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

DIRECT TESTIMONY OF

DAVID CAMPBELL

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

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

Docket No. 23-EKCE-775-RTS

April 25, 2023

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is David Campbell. 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 President and Chief Executive Officer for Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM"), and Evergy Kansas Central, Inc. and Evergy Kansas South, Inc., collectively d/b/a as Evergy Kansas Central ("EKC"), Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("Evergy Missouri Metro"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West"), the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of EKC and EKM ("Evergy" or "the Company") in this proceeding.

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

A: After graduating with a Bachelor of Arts degree from Yale University, I earned a Master of Philosophy degree from Oxford University and a Juris Doctor degree from Harvard Law School. Prior to joining Evergy in January 2021, I was the executive vice-president and chief financial officer of Vistra Corp., which serves nearly five million retail customers with electricity and natural gas across the United States. I previously served in executive leadership roles at power companies including InfraREIT, Inc., Sharyland Utilities, Luminant and TXU Corp. Before joining TXU, I was a partner at McKinsey & Company, where I led the corporate finance and strategy practice in Texas. Within the electric power industry, I serve on the board of directors of the Edison Electric Institute, Nuclear Energy Insurance Limited, and the Electric Power Research Institute.

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

A: I have filed written testimony and appeared before the Public Utility Commission of Texas. I also filed written testimony with the KCC in Docket No. 22-EKCE-141-PRE; however, that docket was later withdrawn by the Company.

Q: What is the purpose of your testimony?

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

- Conducting our business openly, directly, and transparently with the Commission, the Staff, the Citizens Utility Ratepayers Board ("CURB") and our customers;
- Delivering on the promises made to accomplish the merger of Westar Energy, Inc. ("Westar") and Great Plains Energy, Inc. ("GPE");
- Managing our operations and expenditures, including our capital investments, with the objective of improving our regional rate competitiveness;
- Ensuring our investments are prudently made and directed toward providing dependable, efficient, and affordable service for our customers;

- Embracing new technologies and new service offerings that will enhance customer service, increase customer options and serve the economic development objectives of Kansas; and,
- Continuing our path toward responsibly transitioning our generating fleet to take advantage of the ample renewable energy resources available to Kansas.

My testimony is also intended to identify the principal reasons for our rate requests, the details of which will be provided by other Evergy witnesses.

Considerable time has passed since our last rate reviews in 2018. While current rates do not permit Evergy to recover its prudently incurred costs with a reasonable opportunity to earn our authorized return, the sizable cost savings achieved since the merger significantly mitigate the size of our rate requests. Accordingly, a fundamental purpose of my testimony is to urge the Commission to respond affirmatively to our rate requests and approve new rates that are fair and reasonable. With that approval, we can be confident that the benefits of the merger and our commitments are realized by our customers and the state of Kansas, which I believe is a shared goal of the Commission and Evergy.

II. OPEN AND TRANSPARENT COMMUNICATION

Q. You have stated that Evergy is committed to open and transparent communication with the Commission, Staff, CURB, and your customers. Please identify ways in which you believe that commitment is being met.

A. I point first to our preparation of the filings in this rate proceeding. Recognizing there are matters pertaining to security and sensitive commercial information that must receive confidential treatment, our efforts in preparing this filing have been to limit claims of confidentiality to an absolute minimum.

Second, since the merger, Evergy has filed numerous Commission-requested reports and updates regarding the status of our merger promises as well as future investment plans. Complementing those filings have been informal communications with Staff and others. Our intent has been to be open and forthcoming and to provide information that is comprehensive and accurate. I hope and would expect that has been the experience of stakeholders in Kansas.

For example, in December 2022, I had the opportunity to participate in a Commission-organized workshop focused on Evergy's capital investment plans. It was a lengthy proceeding, open to all who were interested, and addressed a multitude of investment and rate issues. With other Evergy representatives, I was accorded the chance both to discuss our plans in depth and to respond to questioning from the Commission and Staff. In my view, the forum itself and the exchange of information that took place were illustrative of the opportunity for and value of open, transparent communication.

Finally, I will mention, and other Evergy witnesses will discuss, specific initiatives we have undertaken to facilitate communication and understanding between Evergy and our customers. This effort includes our expanded use of social media, the deployment of supporting communication technology, the opening of major walk-in centers to provide in-person service, and the development of new or modified tariff offerings designed to enhance our customers' ability to make informed decisions about their energy consumption.

III. DELIVERING ON MERGER PROMISES

Q. As Evergy's CEO, please share your perspective on the Company's delivery on the promises it made to the Commission and its customers to accomplish the Westar-GPE merger.

A. The Westar-GPE merger agreement established a comprehensive set of conditions necessary to secure the Commission's approval. Fundamentally, those conditions were directed toward ensuring customers benefited from merger cost savings, enhancing the quality and efficiency of utility service provided to our customers, and positioning the merged entities to be better prepared to address future challenges. The conditions included implementing lower rates in our 2018 rate cases, paying significant upfront and ongoing bill credits, identifying and achieving substantial merger cost savings, meeting quality of service metrics, honoring employee commitments, maintaining separate and reasonable capital structures for the operating utilities, and agreeing to a five-year general rate case moratorium. The Commission has properly required regular reporting on the most significant of these conditions to gauge our progress in meeting and adhering to our promises. And as Mr. Ives testifies, Evergy engaged a third-party to review our compliance with the merger commitments and that review confirmed full compliance.

Evergy's objective from the outset was to deliver on the promises made, and our plans and actions have been directed toward that end. In a broader sense, it is an objective we encapsulate in the concepts of affordability, reliability, and sustainability. Although Mr. Ives will provide an in-depth analysis of our performance to date, I think it is important for me to submit testimony and publicly affirm that we have been successful in meeting, and often exceeding, our merger obligations. I hope that is also the view of the Commission, Staff, CURB, and our customers.

Q. Although other witnesses will provide greater detail regarding Evergy's post-merger performance, are there specific accomplishments you would note?

A. Yes. Evidence of the Company's post-merger successes include:

(a) achieving cumulative merger savings of $983 million (across the entire corporation) by December 2022 – a level that was 63% above target savings at the time of merger approval;

(b) improving employee safety metrics by more than 50% – from 2018 to 2022 Evergy's OSHA recordables rate dropped by 52% and our employee Days Away, Restricted or Transferred rate dropped by 53%;

(c) markedly improving Evergy's JD Power customer satisfaction scores, which resulted in Evergy's ranking improving by ten positions within our peer set of fifteen large Midwest utilities; and

(d) exceeding the agreed-upon System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") metrics over the past five years.

Q. Are there other significant quantifiable benefits the merger has delivered for the benefit of customers?

A. Yes. As a result of the merger, Evergy provided initial upfront bill credits of $23 million for EKC customers and over $7.5 million for EKM customers. Since those upfront credits, the Company has continued to provide annual bill credits to EKC and EKM customers. For EKC, the annual credits have totaled approximately $34.6 million and for EKM the annual credits have been $11.3 million. EKM customers also received bill credits related to the Earnings Review and Sharing Plan ("ERSP") approved in the merger in the amount of $81,198 in 2022 and will receive an additional $5.6 million of ERSP credits in 2023. Additionally, the general rates approved in the 2018 EKC and EKM rate cases incorporated merger savings of $22.5 million for EKC customers and $7.5 million for EKM. Those savings have been reflected in the base rates of the two companies every year since approval. Through the end of 2023, the aggregate of these merger benefits to Kansas customers will be over $232 million. This is all before, and in addition to, the significant savings reflected in our filing in this rate review, which will provide additional benefits to customers for years to come.

The bottom line is that the merger afforded Evergy the opportunity to achieve synergies, cost savings, and lower rates that would not have been possible for our predecessor companies on a stand-alone basis.

Q. Are the merger cost savings you have identified reflected in the rate requests for EKC and EKM in this proceeding?

A. Yes. The substantial merger savings we have achieved are incorporated in the test-year costs of service and, consequently, in the requested rate adjustments for both EKC and EKM. For EKC, the savings included in our rate request are approximately $89.4 million, and for EKM, the savings included are approximately $39.2 million. These amounts provide annual ongoing benefits to Kansas customers in addition to the annual amounts embedded in rates in 2018 of $22.5 million for EKC and $7.5 million for EKM. Without these savings, our rate requests would have been correspondingly higher.

Q. How have the merger commitments Evergy made related to its presence in downtown Topeka benefited the community?

A. Evergy committed to maintain a certain number of employees located in its downtown Topeka headquarters for at least five years and to maintain its charitable giving in the legacy KCP&L and Westar service territories at 2015 levels, or higher, for at least five years after the close of the merger. Evergy exceeded both of these commitments.

Furthermore, Evergy recently chose to purchase its downtown Topeka headquarters building after leasing the high-rise building for a number of years previously. Consequently, Evergy is already in the early stages of approximately $20 million of renovations to that building to complete necessary updates to ensure that it remains usable for the foreseeable future. Evergy has also invested in other facilities in the downtown Topeka area, including a significant investment of about $2.5 million to support the completion of Evergy Plaza. Evergy invested in Plug & Play to create and attract new businesses in downtown Topeka, supports GO-Topeka, and commissioned a study in 2021 to support downtown businesses through the pandemic.

Evergy's employees also provide significant support for the Topeka community, through volunteer hours, service on nonprofit boards, support of the TOP City Intern Program, and participation in special projects like Heat Relief Fan distribution and the Green Team Falcon Restoration. Employees have also donated approximately $2.1 million to Topeka community organizations since the merger and that amount was matched by Evergy.

Q: Those contributions are significant for the Topeka community. How have you supported Wichita and other communities in the EKC and EKM service territories?

A: We have supported various charitable programs in several communities, and we also provide funding to civic agencies such as Chambers and Economic Development Organizations through dues payments. Since 2018, we have contributed $6.2 million towards the Wichita region charitable programs including special projects such as Naftzger Park, the Wichita Community Foundation and Wichita State University. We also opened Wichita Connect, which provides customers a walk-in location where they can receive account support, payment assistance and energy savings tools. In total, we have contributed more than $19.5 million over the period of 2018-2022 to all the communities that we have the privilege of serving in EKC and EKM territories. These totals do not include supporting the Chamber and Economic Development Organizations with an additional $2.2 million in dues over this same time frame. We also are projecting over $3.0 million in charitable contributions to Kansas communities in 2023.

Q: Why is Evergy committed to the communities it serves?

A: We believe that healthy communities are beneficial for our customers by supporting residential and business expansion and enabling economic development opportunities that spread costs and maintain affordability. It also provides opportunities for our employees to be engaged in civic and charitable activities, programs and boards, which enhances regional vitality and helps us attract and retain talented employees who live in our communities and serve our customers every day.

Q: Does Evergy have a defined community investments and charitable strategy?

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

Q. You have testified regarding Evergy's successes since the merger. Have there been instances where Company plans have been delayed or frustrated?

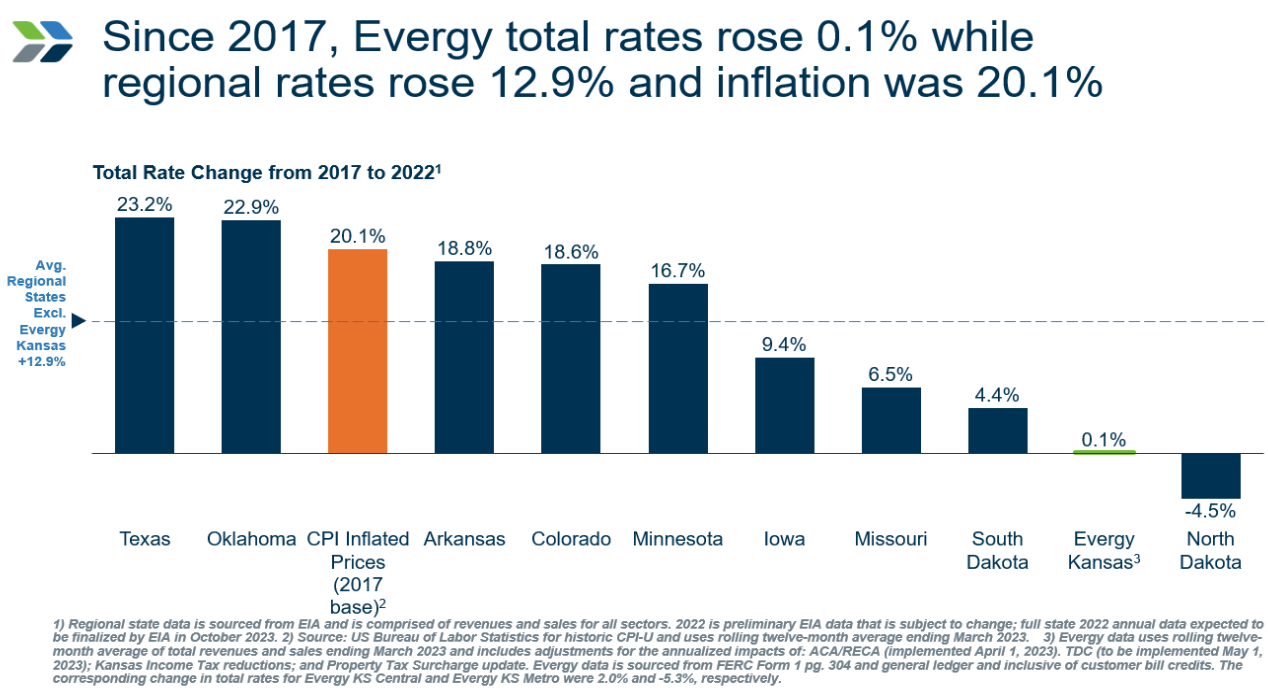
A. Yes. From my perspective, the most notable change in Company plans was the need to delay commencement of a 190 MW solar generating project in Kansas. As the Commission is aware, Evergy filed a predetermination application in September 2021 seeking Commission review of the prudency of the project. Supply chain and cost factors dictated the plan could not go forward at that time. That was a major disappointment for Evergy, and for me as CEO. Our generation fleet in Kansas does not yet include utility-scale solar facilities, which we expect will ultimately provide a beneficial addition to our diverse generation fleet. However, our decision to withdraw the proposed solar project in the context of global supply chain and cost pressures reflects our commitment to adding renewable and storage resources in a cost-effective, reliable manner. Going forward, as we advance the responsible transition of our generation fleet, we will always remain focused on our strategic objectives of affordability, reliability, and sustainability.

IV. <u>REGIONAL RATE COMPETITIVENESS</u>

Q. Please describe Evergy's progress in addressing the issue of rate competitiveness.

A. Achieving regional rate competitiveness has been and continues to be a fundamentally important objective for Evergy. Moreover, it is an objective we share with the Commission, our customers, and the state. We have worked hard to advance this objective. The result is that Evergy's regional rate competitiveness has improved significantly over the last five years. As depicted in Figure 1 below, during this post-merger period our Kansas rates are roughly flat while regional rates in peer states, on average, have increased by approximately 13% and rates in Oklahoma and Texas have increased by 23%. During this period, the cumulative change in inflation was just over 20%.[1]

Figure 1



In recent years, electric utility customers across the country were impacted by higher fuel costs, which have led to significant upward pressure on rates. Evergy's Kansas customers also experienced price fluctuations due to this volatility, which ultimately showed up in higher costs throughout the 2022 fuel adjustment filings. Fortunately, Evergy's Kansas

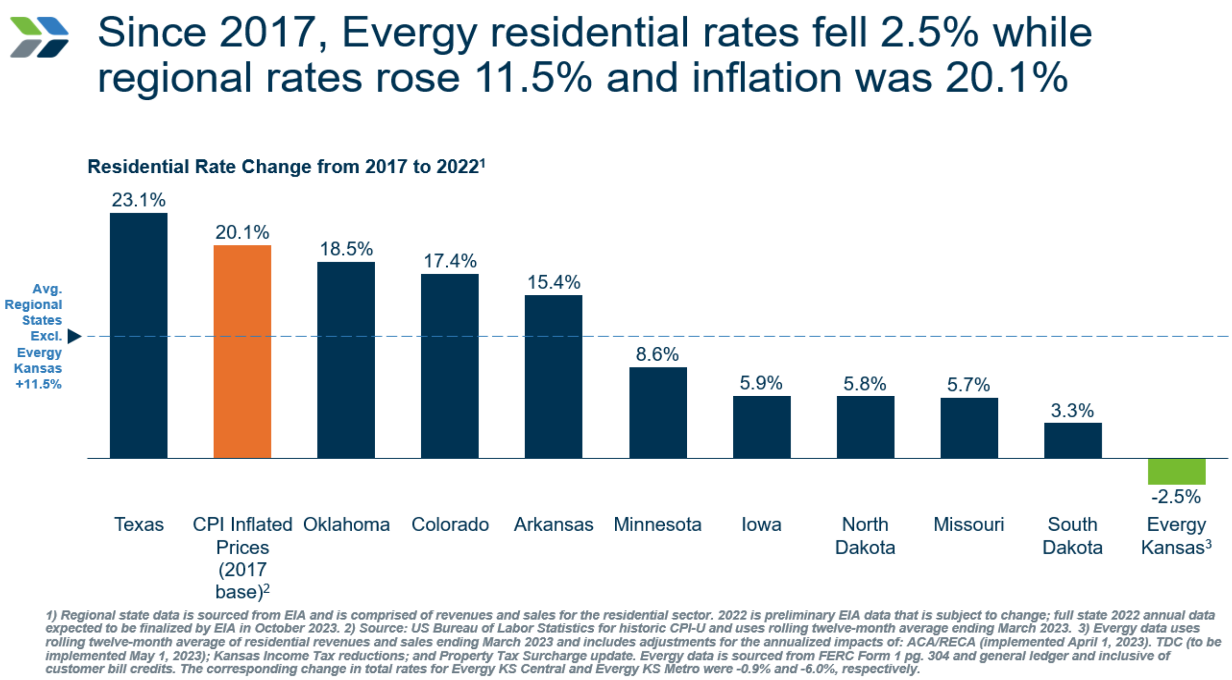
[1] The information provided in Figure 1 is based on the average price change for Evergy Kansas Central and Evergy Kansas Metro combined. Evergy data uses rolling twelve-month average of total revenues and sales ending March 2023 and includes adjustments for the annualized impacts of: ACA/RECA (implemented April 1, 2023); TDC (to be implemented May 1, 2023); Kansas Income Tax reductions; and Property Tax Surcharge update. When broken out by jurisdiction, the average price change is an increase of 2.0% for Evergy Kansas Central and a decrease of 5.3% for Evergy Kansas Metro.

generating portfolio is fuel diverse. This allowed for relative price insulation compared to other regional states that have much higher levels of exposure to natural gas, which was the driver of overall higher fuel and wholesale power prices. Fuel prices have returned to more normal levels in recent months and Evergy's Kansas customers are experiencing a corresponding moderating effect in their retail rates. To reflect these lower prices, earlier this year the annual fuel adjustments took place and became effective on April 1, 2023. On a similar timeframe, the Transmission Delivery Charge ("TDC") was filed, also reflecting significant price decreases, which will take effect on May 1, 2023. These two filings are projected to result in approximately $260 million of annualized savings. Combined with the merger rate credits and reductions described above, these savings have resulted in Evergy's Kansas rates remaining flat while regional states and inflation have increased approximately 12.9% and 20.1%, respectively.

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

A. A similar conclusion is reflected in Figure 2, which compares residential rates from 2017 to 2022. Evergy Kansas residential rates have continued to become more competitive, as reflected by the 2.5% reduction, while regional state's residential rates on average have increased by roughly 11.5% and Oklahoma's and Texas' residential rates have increased by 18.5% and 23.1%, respectively.

Figure 2



Q. What factors have affected this comparative rate improvement for Evergy?

A. The improvement primarily resulted from the merger savings reflected in the 2018 base rates approved in the last general rate cases for EKC and EKM as well as the annual bill credits provided in the merger agreement, further aided by the diversity of our generation fleet. Specifically, fuel diversity in particular, and a relatively lower reliance on natural gas, softened the impact of high natural gas prices experienced in the last two and a half years relative to utilities in neighboring states. Customers also benefitted from the Kansas tax elimination enacted by the legislature. In addition, we have adhered to a general base rate moratorium throughout this period.

Q. Prospectively, do you expect Evergy to continue to improve its competitive rate status within the region?

A. That is my expectation, and it reflects our assessment of our plan relative to neighboring utilities. Since the merger, Evergy has made and will continue to make significant investments in technology and infrastructure. Such investments are necessary for EKC and EKM to function as efficient, reliable, and resilient utility service providers, and reflects a prudent infrastructure investment plan that addresses the key issues in our system. However, since the merger, our pace of capital investments has been below average relative to our regional peers. In addition, based on public disclosures of forward capital investment plans, our investment level over the next three to five years is projected to remain below average relative to regional peers. Our plan also calls for continuing efforts to ensure the efficiency and productivity of our cost structure. The long-term impact is that our rate competitiveness within the region should continue to improve as our rate base growth is relatively lower than neighboring utilities and we continue to manage costs efficiently.

Q: How does the rate change proposed in this docket impact Evergy's regional rate competitiveness?

A: In consideration of current rates and pending regulatory proceedings in neighboring states, we expect that Evergy's rates will remain competitive regionally, even after the requested increase. When Evergy's requested increase is considered in isolation without consideration of the expected increases of other utilities, Evergy's Kansas rates still remain competitive regionally. After the TDC and RECA changes I mentioned above are considered and the impact of the requested rate increases in this case are included, Evergy's rates for Kansas customers will have increased by 5.7% since 2017.[2] This is still significantly lower than the average increase for our regional peers from 2017 through 2022 of 12.9%, as was shown in Figure 1. In addition, Figure 1 does not include any increases those states and customers will experience during 2023.

[2] The increase for EKC since 2017 would be 9.6% after the TDC and RECA changes and after the proposed increase in this case is implemented. Considering all of these factors as well, EKM's rates since 2017 would decrease by 4.8%.

Of course, Evergy is not the only utility in the region with requested or planned rate increases over the next year. We expect many of our neighboring peers, especially those more heavily reliant on natural gas generation, to continue to experience rate increases due to ongoing recovery of excess fuel costs incurred in 2022 as well as rate cases. For example, in our regional peer states there were 14 electric base rate cases decided in 2022 and there are eight cases which have already been filed and are currently pending. Ameren Missouri and Public Service Co. of Oklahoma ("PSO") have pending rate cases with increased rates expected to be effective in 2023, and PSO and Oklahoma Gas & Electric Company have proceedings pending related to significant increases to the rates being charged through their fuel clauses.

Q. Please identify reasons why Evergy must continue to make significant capital investments in its infrastructure.

The Company had the opportunity to extensively cover the drivers of ongoing capital investments in infrastructure in the KCC workshop on December 13, 2022. During that session, we highlighted the main components of our five-year capital plan, which further advance infrastructure investments made since 2018. As an example, one important area requiring ongoing investment is our distribution system. Mr. Ryan Mulvany provides an in-depth discussion of historical and planned investment in the distribution system and the reasons for it.

A compelling example of the magnitude of investment requirements embedded in the distribution system involves poles. Evergy's Kansas distribution system includes around 800,000 poles. The expected life of these poles is approximately 45 years. Today 35% of them are more than 45 years old – and between 16% (EKM) and 18% (EKC) have been in service 60 or more years. Older equipment is a primary driver of customer outages and directly affects the quality of our customer service. Targeted maintenance and replacement of older infrastructure are important, ongoing responsibilities for both EKC and EKM. The poles are but one example, but they are illustrative of ongoing demands for distribution investment that must be met by Evergy, with similar requirements driven by the age of equipment in our transmission system.

Q. Apart from aging infrastructure, are there other distribution-related investments that will be required?

A. Yes. For example, we will be increasing deployment of automated equipment to facilitate the faster location of system outages and to speed service restoration. This investment will enhance the quality, reliability, and efficiency of our service. As with replacing aging infrastructure, it is the sort of investment that is essential for any major utility to effectively meet its public service obligations.

Q. Have the distribution investments you just described impacted the rate requests in this proceeding?

A. They have in two ways. One, we are seeking the opportunity to earn a fair and reasonable return on the distribution investments we have already made. Two, authorization to earn such a return directly affects our ability to raise investment capital on reasonable terms for future distribution investments as well as for other beneficial infrastructure initiatives across our system.

V. PRINCIPAL REASONS FOR RATE REQUESTS

Q. You identify the opportunity to earn a fair and reasonable return on distribution investment as one of the drivers of your rate requests for EKC and EKM. What are the other principal reasons for the requests?

A. I note first that EKC and EKM have a currently authorized return on equity ("ROE") of 9.3%. That ROE was established in the 2018 general rate cases.[3] Establishing and maintaining a fair and reasonable ROE is a critical factor in ensuring that Evergy can secure the investment capital required to fund beneficial infrastructure investments in Kansas. Since the 2018 general rate cases, there have been significant changes in external economic and financial conditions – in particular, a major increase in interest rates – that indicate the need for a higher authorized ROE. Mr. Kirkland Andrews has proposed an ROE of 10.25%, which is in the lower level of a reasonable ROE range supported by our ROE witness, Ms. Ann Bulkley.

Q. In addition to the ROE request, do other investment-related factors impact the EKC and EKM rate requests?

A. Yes. The two companies have had significant increases in their respective rate bases since the 2018 rate cases. For EKC the increase has been about $480 million, and for EKM it is about $195 million. Having the opportunity to earn a return on the prudent investments reflected in the larger rate bases is another principal reason for our requests.

Q. Please identify other major factors underlying the EKC and EKM rate requests.

A. Mr. Ronald Klote and Ms. Linda Nunn provide a comprehensive listing and discussion of factors incorporated in the EKC and EKM rate requests. Other Evergy witnesses provide

[3] EKC's 2018 rate case is Docket No. 18-WSEE-328-RTS, and EKM's is Docket No. 18-KCPE-480-RTS.

additional explanation of a number of rate increase drivers. I will reference three additional items in my testimony. First, one major driver in the requested increase is the expiration of certain large wholesale or capacity contracts at EKC that currently serve as an offset (reductions) in EKC customer rates. The expiration of these three wholesale contracts and the associated customer rate credits – totaling $17.5 million – is reflected in EKC's base rate calculation.

Q. In addition to the loss of wholesale revenues, what is the second additional factor you reference for the requested rate increases?

A. A program initiated by Evergy Kansas South (f/k/a KG&E) to help address the financial consequences and customer rate impacts of the Commission's 1985 Wolf Creek decision will expire in March 2025. Specifically, the program entailed the purchase by Evergy Kansas South of Corporate Owned Life Insurance ("COLI") policies on a number of utility management employees and utilization of an actuarially estimated income stream from the policy benefits to apply to Evergy Kansas South's jurisdictional cost of service. The annual benefit currently reflected in EKC's rates is $43.5 million. Rather than impose a sudden increase in rates on customers when the COLI credit ends in March of 2025, EKC proposes to amortize the remaining benefit balance ($58 million benefit from January 2024 through March of 2025) over a 4-year period. The net effect is that EKC's cost of service will increase by $29.1 million when the rates from this docket are implemented rather than the $40 million increase that otherwise would be experienced when the COLI program terminates. Mr. John Grace and Mr. Klote explain the amortization proposal in greater detail.

Q. What is the third reason for the rate requests that you would like to address?

A. Both EKC and EKM have significant increases in depreciation and amortization expenses. For EKC the total expense increase exceeds $100 million and for EKM the increase is just under $36 million. Mr. Ron White presents a comprehensive depreciation study and Mr. Klote testify regarding the rate and cost impacts attributable to depreciation and amortization costs. EKC's and EKM's requests include a number of other factors – some directly related to inflation – but the matters I have mentioned are major components of the rate requests.

Q. You have identified the majority of factors underlying the EKC and EKM rate requests and have testified that merger savings are reflected in the rate requests. Can you quantify those savings?

A. I want to affirm, as I previously testified, that merger savings have been incorporated in the EKC and EKM rate requests. The magnitude of those savings beyond what was reflected in rates set in 2018 is $89.4 million for EKC and $39.2 million for EKM. They are the product of labor and non-labor savings.

Q. It appears that the level of the rate request for EKC is significantly different than what is requested for EKM. Why is that the case?

A. As Mr. Ives explains, EKC's request in this case is impacted by a number of unique ratemaking items that do not impact EKM. Without these unique items impacting EKC, the request in this case would be much closer to what we are requesting for EKM. Mr. Ives describes these items in detail in his testimony. Additionally, as I discuss above, even with these unique factors, the request for EKC remains below the rate of inflation and will help to ensure that our rates remain competitive when compared to our regional peers.

VI. EXTERNAL CHALLENGES

Q. As CEO, please comment on the existing and anticipated challenges Evergy is called upon to address to meet its objective of providing reliable, sustainable, and affordable electric service to its customers.

A. Since the merger, Evergy has confronted significant external conditions affecting its costs and operations. These conditions have included a historically high rate of inflation and associated rapid rise in interest rates; severe weather conditions (reflected in Winter Storm Uri, temperature extremes, and a higher prevalence of days with high winds); the COVID pandemic; and major supply chain bottlenecks. Many of these conditions are ongoing, and along with them, Evergy will be called upon to address additional external challenges. The most significant include:

(a) meeting the revised resource adequacy requirements established by Southwest Power Pool, Inc. ("SPP") attributable to increased reserve margin requirements and changes in capacity accreditation standards;

(b) maintaining and advancing system reliability through programmatic replacement and upgrade of our aging infrastructure;

(c) ensuring we have the resources necessary to meet the needs of major economic development projects in Kansas – the largest being the new Panasonic electric vehicle battery manufacturing plant in EKC's territory;

(d) responding to evolving customers' expectations regarding service reliability, options, access, and information;

(e) addressing expected future increased governmental regulations related to Critical Infrastructure Protection and Cybersecurity and increased physical security risks for the electric grid at all voltage levels; and

(f) complying with revised federal Environmental Protection Agency (EPA) regulatory requirements and continuing a cost-effective transition of the company's generating resources.

Q. Will the changing SPP standards have a significant impact on Evergy's accredited resource capacity and reserve requirements?

A. Absolutely. Ms. Kayla Messamore describes the specific changes and their impact on Evergy. As Ms. Messamore explains, the increased reserve margin requirement, based on 2023 load forecasts, would increase our capacity requirement by 320 MW, and the change in generating capacity accreditation standards for our renewable resources would reduce our accredited capacity by more than 480 MW. Consequently, these two changes alone will create an 800 MW impact on the calculation of Evergy's reserve adequacy. For context, this is the equivalent of needing an additional large baseload generating station. At the same time these SPP changes are occurring, we are also planning to meet significant new load demands from the Panasonic plant and other major development projects in Kansas. We welcome the challenge of meeting these demands, but recognize they bring additional investment requirements for which we must be prepared.

Q. What are your plans for addressing Evergy's capacity needs and ensuring a diverse, cost-effective mix of generation resources?

A. Initially, as Ms. Messamore addresses in detail, the inclusion into our retail generating base of the 8% of capacity from the Jeffrey Energy Center not currently serving retail customers is a low-cost solution to meet the capacity needs of our current and future retail customers. In 2019, despite our request and Staff's support, the Commission declined to include this capacity in our base rates at that time. Since that time, however, there have been significant and unanticipated changes that warrant re-examination of that decision. In addition to the increased capacity needs identified above, these changes include extreme severe weather conditions such as Winter Storm Uri and the significant increase in natural gas price volatility. Federal EPA rules governing fossil plant operations and emissions will also impact our long-term planning.

As Ms. Messamore and Mr. Jason Humphrey discuss, we are also requesting approval of the inclusion of the Persimmon Creek wind farm in EKC's rate base upon closing of the transaction, as the addition of this asset would help address EKC's capacity and energy needs. It is an existing wind farm with a proven track record and favorable economics relative to new renewable projects that will benefit customers and result in lower long-term costs for customers. Mr. Grace discusses how the levelized revenue requirement proposed for Persimmon Creek compares to the cost of other resources in greater detail in his testimony.

In the long term, and depending in part on commodity prices, environmental regulations, and cost and technology improvements in renewable generation and storage, we expect that we will be retiring aging fossil fuel generating plants while developing renewable energy generation and storage capability. Evolving technology that can provide dispatchable energy will likely also need to be considered to supplement renewables and storage resources. Evergy will work with the Commission in developing new opportunities for customers to acquire electricity from cost-effective and emissions-free resources, and with regulatory and policy support, we will invest in customer energy efficiency programs. These initiatives will be focused on advancing a responsible energy transition that preserves our ability to provide affordable and reliable electricity to our customers.

VII. <u>CONCLUDING COMMENTS</u>

Q. Please summarize the key elements of your rate requests.

A. The rate requests submitted by Evergy reflect our commitment to advancing affordability, reliability, and sustainability for our customers and communities and to delivering on the commitments that we made upon the formation of Evergy five years ago. Our rate requests are anchored on the following elements:

- <u>Achieving and exceeding our merger commitments.</u> As discussed above, and as properly required by the Commission, we have provided regular reports that gauge our progress in meeting the commitments that were made in conjunction with the 2018 merger. Performance highlights over the past five years include exceeding the agreed-upon reliability metrics for SAIDI and SAIFI, as well as achieving cumulative merger savings of $983 million (across the entire corporation) by December 2022 – a level 63% above target savings.
- <u>Delivering significant benefits for our customers</u>. Including upfront bill credits, annual bill credits, ERSP credits, and merger savings incorporated in general rates approved in 2018, Evergy will have delivered $170.1 million to EKC customers and $61.9 million to EKM customers through the end of 2023. In addition, the substantial merger savings we have achieved above and beyond the reductions that were incorporated in base rates in 2018 are reflected in the test-year cost of service for both EKC and EKM.

- Establishing a reasonable allowed return. The Company's currently authorized ROE of 9.30% for both EKC and EKM was established in 2018. Since that time, and particularly over the past fifteen months, interest rates have risen sharply, with a corresponding impact on the cost of capital. We have proposed a return on equity that reflects a reasonable return given current market conditions to enable the company to continue to attract capital to support required and beneficial infrastructure investments in Kansas.
- Establishing rates that allow for the recovery of prudently incurred costs and capital investments. Consistent with our merger commitment, the Company has not filed a request to adjust base rates since 2018. Given the five-year gap and the investments made over that time, current rates do not permit Evergy to recover its prudently incurred costs and earn its authorized return on its investments. As discussed in depth during our December 13, 2022 workshop with the KCC, as well as workshops in 2020 and 2021 relating to the Company's business plan, Evergy focuses its investment program on projects that replace aging equipment, integrate cost-effective technologies, and maintain and advance the reliability and resilience of Evergy's system for the benefit of the customers and communities we serve.

Q: Does this conclude your testimony?

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

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

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

David C Campbell
David Campbell

Subscribed and sworn to before me this 24 day of April, 2023.

Leslie R. Wines
Notary Public

My Appointment Expires: May 30, 2026

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