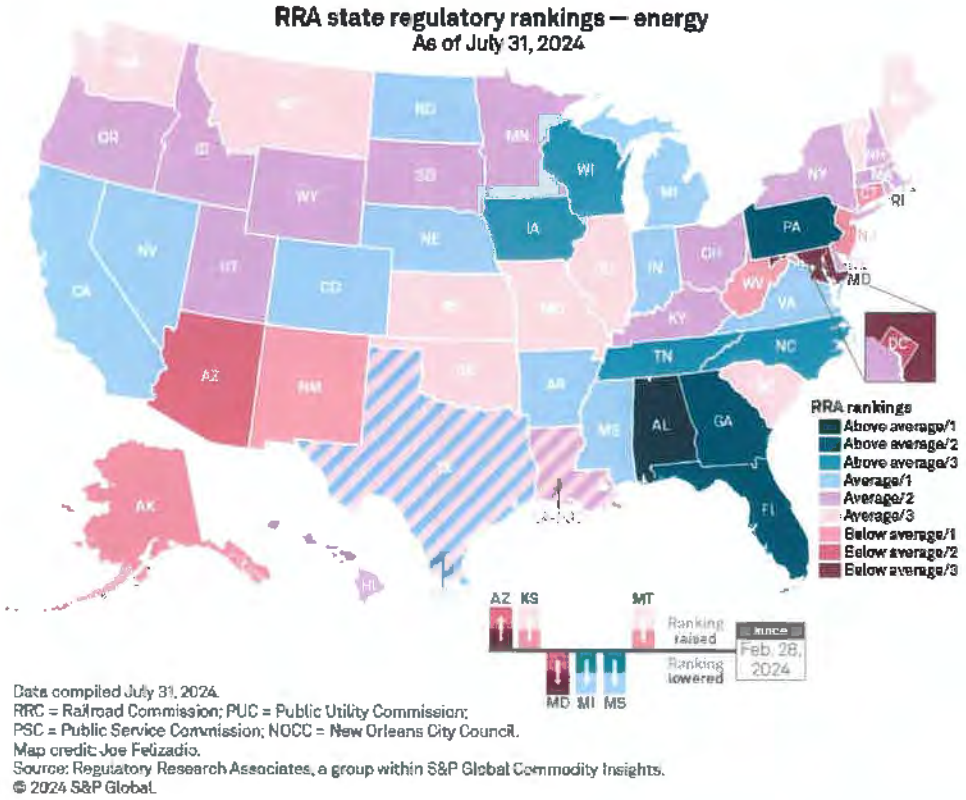
Solar Power's Small Role

By James Tanner
Staff Reporter of The Wall Street Journal

The primary sources of energy today are coal, oil and natural gas. In the year 2000 energy experts generally agree the chief sources of energy will still be coal, oil and natural gas.

This may suggest that little has changed since 1956, when this newspaper reported that the earth still held enough fossil fuels to keep homes warm and factories humming for centuries. But a lot has changed. In 1956, nuclear power was expanding position an

Regulatory Environment – Equity and Debt Perspective



A Credit Analyst's (Pragmatic) Approach to Capital Structure and ROE

- Evaluate the various decisions affecting the revenue requirement calculation
- Determine the utility's ability to earn its authorized return
- Compare the results to peers
- Derive a conclusion on the rate case outcome and its effect on your opinion of the regulatory environment overall and regulatory risk of the utility

Realities of Return On Equity & Capital Structure

- Regulators aren't establishing the cost of equity capital – they're trying to discern what it is
- Utilities have to compete for capital – with other utilities and other corporate issuers
- Signaling Effect – already covered
- Policy Effect – do you want to encourage or discourage investment in the state? Progress or *status quo* on desirable public policy goals?
- The paradox of utility regulation and ROE – reward risk-taking or risk management?
- Companies have a fiduciary duty to allocate capital prudently while containing risk

Thank You

tshipman@ceadvisors.com

857-260-0656

Industry Capital Needs and the Equity Investors' Perspectives

Speaker: Daniel F. Ford

evergy

Dan Ford's Background

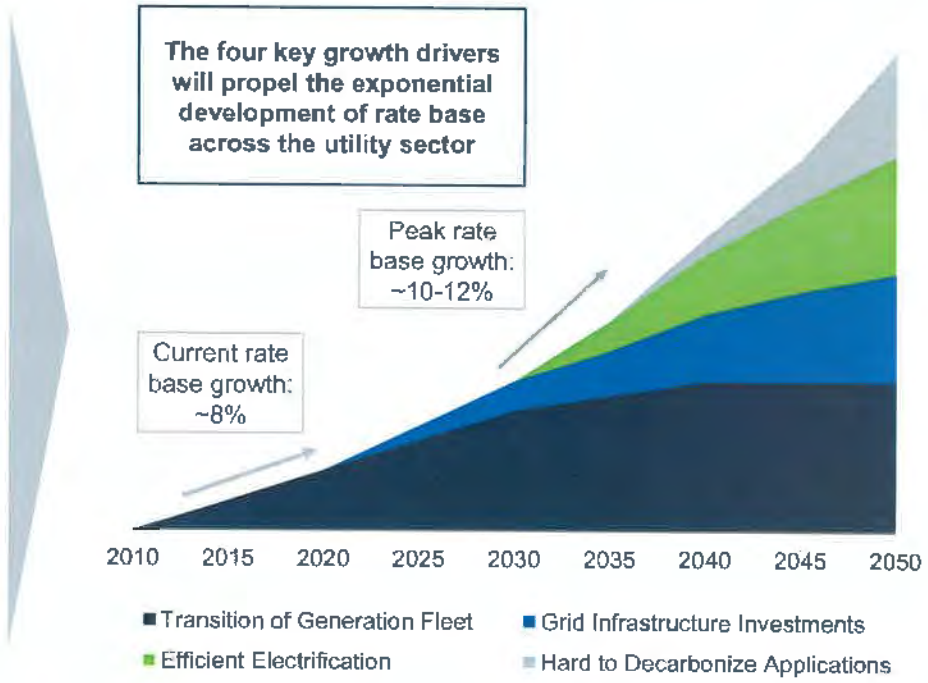
- Daniel F. Ford is Vice Chairman of Natural Resources and a Managing Director in the Investment Bank at Citigroup Global Markets, Inc.
- Preceding Citigroup, he was a Consultant for Power, Utility and Power Technology companies. Before that, Mr. Ford was Managing Director and Head of North American Power and Utilities Equity Research at UBS from January 2018 until December 2021. At UBS, Mr. Ford was responsible for covering a group of over 60 energy, utility and environmental service stocks comprising over $750B in market capitalization
- Prior to joining UBS, Mr. Ford served as Managing Director at Barclays from September 2008. Before that he covered Power, Utility and Environmental service stocks at Lehman Brothers, ABN AMRO, HSBC Securities, Dean Witter, Merrill Lynch and Morgan Stanley
- With more than 25 years of experience in the industry, Mr. Ford has received several awards for his work. Most recently, he was placed 3rd in the 2021 Institutional Investor All-Star Analyst Survey. He had been ranked continuously in that survey from 2001 to 2021
- Mr. Ford holds a bachelor's degree in economics from Dartmouth College. He served on the Advisory Council for the Electric Power Research Institute (EPRI), as Chair and served on the Board for EPRI as an external director

Generational Capital Cycle Underway

Utility investors likely to reward rate base growth that strives to meet requirements for customer service quality and an environmental profile of the future,yet is affordable for customers.

Rate Base Growth Drivers

1. Transition of The Generation Fleet
   - Transition from traditional fossil fleet to renewable generation
   - Ongoing since the 2010s and expected to peak by 2040
2. Grid Infrastructure Investments
   - Driven by reliability needs, load growth (data centers) and onshoring (CHIPS Act of 2022)
   - Ramping up between 2020 and 2050
3. Efficient Electrification
   - Electric vehicles and energy efficient appliances
   - Starts now but accelerates at the end of the decade and peaks around 2050
4. Hard to Decarbonize Applications
   - Small modular reactors, hydrogen, deep rock geothermal and other unproven technologies that are not yet economically viable
   - Likely to reach large-scale adoption starting in 2035



Utility Capital Outlays Responding to Electrification of US Economy

Increased Capital Expenditures are Expected to Drive Equity Needs

- The sector's average ~$137bn per year CapEx spend through 2026 is roughly 66% higher than the previous decade's average level

Historical vs. Projected CapEx Spend

($bn)

Increased Capital Expenditure Programs Will Require Significant Equity

Source: FactSet. Note: Market data as of October 29, 2024

Balance Sheet Strength Rewarded as Capex Accelerates

MOODY'S

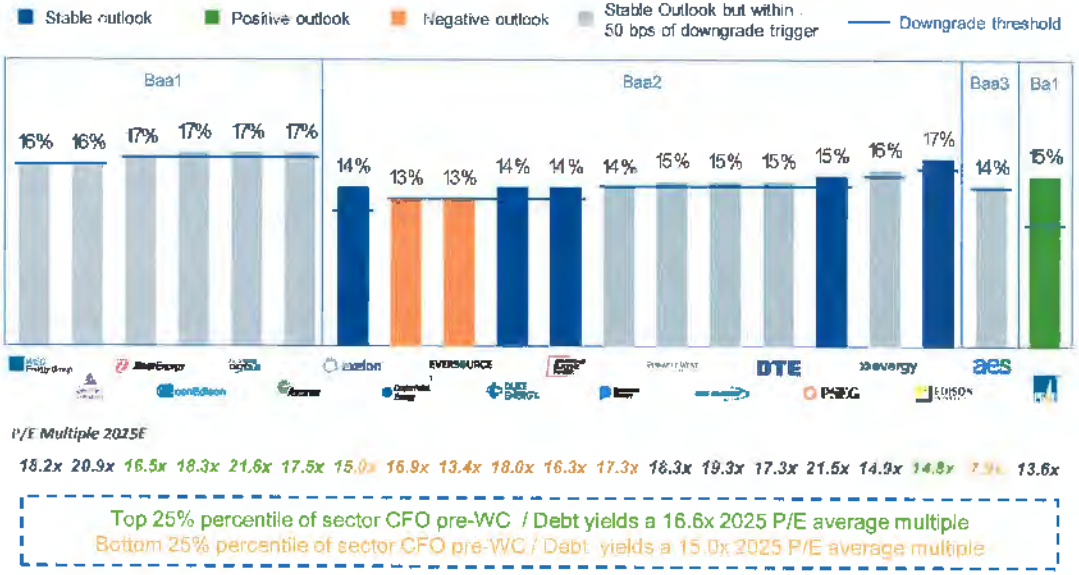
With two companies already on negative outlook and an additional twelve expected to be at or near their downgrade thresholds, utilities' debt capacities are currently constrained.

Ratings Have Migrated Towards Baa2

(Distribution of Ratings for Regulated Utilities)

Many Utility Companies Operating Close to Downgrade Trigger

(Current Moody's Downgrade Thresholds and CFO-preWC / Debt Forecasts)



Source: Moody's, Factset. Note: Market data as of October 29, 2024

Equity Is Coming … Can the Industry Attract the Volume?

~$137 billion
Annual cash flow outspend

×

25% – 30%
Equity

=

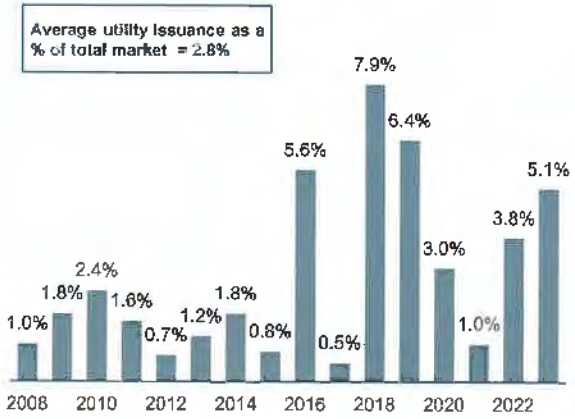
$34 – $41 billion
Annual equity or asset sales

>$30 Billion Annually Will Exceed Historic Levels …

(Utility Sector Equity Issuance in $ in Billion)

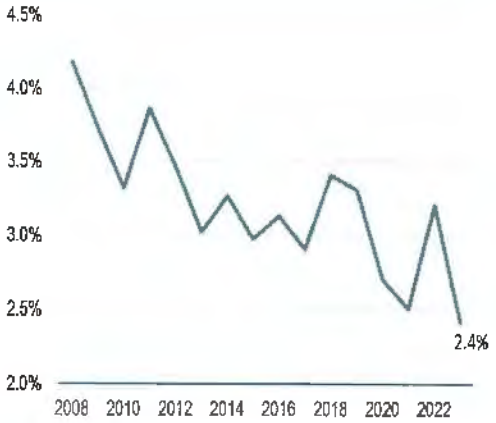
…And May Become Outsized Relative to Market

(Utility Issuance as a % of Total Market)



Outstripping the Sector Market Weighting

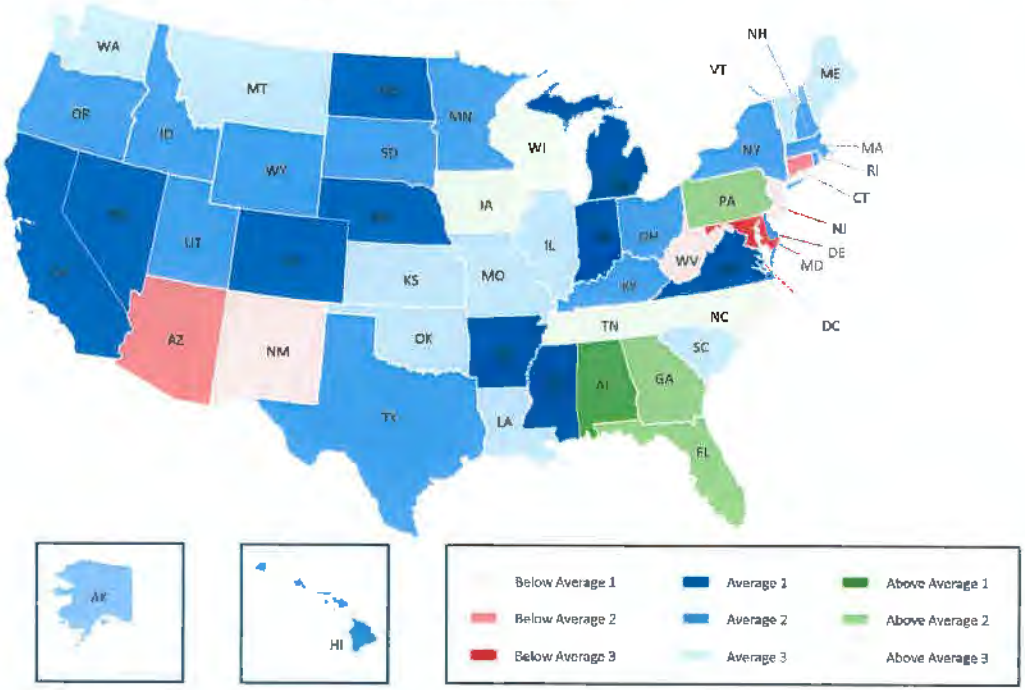
(Utility Sector Weighting in the S&P 500)



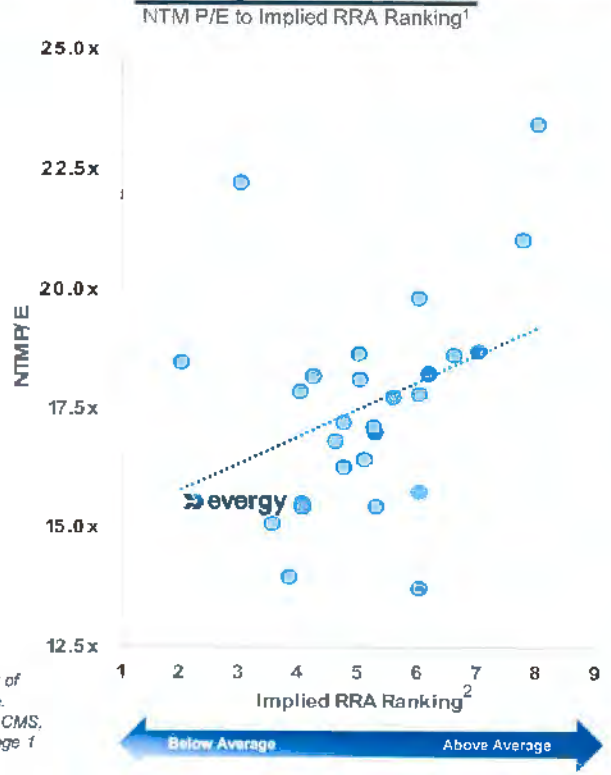
Source: Bloomberg, Dealogic. Note: Data includes US listed offerings > $25 million (ex-SPAC IPOs)

Regulatory Assessment Key Factor in Investment Process

RRA Ranking



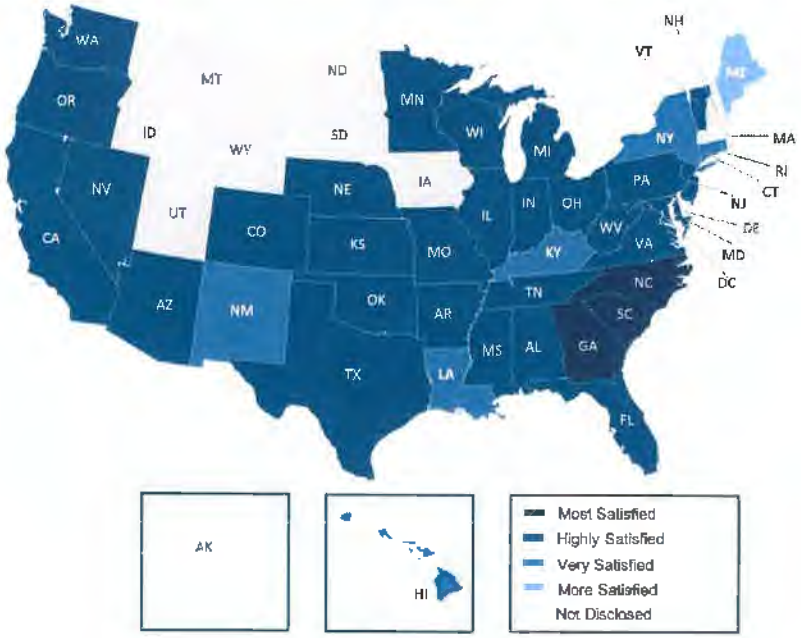
Regulatory Strength Leads to Higher Utility Valuations



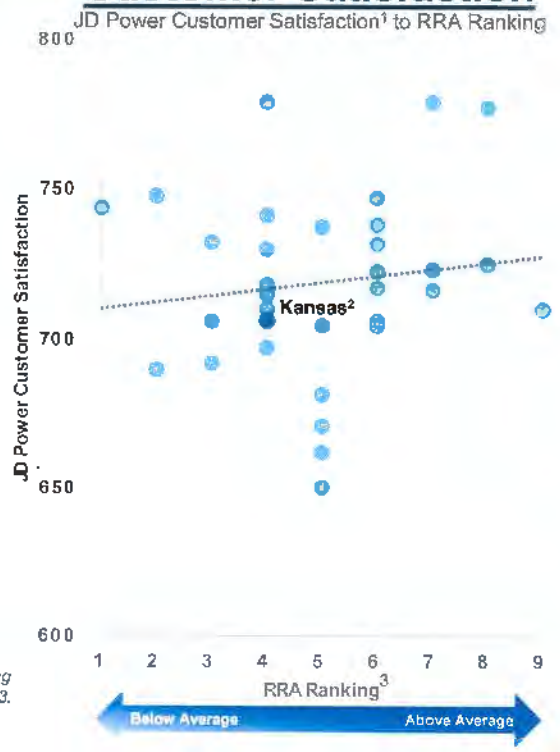
Source: FactSet, SNL, RRA. Note: Market data as of October 29,2024. 1. Implied RRA Ranking is based on weighted average of rate base for a peer set of electric and multi utility companies. Multi state utility RRA Rankings proportionetely attribute each states RRA ranking based on % rate base in each state. Sample consists of rated electric and multi utility companies including, NEE, SO, DUK, AEP, SRE, PEG, EXC, ED, XEL, EIX, WEC, DTE, FE, PPL, AEE, CMS, LNT, D, ETR, CNP, EVRG, PNW, OGE, MDU, IDA, AGR. 2. Scale ranges from RRA ranking of 1 = Below Average 3 to RRA Ranking of 9 = Above Average 1

Utility Customer Satisfaction Aligned with Regulatory Assessment as Well

JD Power Satisfaction Survey



Regulatory Strength Leads to Higher Customer Satisfaction



Source: SNL, RRA, JD Power. 1. State level JD Power Customer Satisfaction reflects simple average of satisfaction scores for single state utility operating companies. Utilities with operations in multiple states are excluded from the analysis. 2. Kansas JD Power Customer Satisfaction reflects that of Evergy. 3. Scale ranges from RRA ranking of 1 = Below Average 3 to RRA Ranking of 9 = Above Average 1

Virtuous Cycle of Well Functioning Regulated Utility Model

High customer satisfaction leads to constructive regulatory relationships and higher relative valuations.

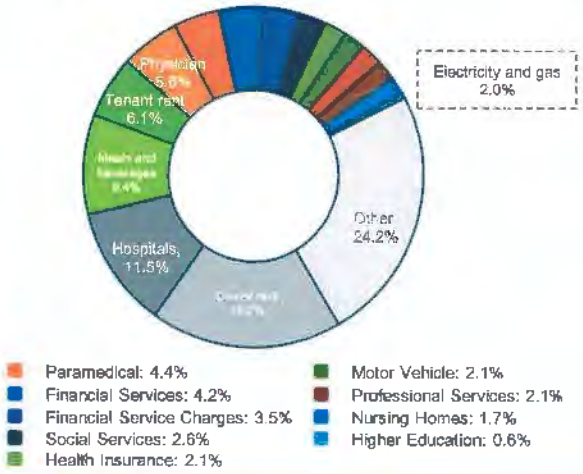
RRA Rating	Below Average [4]	Average [5]	Above Average [6]
Average JD Power Score[1]	719	715	743
Average ROE[2]	9.4%	9.5%	10.0%
Average Equity Layer[2]	51.1%	50.9%	54.9%
Average NTM P / E Multiple[3]	16.1x	16.4x	19.7x

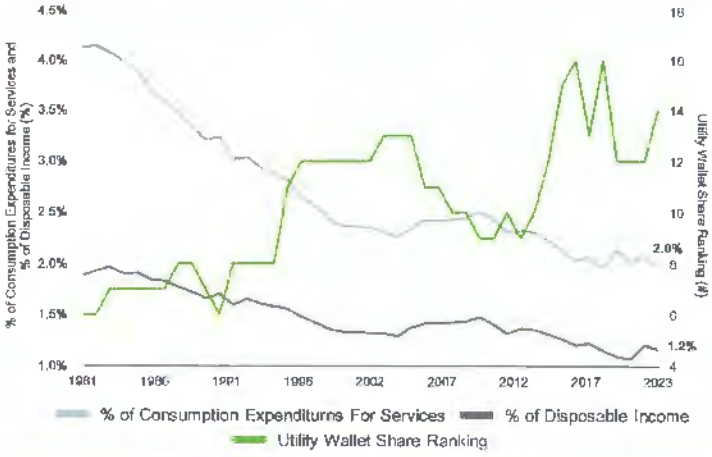
Source: FactSet, SNL, RRA, JD Power. Note: Market data as of October 29, 2024. 1. State level JD Power Customer Satisfaction reflects simple average of satisfaction scores for single state utility operating companies. Utilities with operations in multiple states are excluded from the analysis. Kansas JD Power Customer Satisfaction reflects that of Evergy. 2. Average ROE and average Equity Layer reflect simple averages of state level ROE / Equity layer within each RRA rating category. State level ROE / Equity Layer reflects the most recent state level ROE / Equity Layer as of January 1, 2024. 3. Represents a simple average of publicly traded utilities with operations in states within the available dataset, sorted according to RRA rankings. 4. States include AZ, CT, MD, NJ, NM, WV. 5. States include AR, CA, CO, HI, IL, IN, KS, KY LA, MI, MN, MO, MS, NE, NY, OH, OK, RI, SC, VA, WA. 6. States include AL, FL, GA, NC, WI

Electric Bills Have Headroom But Bill Inflation is a Risk to the Virtuous Cycle

Although electricity is near all time affordability levels, with uncertainty persisting in the economic outlook, customer affordability will remain a focus for investors.

Electricity Expenditures as a % of Total Household Expenditure For Services and Disposable Income





Electricity represents 2% of consumer spending on services and ranks 12th on the list of household burdens

Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Federal Reserve Economic Data and FactSet

Section Takeaways

The Future is Electric:

- Utilities are in the early stages of a generational capital build cycle as electricity takes a larger share of the modernizing economy

Funding Access Increasingly Competitive:

- External capital needs are multiples of utility representation in the market. Scarcity pricing is likely to result. Maintaining access to affordable capital is important to states meeting electric infrastructure needs of the future

Regulation Key Differentiator to Capital Access and Terms:

- Capital supportive regulation correlates with satisfied customers and funding access on a favorable basis

Affordability Key:

- Customer affordability is essential to the energy transition. Access to low cost of capital helps enable this outcome

Concluding Remarks

Speakers: Darrin Ives and Bryan Buckler

evergy

Final Thoughts

Clarity of Financial Policy to Support Economic Development:

- Alignment of Commission and State financial policies is important to demonstrate to investors that Kansas will provide a competitive return on investor capital deployed. Investor capital is critical to supporting economic development through infrastructure investment

Historic Economic Development Opportunity:

- Large load customers across multiple industries, including datacenters, are targeting our region at previously unseen levels which could bring significant benefits to the Kansas economy and will require substantial investment by Evergy

Critical Impact of Competitive Equity Capitalization and Authorized ROE's

- Competitive equity capitalization and returns provide the necessary cash flow to attract additional capital for future investments while benefitting customers
- Utilities with nuclear operations across the industry have historically been granted higher ROEs given their importance to power supply

Use of Utility Operating Company Capital Structures

- It is the utility industry norm to use the capital structure of the utility company (i.e., without reference to the parent company) to establish base rates appropriately aligning equity capitalization with risk profile of investment

Final Thoughts (Continued)

Financial Health and Long-term Horizon:

- Fixed income investors assess the financial risk of companies which impacts their willingness to provide debt capital at competitive rates. Equity capitalization and ROE play critical roles
- Rating agencies assess financial health and provide more favorable ratings to utilities who receive consistent and predictable regulatory treatment, which can result in lower costs for customers

Equity Funding Becoming Increasingly Competitive:

- Competitive returns are critical to accessing capital
- Access to capital at competitive terms is vital during generational capital cycle for utilities
- ROE and equity capital structure compared to the national average is key to whether investors choose Kansas or another state for infrastructure investments

Thank You for the Opportunity to Advance This Discussion Today

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

Darrin Ives, being duly sworn upon his oath deposes and states that he is the Vice President, Regulatory Affairs, 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.

Darrin R. Ives

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

Notary Public

My Appointment Expires:
May 30, 2026

NOTARY PUBLIC - State of Kansas
LESLIE R. WINES
MY APPT. EXPIRES 5/30/2026