BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Capital Plan Compliance Docket for Kansas City Power & Light Company and Westar Energy, Inc. Pursuant to the Commission's Order in 18-KCPE-095-MER	)))))	Docket No. 19-KCPE-096-CPL

RESPONSE OF EVERGY KANSAS CENTRAL, INC., EVERGY KANSAS SOUTH, INC., AND EVERGY METRO, INC. TO COMMENTS REGARDING CAPITAL PLAN

COME NOW Evergy Kansas Central, Inc., Evergy Kansas South, Inc. (together as "Evergy Kansas Central"), and Evergy Metro, Inc. ("Evergy Kansas Metro") (collectively as "Evergy") and file their Response to the Comments filed by Staff, Citizens' Utility Ratepayer Board ("CURB"), and Kansas Electric Power Cooperative, Inc. ("KEPCo") regarding Evergy's Capital Plan. In support of its Response, Evergy states:

I. Introduction

1. As required by the Commission's Order Adopting Integrated Resource Plan and Capital Plan Framework that was issued in the above-captioned docket, on March 9, 2020, Evergy filed its Five-Year Capital Investment Plan ("Capital Plan") on February 28, 2022.

2. On July 8, 2022, Staff, and CURB filed their comments regarding Evergy's Capital Plan. On July 28, 2022, KEPCo filed what it titled Cross-Answering Comments regarding the Capital Plan; however, KEPCo's comments addressed the contents of Evergy's original capital plan filing and not Staff's or CURB's comments. Evergy is submitting this pleading, consistent with the schedule approved by the Commission, in response to those comments.

II. The scope of this proceeding is to determine if Evergy complied with the requirements of the capital plan framework and the parties agree that Evergy did comply.

3. In its Order adopting the capital plan framework, the Commission explained that "the purpose of the compliance review is to determine whether Evergy's filing complies with the stated structure and expectations contained in the Capital Plan and Integrated Resource Plan Reporting Format, rather than for the Commission to approve substantive findings from the filing."[1]

4. As CURB explained in its comments, "Evergy will provide a substantial amount of data and calculations during their next rate case regarding rate impacts and effects from prior investments."[2] That next general rate case "will be the opportunity for parties and the Commission to make binding decisions on whether investments like the ones in the capital plan should have their costs recovered through rates."[3] The goal of the capital plan compliance docket was to allow the Commission and parties to monitor Evergy's plans during the five-year rate moratorium required by the order in the merger docket while Evergy was not before the Commission with a rate case. However, Evergy will be filing a general rate case in 2023 and will be presenting detailed information regarding the investments it has made and seeks to include in rates at that time.

5. No party to this docket has suggested that Evergy has not complied with the requirements of the capital plan framework. Both Staff and CURB agree that Evergy complied with the requirements of the capital plan framework and KEPCo does not indicate any

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[1] *In the Matter of the Capital Plan Compliance Docket for Kansas City Power & Light Company and Westar Energy, Inc. Pursuant to the Commission's Order in 18-KCPE-095-MER*, Order Adopting Integrated Resource Plan and Capital Plan Framework, Docket No. 19-KCPE-096-CPL, ¶ 11 (Feb. 6, 2020) ("Order Adopting Framework").

[2] Comments of the Citizens' Utility Ratepayer Board Regarding the Evergy Kansas Metro and Evergy Kansas Central Capital Investment Plan 2022 Update Filing, Docket No. 19-KCPE-096-CPL, ¶ 13 (July 8, 2022) ("CURB Comments").

[3] *Id*.

disagreement with that conclusion. "Staff finds that Evergy's Capital Plan, as filed on February 28, 2022, is compliant with the standards established by the Capital Plan framework . . . "[4] CURB agreed when it stated that "CURB finds that the 2022 CIP Update filing is in compliance with the framework structure and purpose established by the Commission."[5] As a result, the Commission should issue an order in the docket concluding that Evergy has complied with the requirements of the framework and, because that is the sole focus of this docket, should not make any further findings with respect to Evergy's capital plan or the prudence thereof.

6. Some of Staff's, CURB's, and KEPCo's comments go beyond the intended scope of the proceeding, pushing into a prudence review of Evergy's plans before they have even been implemented and before Evergy seeks recovery of the costs. However, as the Commission has previously recognized, such a prejudgment – or attempt to manage Evergy's business decisions – is improper because "[a]s a regulated public utility, Evergy has a statutory responsibility to provide 'efficient and sufficient service,' but is also entitled to discretion in the management of its day-to-day operations."[6]

7. Evergy appreciates Staff's, CURB's, and KEPCo's efforts to provide insight about their current views on Evergy's capital plan and Evergy will certainly take those views into consideration as it moves forward.[7] Evergy responds to some of the substantive comments from the parties below to help the Commission better understand its plans but also reminds the

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[4] Staff's Report and Recommendation, Docket No. 19-KCPE-096-CPL, p. 5 (July 8, 2022) ("Staff R&R").

[5] CURB Comments, ¶ 11.

[6] Order Adopting Framework, ¶ 15.

7In fact, Evergy has already taken Staff's comments in consideration when, last year, it shifted more capital investment to the distribution and 34kV system that will have an even more immediate impact to reliability

Commission that this docket is not the place for decisions regarding the prudence of Evergy's investment plans or recovery of related costs.

III. Evergy's projected capital expenditures for the 2022-2026 period are reasonable.

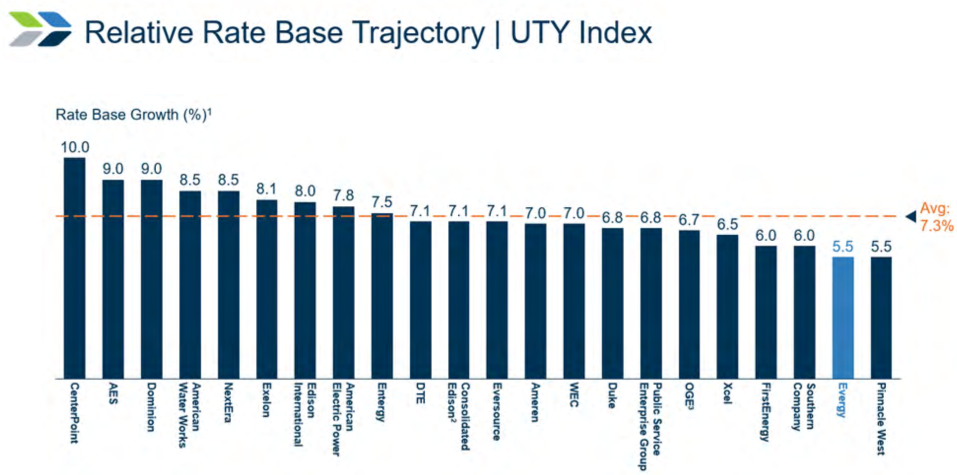
8. Staff recognizes that "Evergy's capital expenditure projections are not excessive relative to other publicly traded electric holding companies" and "remain comparable to other publicly-traded electric utilities and its regional peers . . . Evergy's capital expenditures as a percentage of its existing net plant at 15.83% (a proxy for relative rate base growth) remains below the average of its regional peers at 16.13%."[8]

9. However, Staff expresses concerns that when the forecast for this time period is compared to the forecast for 2020-2024 presented in the Sustainability Transition Plan ("STP") docket, the more recent forecast is higher. Staff suggests that Evergy should hold its capital investment flat while its peers' levels increase so it can improve on regional rate competitiveness. Staff also recognizes that there will likely be some level of O&M savings that will offset the impact of the capital investments on rates but indicates that Evergy has not provided detail around those savings.

10. Staff's comments do not recognize Evergy's focus on improving its regional rate competitiveness while making capital investments that improve reliability for customers and help Evergy transition to cleaner energy. As described further below, Evergy has already made substantial progress with respect to regional rate competitiveness. Evergy performed a comprehensive strategic assessment in the development of the STP; the resulting business plan, as well as subsequent updates, focus on opportunities to deliver cost savings and reliability benefits to customers and to accelerate the transition to cleaner energy and a more modern electrical grid.

[8] Staff R&R, pp. 2 and 6-7.

Evergy has deliberately executed this plan with rate base growth that has been paced and continues to benchmark well below the median rate base growth of its peers, as it seeks to balance reliability, sustainability, and affordability, as is reflected in the chart below.



11. For example, relative to Evergy's estimated annual rate base growth of 5.5%, Oklahoma Gas & Electric ("OG&E") has disclosed plans to grow its rate base by 6.7% annually, and Ameren has disclosed plans to grow rate base 7.0% annually. Of note, Evergy's rate base growth estimate includes potential new investments in renewable generation, while OG&E's growth rate estimate excludes potential additional investments associated with its 2021 IRP. Also, Ameren's growth rate estimate <u>excludes</u> new renewable generation while Evergy's already lower rate base growth rate includes new renewable generation.

12. Evergy is now nearly two years into the execution of the STP and four years following the GPE/Westar merger. Evergy has and continues to deliver on its commitments which have created substantial savings and other benefits for customers. As reflected in Staff's analysis and the chart above, Evergy's pace of investment to effectuate grid modernization and the transition to cleaner energy while maintaining a balanced focus on affordability, reliability and sustainability is consistent with what is occurring across the electric utility industry currently and

is fully supported by Evergy's analysis of its system needs and requirements through its Corporate and Operations Capital Planning process, including through its Integrated Resource Planning ("IRP") process.

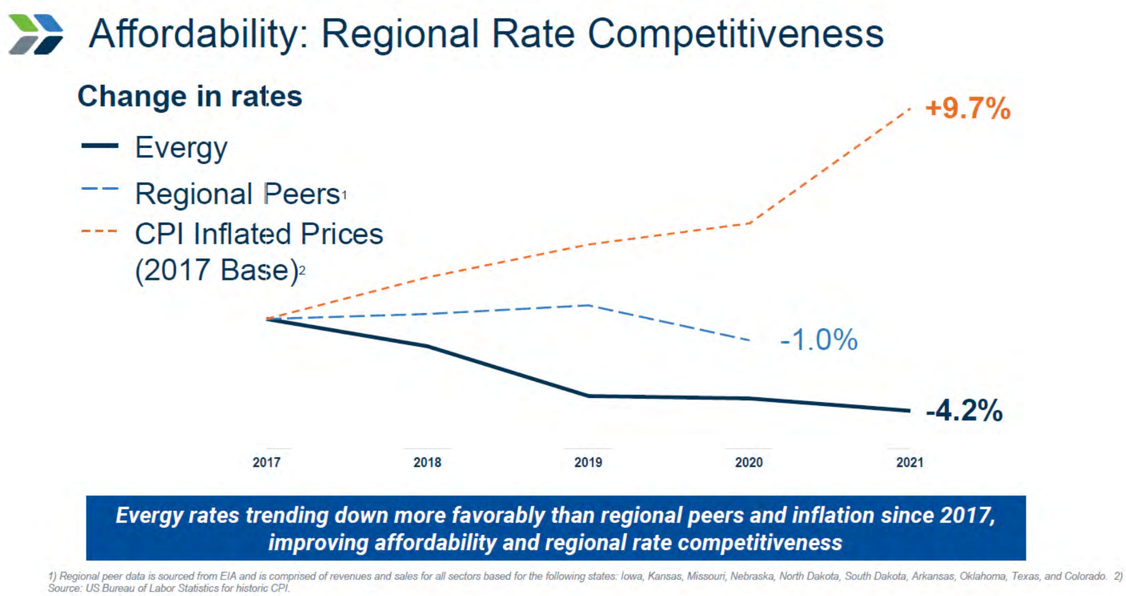
13. Staff's comparison of the capital plan presented in the STP to the 2022-2026 capital plan most recently filed in this docket is a comparison of two five-year plans that cover different years. This type of comparison has inherent limitations – simply comparing the aggregate 2020-2024 capital plan to the aggregate 2022-2026 capital plan does not consider the important context for and drivers of each plan including inflation, supply chain issues, specific capital priorities and identified necessary projects.

14. One example of the limitations of aggregate comparisons relates to the projected level of investment in new renewables generation in the 2022 to 2026 plan period, which is higher than the estimated level of equivalent investment in the 2020 to 2024 period. The new renewables generation offers the potential opportunity to reduce both fuel and purchased power costs as well as O&M expenses; these opportunities are likely to be enhanced by the provisions of the Inflation Reduction Act recently passed by the US government. Moreover, future additions of new renewables – including consideration of whether beneficial to pursue through utility ownership or through power purchase agreements ("PPAs"), as discussed further below – will be subject to review and assessment not only in general rate cases, but are also eligible for review and assessment through likely predetermination proceedings before utility investments are undertaken. Staff's suggestion that Evergy should determine its level of capital investment solely by considering the impact on regional rate competitiveness disregards Evergy's obligation to provide customers with efficient and sufficient service, including necessary grid modernization investments. Evergy must be able to make investment decisions based on its evaluation of need

in addition to customer impacts, which is exactly what Evergy does during its annual IRP process, which is also presented to the Commission in this compliance docket, as well as its planning processes for transmission and distribution investments.

15. Customers have enjoyed and will certainly continue to enjoy substantial benefits since the merger in 2018. In fact, across Evergy, savings resulting from the merger have totaled approximately $848 million, which is 62% above planned savings levels chartered prior to the merger. The $527 million planned level of savings over five years following the merger (i.e., 2018-2023) was achieved in the third quarter of this year, approximately 18 months ahead of plan.

16. As a result, Evergy is making substantial progress with respect to regional rate competitiveness, as is reflected in the chart below:



17. Evergy is on track to continue to capture annual O&M savings of approximately $345 million in 2025 compared to 2018, and those savings will benefit customers with respect to

rates but also by allowing for infrastructure investments that improve reliability and the customer experience.

18. Evergy has discussed estimated STP rate impacts, the company's recent progress in improving regional rate competitiveness and focus on maintaining that trajectory, and its overall goal to keep annual rate increases below inflation; however, further discussion of these topics at this point is not the intent for this docket, which was designed to keep the Commission and parties informed of Evergy's capital investment plans during the moratorium period when Evergy was not before the Commission with a rate case. As indicated above, Evergy will be filing a general rate case in Spring 2023, in which the rate impact of the investments and O&M savings over the time period since the merger and the conclusion of the most recent rate case will be extensively reviewed.

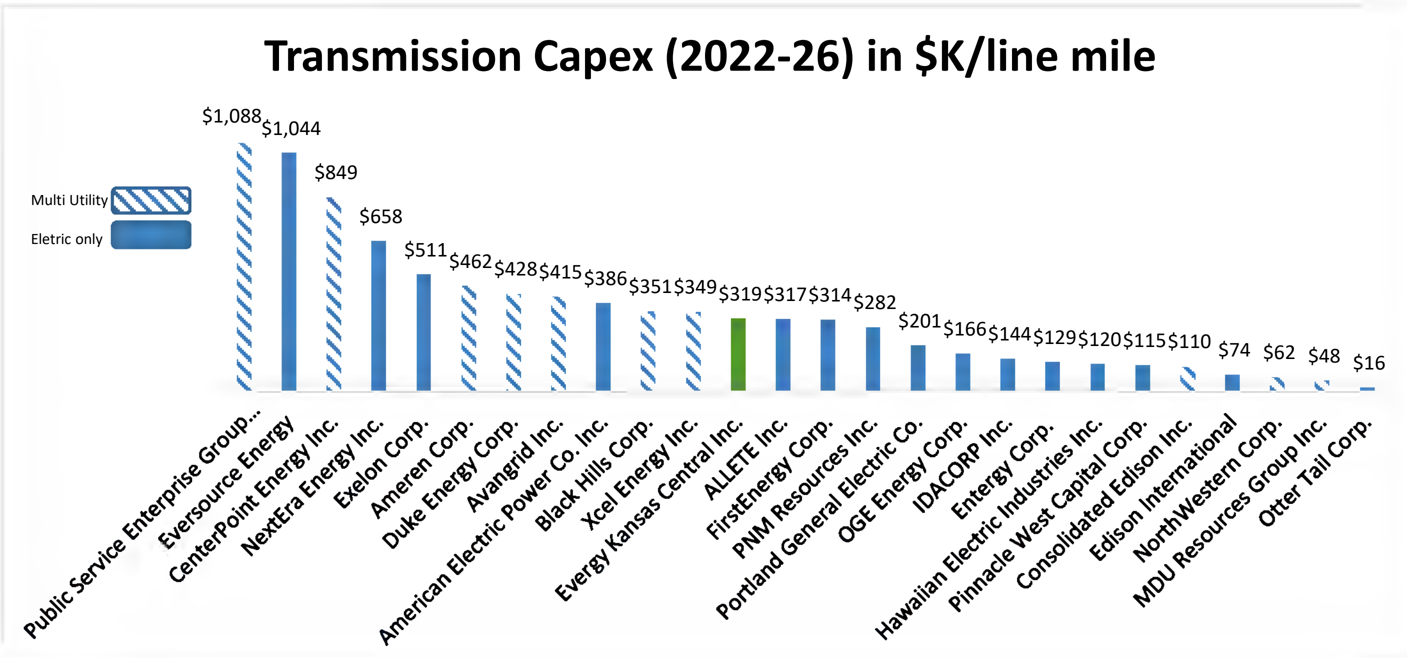
IV. Evergy's level of planned transmission investment is reasonable and subject to robust regulatory oversight.

A. The level of transmission investment and the split between transmission and distribution is reasonable and consistent with others in the industry.

19. Staff suggests that Evergy should slow the pace of its increased transmission investment in favor of distribution modernization projects because distribution projects have a greater immediate impact on reliability with less impact on rates. Evergy disagrees with this recommendation for several reasons.

20. First, Evergy's level of transmission investment is in line with its peers in the industry. Transmission investment has become a focus of the electric utility industry highlighted by the continued need for reliable power and increased need to connect renewable sources like wind and solar to the grid and delivered to load centers. The figure below displays Evergy Kansas

Central's transmission investment based on the 2022-2026 capital plan compared to its peers in the industry.



Data sources:

- Capex estimates from S&P Global, Investor relations, Evergy Internal data.
- Line Miles from S&P Global for year 2020.

21. Second, transmission investment does have a significant impact on reliability. As has previously been presented to the Commission, the majority of Evergy's Kansas transmission and distribution assets are either nearing or have surpassed their expected useful lives and of particular concern is mitigating reliability degradation of the Evergy Kansas Central transmission grid.

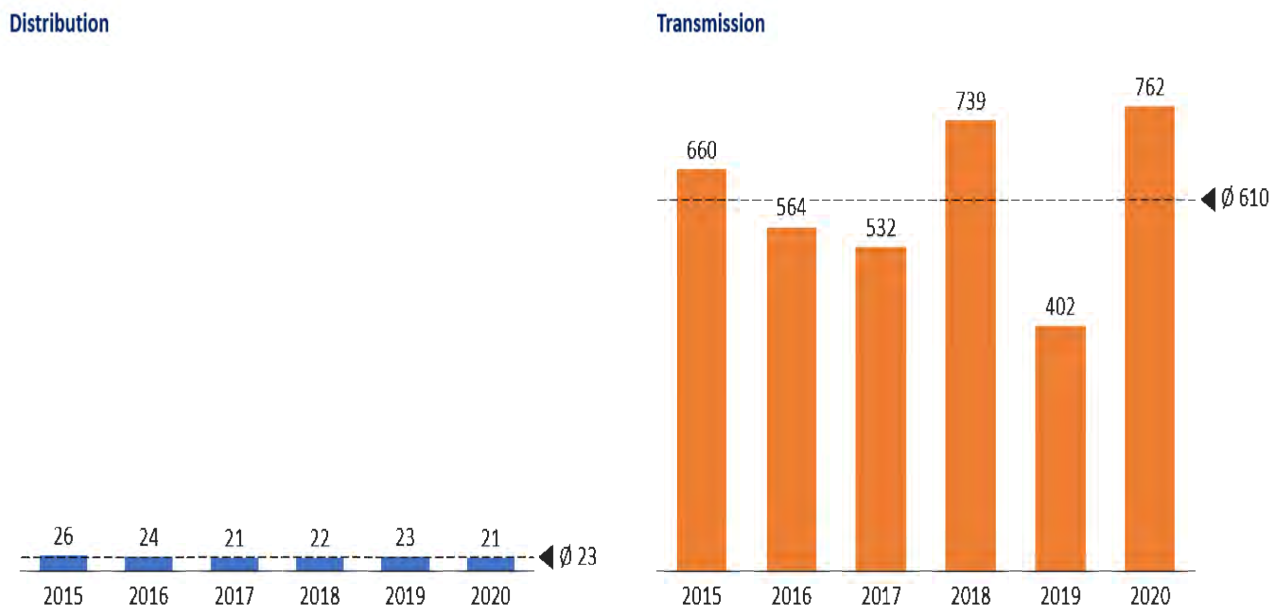
22. The longer a transmission asset remains in service, especially beyond its useful life, the higher the risk of failure. However, instead of the risk of failure growing at a steady pace over time, the risk grows at an exponential rate. This is problematic for two reasons. First, these failures will have a negative impact on customer service and reliability with customers experiencing exponentially higher interruptions due to the increase in failures. Second, proceeding forward on

the failure curve is problematic because each of those failures is an emergent and thus unplanned interruption which detrimentally impacts customer experience as Evergy must respond and make repairs in emergency conditions, often during inclement weather events. This drives up labor costs due to the mitigation activities either beginning or continuing into overtime periods driving the labor cost 50% to 100% higher. Timing of restoration and costs can also be negatively impacted by emergency logistics to get parts and replacements delivered in an emergency manner throughout the vast Evergy Kansas Central service territory. Additionally, while Evergy has redundancy in most of its transmission system, the loss of a line can have negative impacts on customers' prices due to congestion.

23. Critical assets like the Evergy Kansas Central transmission system must avoid this asset failure situation. It is notable that customer interruptions due to failures on the transmission system may cause a much larger number of customers to experience outages when compared to an outage on the distribution system as shown in the figure below. Furthermore, lead time for transmission system assets is much longer than distribution assets and prudent replacement planning is of an essence to ensure timely upgrades are done to maintain a reliable transmission

system. Even the best distribution system in the country would not benefit customers if the transmission lines that feed it are suffering an interruption.

Average Customer Interruptions per Transmission Event (# of customers)



24. Based on the age of a large portion of Evergy Kansas Central's transmission assets, the new replacement cycle allowed for with Evergy's capital plan is prudent to address the immediate needs to the aged infrastructure within the Evergy Kansas Central transmission grid and to avoid further deterioration leading to increased customer interruptions and higher costs.

25. Evergy is prioritizing transmission investment to ensure safe and reliable power can flow from its remote generating sources to both rural and urban customers. Part of the replacement process for transmission line assets is to bring those assets up to modern construction specifications designed to withstand greater ice loadings, wind speeds, and better withstand extreme conditions. The scope of these replacement projects also expands industry-leading technology to the transmission system in the form of smart substations and remotely monitored / controlled devices,

increasing the reliability and resiliency of the grid by avoiding interruptions and shortening restoration times in the case of an event.

26. Third, the split between transmission and distribution investments currently planned for Evergy Kansas Central is appropriate. A reliable, resilient transmission system is the backbone of the electricity grid and enables electric utilities to deliver affordable power where and when it is needed. Transmission investments within the capital plan are designed to help: (1) protect the grid from extreme weather and cyber-attacks, (2) minimize and prevent outages, (3) respond to and restore power faster when outages do occur, and (4) connect customers to large-scale generators as well as wind / solar power.

27. System resilience is the ability to operate normally under abnormal conditions, particularly in an increasingly dynamic threat environment. In short, it is about preparedness and planning for successfully responding to, and recovering from, adverse events or third-party actions. Though not reflected in the specific customer-facing reliability statistics (e.g., SAIFI and SAIDI), a hardened / robust transmission system is mandatory to assure a sufficiently resilient energy supply to the State.

28. The logic behind sequencing transmission projects and distribution projects is important, particularly in Evergy Kansas Central's territory, where the transmission grid has less redundancy and experiences a greater number of transmission line outages. Evergy is tasked with balancing near-term customer expectations regarding provision of safe and reliable service, with the longer-term goal of providing steadily improving and sustainable reliability. Providing a strong

transmission backbone while ensuring continuation of acceptable reliability represents an effective approach to meeting this standard.

29. Finally, investment in the transmission system will provide customers with substantial benefits, including improved reliability with reduced and avoided customer interruptions, cost reduction and avoidance, operational efficiencies and flexibility, safety, improved power quality and standardization, statewide economic development, and risk mitigation. As shown in the table below, Evergy estimates the monetized value of these benefits to customers between 2020 and 2030 to be $555 million for Evergy Kansas Central and Evergy Kansas Metro together.[9]

Accumulated Monetized Benefits (By Jurisdiction)
(2020 – 2030)

Jurisdiction	Projected Monetized Savings	Avoided Reliability Risks	Avoided Increase in Reactive Work	TOTAL Benefits
Kansas Central	$395m	$38m	$20m	$453m
Kansas METRO	$71m	$24m	$7m	$102m

30. Evergy's planned level of transmission investment is reasonable and appropriate and will provide benefits to customers, the system, and the state over time.

B. The regulatory oversight of Evergy's transmission investments is robust and ensures ample opportunities for Commission Staff and other parties to participate.

31. CURB suggested in its comments that Evergy should decrease its investment in transmission and shift focus to distribution and other areas regulated by the Commission because the Commission does not have jurisdiction to oversee Evergy's investment in the transmission system – that is handled by the Federal Energy Regulatory Commission ("FERC"). While it is true that the Kansas Commission does not have jurisdiction to make decisions regarding the

[9] Review of the Electric Transmission and Distribution 2020-2024 Grid Modernization Plan, submitted by UMS Group Inc. To Evergy (Oct. 2021).

prudence of Evergy's transmission investments or the recovery of related costs, this has been true for decades and there is substantial regulatory oversight of those investments through FERC and an opportunity for Commission Staff and other interested parties to review investments and participate in the process.

32. The transmission formula rates for both Evergy Kansas Central and Evergy Metro explicitly allow Interested Parties to seek information that is necessary to determine "the prudence of actual costs and expenditures, including the prudence of Evergy's procurement methods and cost control methodologies."[10] Then, they also allow for challenges concerning "[t]he prudence of actual costs and expenditures."[11] The KCC qualifies as an Interested Party.[12] So while the KCC does not retain authority to challenge the prudence of FERC-jurisdictional expenditures in an independent state proceeding,[13] it does retain the authority to ask questions about, and ultimately challenge, the prudence of expenditures in a FERC proceeding. So do other interested customers. FERC has repeatedly recognized this fact.[14]

33. Evergy must be able to make decisions about the investments for its system based on need in order to provide efficient and sufficient service. Those decisions should not be guided

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[10] EKC Formula Rate Implementation Protocols § II.1(e); *see also* Evergy Metro Formula Rate Implementation Protocols § II.3(e) ("[I]nformation and document requests shall be limited to what is necessary to determine… the prudence of actual costs and expenditures.").

[11] EKC Formula Rate Implementation Protocols § III.3(a)(iii); *see also* Evergy Metro Formula Rate Implementation Protocols § III.2(c) ("The Informal as well as Formal Challenges shall be limited (as listed in Sections II.3(a) through (g)").

[12] *E.g.*, Evergy Metro Formula Rate Implementation Protocols § I.3(f) ("For purposes of these procedures, the term Interested Party includes, but is not limited to, customers under the OATT, state utility regulatory commissions, consumer advocacy agencies, and state attorneys general…").

[13] *See generally, e.g., Miss. P. & L. Co. v. Miss. ex rel. Moore*, 487 U.S. 354 (1988).

[14] *See, e.g., Kansas City Power & Light Co.*, 148 FERC ¶ 61,034 at P 3 (2014) ("Because the formula rates for transmission service presently on file with the Commission do not typically require transmission owners to make a section 205 filing to update their annual transmission revenue requirement, safeguards need to be in place to ensure that the input data is the correct data, that calculations are performed consistent with the formula, that the costs to be recovered in the formula rate are reasonable and were prudently incurred, and that the rates are just and reasonable. The safeguard that has often been employed is formula rate protocols.").

by the question of whether they are subject to KCC or FERC jurisdiction but instead what is best for the reliability of the system and Evergy's customers over time.

V. The Commission should not prejudge the decision between ownership and Power Purchase Agreements ("PPA") for investment in renewable generation; ownership offers competitive prices and substantial benefits when compared to PPAs.

34. Staff suggests that Evergy should consider PPAs instead of owned renewables, presumably based on an assumption that this would decrease costs for customers. While this docket is not the appropriate place for the Commission to make this decision – when no such investment is before the Commission – the fact is that (1) ownership is competitive with PPAs from a price and customer rate impact perspective and (2) ownership provides other substantial benefits that are important to consider, including maintaining Commission jurisdiction over large generation assets in Kansas and reduction of price and performance risks.

35. First, with respect to price risk, currently 87% of Evergy's renewables are under PPAs, which creates asset replacement risk for customers and results in many prime wind/interconnection sites falling under the control of entities outside of Kansas. Evergy now has 25% of its total generation capacity through PPAs giving customer significant price uncertainty for their long-term supply.

36. However, local utility ownership reduces long-term price risk for customers. Without utility ownership, premium sites for wind/solar resources would be controlled by out of state "special purpose" companies, potentially benefitting other states and nations and depriving retail customers in Kansas and Missouri of prime locally generated clean energy in the future. Without utility ownership, retail customers would be at risk for the price of replacement power when PPAs expire. If out of state entities control the best sites, the cost to replace expiring PPAs may not be the cost of continuing to operate – or the cost of repowering the site with a modest

return – but rather the price of the local utility's next best option at the time, which could be a similar or worse resource at a less attractive development site with poorer access to the core renewable energy.

37. Second, with respect to Commission jurisdiction, no jurisdiction exists for these developer assets sold to utilities under PPAs. Conversely, local utility ownership of renewable generation gives the Commission jurisdiction over the generation assets, which represent billions of dollars of energy infrastructure investment. Renewable energy is a large and growing business that, given the quality of wind and solar resources in Kansas, can be a differentiator for the state. Again, out of state developers selling PPAs to utilities operate largely outside the Commission jurisdiction, which can have many negative implications on customers, including on landowner protections, customer impacts from the developers/special purpose entities' financial failures, environmental compliance issues, and loss of economic development benefits.

38. Local utilities are better able to play the long game with the assets and contemplate issues like generational equity for Evergy's customers today and tomorrow. The utility is incented to think of long-term outcomes and not just the next contract where a developer can utilize double-leverage and the investment grade counterparty's (investor-owned utility) balance sheet. On the other hand, a local utility with a responsible, investment grade balance sheet reduces long term financing risk through a balanced capital structure where debt burden is carefully managed across the whole of the utility, inclusive of the renewables investment.

39. With PPAs, local utilities and their customers are subject to performance risk and solvency issues of the third party PPA providers. Under a PPA, these risks are outside the purview

of the Commission as opposed to the operational and financial performance oversight the Commission has with utility-owned renewable assets.

40. Finally, with respect to impact on customer rates, local utility ownership provides attractive customer economics over the long-term. Evergy has 25% of total generation portfolio through PPAs and ~85% of its renewable portfolio in PPAs. This ratio creates significant price uncertainty that should be managed through more ownership of renewable generation in the future. Additionally, when the true cost of PPAs is considered – reflecting the cost to use Evergy's balance sheet when PPAs are entered into[15] – the per MWh price for renewable generation to be owned by Evergy is often comparable, or even less, than the per MWh price for renewable generation purchased under a PPA. As Evergy Kansas Central has done in the past with the Western Plains Wind Farm, Evergy has the ability to further minimize the impact of ownership on customers and ensure intergenerational equity among customers by levelizing the rates to be paid by customers over the expected life of the plant.

41. Additionally, Evergy believes that renewable assets could last longer (e.g., through superior maintenance practices as seen with Evergy's coal assets, or through site repowering) than the term of a PPA contract, providing additional benefits to customers. Utility ownership can also provide the opportunity to optimize for Evergy's specific customers (retail and wholesale cooperative and municipal customers) in making decisions around repowering, adding storage, and any other augmentations which may be possible, without relying on a developer.

42. Evergy looks forward to further discussions with Staff and the Commission on this very important topic of making Evergy's investments in renewable generation sustainable for both

[15] Standard & Poor's imputes off-balance sheet debt when evaluating the Company's credit metrics. To negate this impact, additional equity is required.

customers and Evergy for the long-term. These opportunities for further discussion and review will arise in rate cases as well as any predetermination proceedings that the Company files in advance of building new renewables generation assets.

VI. Evergy's IRP process addresses CURB's comments about generation planning.

43. CURB states in its comments that although it understands the focus on shifting to renewable generation, CURB indicates that it is concerned about building any new generation given the forecasts for flat or low load growth on Evergy's system. However, Evergy's IRP process is designed to address just this type of concern. The plan identified through the IRP is based on meeting long-term capacity needs in an economic way given a generally uncertain future, forecasted load growth, the expectation of future retirements, and the need to build new capacity in a ratable way over time as opposed to being forced to build a large amount of capacity in a short period of time as a result of sudden load growth or an accelerated retirement. In addition to the long-term forecasts and uncertainty incorporated in the IRP, Evergy has continued to see activity from large potential new loads seeking to move to its service territory (e.g., recent Panasonic announcement) and the Southwest Power Pool has continued to increase the stringency of resource adequacy requirements. Both of these items occurring in parallel increase the value of new capacity even in the near-term where forecasted load growth has historically been lower.

VII. KEPCo's comments about Evergy's IRP process and the connection between the IRP and capital plan are unwarranted and KEPCo's recommendations should be rejected.

44. The primary focus in KEPCo's comments is on alleged deficiencies in Evergy's IRP process and on the relationship between the IRP and Evergy's capital plan. Specifically, KEPCo argues that Evergy's last triennial IRP filing did not evaluate the impact of interconnection delays and supply chain issues on its resource acquisition strategy; that Evergy did not adequately

include or identify projected O&M savings when evaluating the cost to operate and maintain existing generation units; and that Evergy should be required to tie together the results of its IRP and its capital plan.

45. This proceeding is not the appropriate place for review of the alleged deficiencies in Evergy's IRP process. This proceeding and comment period is specifically focused on the capital plan that Evergy submitted and whether it complied with the requirements of the framework established by the Commission. KEPCo has had and will continue to have ample opportunity to file comments and engage in stakeholder interactions with respect to Evergy's IRP when the triennial IRP filing was made last year and the annual update IRP filing was made this year.

46. Moreover, KEPCo's comments about Evergy's IRP process are not justified. With respect to the consideration of interconnection delays and supply chain issues in the IRP, Evergy added additional discussion of alternative resource options (as opposed to retirements) and the potential impact of interconnection delays and supply chain constraints in Section 6.2 of the IRP Annual Update, as agreed in the Joint Filing. The impacts of these interconnection delays and supply chain constraints have been incorporated into the alternative resource plans evaluated in the 2022 Annual Update.

47. With respect to the consideration of O&M savings in the IRP, the detail included in the IRP regarding forecasted O&M savings – namely that these forecasted savings are incorporated into the IRP analysis – is appropriate in the context of an IRP. Evergy has included forecasted O&M savings for each generating unit in the IRP; however, provision of additional details regarding the individual savings initiatives is unnecessary in the context of a long-term resource plan. Evergy will provide additional information on the O&M forecasts included in response to data requests if asked but it does not make sense to include that level of detail as a

default part of the IRP when it is just detail on how one of the many input assumptions is developed.

48. With respect to whether Evergy should be required to further tie together the results of its IRP and its capital plan, Evergy did provide a description of changes between the most recent Capital Investment Plan and the IRP Annual Update in Section 6.1 of the IRP Annual Update as agreed in the Joint Agreement following the 2021 Triennial IRP. However, the planning environment is too dynamic for the IRP and capital plan to always perfectly tie together. If they are filed around the same time, they should be consistent, but they have not been filed around the same time for the last couple of years so Evergy uses the latest information available in each filing instead of arbitrarily delaying updates to keep one of the two filings as the "master plan." Evergy's approach is reasonable and KEPCo's recommendation should be rejected.

VIII. CURB's comments about the Uplight project are unwarranted.

49. The Uplight software, one of the projects referenced in Evergy's capital plan filing, will provide personalized digital engagement with residential and commercial utility customers through various solutions that include, behavioral programs, such as home energy reports, energy efficiency, electrification, rates, and online product transactions.

50. In its comments, CURB expressed concern over the increase in amounts spent on Information Technology and whether that amount will produce commensurate benefits for customers in the area of customer service and specifically referenced an increase in the spend for Information Technology of $3 million for Evergy Metro and $26 million for Evergy Kansas Central in 2021.

51. In the past several years, Evergy has invested in its IT infrastructure and revamped its CIS systems, metering, and notification systems. Technology changes and Evergy's need to

digitally interact with its customers continues to increase. During this time, much of the investment to advance customer experience was set aside as Evergy was revamping its system of records. Evergy's partnership with Uplight will allow Evergy to move forward in a more agile manner for customer facing digital enhancements. Uplight is not in-service for Kansas customers at this time and, like other IT investments referenced above, the time to evaluate the investment will be in the rate case.

52. CURB also questions whether upgrades such as the Uplight project are necessary for the "customer experience" and whether customers will utilize such investments. Evergy disagrees with CURB's concerns because the Uplight project will provide significant benefits to customers.

53. Investing in improved customer experience not only allows a customer to receive information they need related to their bill, energy usage, or utility more seamlessly, but it also allows customers to be informed of additional opportunities such as programs that they are eligible to enroll, eBilling, and utility rebates. Utilization of these additional benefits creates savings for all customers. Additionally, the utility will spend less on O&M to deliver the same level or higher of service, which also creates savings over time.

54. Today's consumer expects modern and convenient digital engagement tools, including online web portals, mobile applications, and personalized offers for service improvements. These expectations are shaped by Uplight's interactions with popular eCommerce sites and other common business experiences ranging from entertainment and news to specific products like QR codes at restaurants. Seamless digital engagement is the standard for customer

interaction – not in an imagined future but it is already here today. Yet utilities are behind this change across the consumer economy.

55. Utilities need to modernize to keep pace with these changes to meet customers where they are and with the tools they expect, or they risk becoming antiquated businesses that frustrate customers and strain their trust and patience. This covers everything from more seamless billing and account management capabilities, to being able to present new program options and energy saving offers to customers. The success of these customer facing features – that is, our ability to evolve into the customer-centered service provider that we seek to be – rests on making the necessary investments in IT and software systems that are commonplace in other industries.

56. Uplight's services to Evergy are a cloud-based software-as-a-service ("SaaS") platform that will provide wide-ranging benefits including operating efficiencies and improved customer service. The need for utilities to increase cloud investment to access faster system deployments and enable decentralized digital capabilities is described in a recent issue of Public Utilities Fortnightly, which reveals the broad-ranging value proposition and need for this type of investment.[16]

57. JD Power research further supports the need for utility investment in enhanced customer tools.[17] [18] Their research finds that 20 percent of utility customers are unable to resolve their problems on the digital channel of their choice. As a result, customers must call customer service centers, which is more expensive and less satisfying. JD Power also reports that peer

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[16] Purohit, et al. "POV on Cloud Computing for Utilities." *Public Utilities Fortnightly*; August 2022, pp. 50-53.

[17] J.D. Power. (2021). Digital Experience: Why Do Utilities Lag Behind Other Industries? https://www.jdpower.com/sites/default/files/file/2021-02/Utilities_Digital_Experience_IG_v2_PDF.pdf.

[18] *2022 U.S. Utility Digital Experience Study*. J.D. Power. (2022, February 23). Retrieved August 2, 2022, from https://www.jdpower.com/business/press-releases/2022-us-utility-digital-experience-study.

industries tend to update their software systems, websites, and other digital properties every three years, as compared to a five-year cycle by utilities. JD Power noted that customer satisfaction scores are rising for utilities which are investing in technology related to digital customer experience.

58. Finally, CURB is concerned that the Uplight project is not targeted to customers' true focus, which is just the total amount on their monthly bill and recommends a "back-to-basics approach" for IT that would focus on the ability to make changes to customers' bills.

59. Evergy recognizes the need for improved speed and agility to make bill updates; however, Evergy disagrees that this suggests that other improvements to customer-facing systems should be avoided. It would be a mistake to resort to a "back-to-basics" IT approach that reflects last century's utility, and as a result would only focus on narrow capabilities that do not position Evergy for the next decade of its evolution to a customer-centric business.

60. Evergy is making IT investments, including the Uplight investment, that will enable improved architecture and functionality to support services beyond a "niche portion of customers." In fact, Evergy aims for the opposite in making these investments – new software and data analytics capabilities will let us present increased energy options and cost-saving tips to most or all customer segments, including low-to-medium income customers. It is by avoiding investment in customer experience systems that these hardest-to-serve customers get left behind; that is, the intuitive tools like those in Uplight's suite would not be available to help these customers navigate to energy- and cost-savings offers.

61. Transparency in billing is also one of the key capabilities that the Uplight investment provides, albeit outside of the historical paper bill or e-bill. Uplight systems will offer

analytics like breakdowns of energy usage, high usage alerts, and rate analytics that allows the customer to not only understand but also manage their energy costs.

62. The benefits associated with the Uplight project are numerous and hard to fully describe in writing in this responsive pleading. As such, Evergy would be happy to schedule a presentation during an open meeting to walk the Commissioners through the details of the project and the benefits it will bring to customers.

IX. Staff's recommendations on rate impact modeling and public workshops are inconsistent with the purpose of this docket and/or unnecessary and should be rejected.

63. Staff recommends that the Commission require Evergy to file updated and comprehensive financial modeling similar to that provided in Docket 21-088 in order to show how retail rate changes are impacted by continued increases in capital expenditures. Staff also encourages the Commission to consider requiring Evergy to appear in public workshops to explain the upward trend in its capital expenditures to its various stakeholder groups. Both recommendations should be rejected.

64. First, a requirement that Evergy submit comprehensive financial modeling in this docket and outside of a rate case is inconsistent with the purpose of this docket, which is to allow the Commission to confirm compliance with capital plan filing requirements, and to a much lesser extent, monitor Evergy's capital investment plans at a high level during the five-year rate moratorium and in between general rate cases. Furthermore, during the rate moratorium, Evergy submitted Earnings Review and Sharing Plan ("ERSP") reports that provided actual results for both Kansas jurisdictions since the merger. In addition, Evergy will submit detailed accounting schedules and rate impact evaluations when it files its general rate case in Spring 2023. It is not reasonable or appropriate to require that level of information to be submitted now in a docket that

was established to confirm compliance with the filing requirements and other informative purposes only – not for decisions on prudence or rate recovery issues – and when no rate request is before the Commission.

65. Second, a requirement that Evergy appear in public workshops to explain its capital plan to stakeholder groups is not necessary. All impacted stakeholders have had the opportunity to intervene in this docket, issue discovery requests to Evergy regarding its capital plan filings and submit comments to the Commission as CURB and Staff have done. In fact, the parties who have already intervened in this docket represent virtually all of the impacted stakeholders – CURB on behalf of residential and small general service customers, KIC on behalf of large industrial customers, Sierra Club, USD 259, and Staff on behalf of the public generally, among others. It is not necessary to require Evergy to make additional public presentations regarding its capital plan when these parties already have an avenue to obtain information and ask questions regarding the plan; when Evergy is not making any request in this docket for cost recovery; and when no decisions will occur in this proceeding that will affect customers' rates.

X. Conclusion

66. Evergy's Capital Plan filing complies with the requirements of the framework approved by the Commission and should be accepted, and the Commission should reject Staff's recommendations regarding additional financial modeling and public stakeholder presentations and KEPCo's recommendations regarding the connection between the IRP and capital plan filings.

Respectfully submitted,

EVERGY KANSAS CENTRAL, INC., EVERGY KANSAS SOUTH, INC., AND EVERGY METRO, INC.

/s/ Cathryn J. Dinges
Cathryn J. Dinges, #20848
Senior Director and Regulatory Affairs Counsel
818 South Kansas Avenue
Topeka, Kansas 66612
Telephone: (785) 575-8344
Fax: (785) 575-8136
Cathy.Dinges@evergy.com

VERIFICATION

STATE OF KANSAS)
) ss
COUNTY OF SHAWNEE)

The undersigned, Cathryn Dinges, upon oath first duly sworn, states that she is Senior Director and Regulatory Affairs Counsel for Evergy Kansas Central, Inc. and Evergy Kansas South, Inc., that she has reviewed the foregoing pleading, that she is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of her knowledge and belief.

Cathryn Dinges
Cathryn Dinges

Subscribed and sworn to before me this 26th day of August 2022.

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

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of August, 2022, the foregoing **Response** were electronically filed with the Kansas Corporation Commission and that one copy was delivered electronically to all parties on the service list as follows:

JOSEPH R. ASTRAB, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
j.astrab@curb.kansas.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
D.NICKEL@CURB.KANSAS.GOV

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
d.smith@curb.kansas.gov

DOROTHY BARNETT
CLIMATE & ENERGY PROJECT
PO BOX 1858
HUTCHINSON, KS 67504-1858
barnett@climateandenergy.org

CATHRYN J. DINGES, SR DIRECTOR & REGULATORY AFFAIRS COUNSEL
EVERGY KANSAS CENTRAL, INC
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
Cathy.Dinges@evergy.com

CATHY DINGES, ATTORNEY
EVERGY METRO, INC D/B/A EVERGY KANSAS METRO
One Kansas City Place
1200 Main St., 19th Floor
Kansas City, MO 64105
Cathy.Dinges@evergy.com

ROGER W. STEINER, CORPORATE COUNSEL
EVERGY METRO, INC D/B/A EVERGY KANSAS METRO
One Kansas City Place
1200 Main St., 19th Floor
Kansas City, MO 64105
roger.steiner@evergy.com

CONNOR A THOMPSON, ATTORNEY
FOULSTON SIEFKIN LLP
7500 COLLEGE BOULEVARD, STE 1400
OVERLAND PARK, KS 66201-4041
cthompson@foulston.com

JAMES P ZAKOURA, ATTORNEY
FOULSTON SIEFKIN LLP
7500 COLLEGE BOULEVARD, STE 1400
OVERLAND PARK, KS 66201-4041
jzakoura@foulston.com

TERRY M. JARRETT, Attorney at Law
HEALY LAW OFFICES, LLC
3010 E BATTLEFIELD
SUITE A

SPRINGFIELD, MO 65804
terry@healylawoffices.com

HEATHER
H STARNES, ATTORNEY
HEALY LAW OFFICES, LLC
12 Perdido Circle
Little Rock, AR 72211
heather@healylawoffices.com

BRIAN NOLAND
IBEW LOCAL 304, KANSAS CITY, MO
117 W. 20th St., Ste. 201
Kansas City, MO 64108
noland.brian@gmail.com

JOHN GARRETSON, BUSINESS MANAGER
IBEW LOCAL UNION NO. 304
3906 NW 16TH STREET
TOPEKA, KS 66615
johng@ibew304.org

KIMBERLY B FRANK, COUNSEL
K&L Gates, LLP
1601 K STREET NW
WASHINGTON, DC 20006
Kimberly.Frank@klgates.com

NATHAN HOWE
K&L Gates, LLP
One Newark Center
1085 Raymond Blvd.
Newark, NJ 07102
Nathan.howe@klgates.com

TERESA A. WOODY
KANSAS APPLESEED CENTER FOR LAW AND JUSTICE, INC.
211 E. 8th Street
Suite D
Lawrence, KS 66044
twoody@kansasappleseed.org

BRIAN G. FEDOTIN, GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
b.fedotin@kcc.ks.gov

MICHAEL NEELEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
m.neeley@kcc.ks.gov

SUSAN B. CUNNINGHAM, SVP, Regulatory and Government Affairs, General Counsel
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
scunningham@kepco.org

MARK DOLJAC, DIR RATES AND REGULATION
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
mdoljac@kepco.org

REBECCA FOWLER, MANAGER, REGULATORY AFFAIRS
KANSAS ELECTRIC POWER CO-OP, INC.
600 SW CORPORATE VIEW
PO BOX 4877
TOPEKA, KS 66604-0877
rfowler@kepco.org

JAMES GING, DIRECTOR ENGINEERING SERVICES
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
jging@kpp.agency

LARRY   HOLLOWAY, ASST GEN MGR OPERATIONS
KANSAS POWER POOL
100 N BROADWAY STE L110
WICHITA, KS 67202
lholloway@kpp.agency

TIMOTHY J LAUGHLIN, ATTORNEY
LAUGHLIN LAW OFFICE, LLC
1248 E SLEEPY HOLLOW DRIVE

OLATHE, KS 66062
tim.laughlin22@gmail.com

TIMOTHY S. MAIER, GENERAL MANAGER
MCPHERSON BOARD OF PUBLIC UTILITIES
401 W KANSAS AVE
PO BOX 768
MCPHERSON, KS 67460
TIMM@MCPHERSONPOWER.COM

WILLIAM DOWLING, VP
ENGINEERING & ENERGY SUPPLY
MIDWEST ENERGY, INC.
1330 CANTERBURY DRIVE
PO BOX 898
HAYS, KS 67601-0898
BDOWLING@MWENERGY.COM

PATRICK PARKE, CEO
MIDWEST ENERGY, INC.
1330 Canterbury Rd
PO Box 898
Hays, KS 67601-0898
patparke@mwenergy.com

ASHOK GUPTA, EXPERT
NATIONAL RESOURCES DEFENSE COUNCIL
20 N WACKER DRIVE SUITE 1600
CHICAGO, IL 60606
agupta@nrdc.org

ANNE E. CALLENBACH, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
acallenbach@polsinelli.com

FRANK A. CARO, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
fcaro@polsinelli.com

ANDREW O. SCHULTE, ATTORNEY
POLSINELLI PC
900 W 48TH PLACE STE 900
KANSAS CITY, MO 64112
aschulte@polsinelli.com

ROBERT V. EYE, ATTORNEY AT LAW
ROBERT V. EYE LAW OFFICE, LLC
4840 Bob Billings Pkwy, Ste. 1010
Lawrence, KS 66049-3862
BOB@KAUFFMANEYE.COM

SCOTT L. BROWN
SCOTT L. BROWN, Attorney
475 New Brotherhood Bldg.
753 State Avenue
Kansas City, KS 66101
slb@blake-uhlig.com

SUNIL BECTOR, ATTORNEY
SIERRA CLUB
2101 WEBSTER, SUITE 1300
OAKLAND, CA 94312-3011
sunil.bector@sierraclub.org

TONY MENDOZA
SIERRA CLUB
2101 WEBSTER, SUITE 1300
OAKLAND, CA 94312-3011
tony.mendoza@sierraclub.org

DAVID RICHARDSON, SR. FINANCIAL ADVISOR
THE COUNCIL FOR THE NEW ENERGY ECONOMICS
1390 YELLOW PINE AVENUE
BOULDER, CO 80304
david.richardson@newenergyeconomics.org

ROBERT TITUS, ATTORNEY
TITUS CONNORS, LLC
6600 W 95TH STREET, SUITE 200
OVERLAND PARK, KS 66212
rob@tituslawkc.com

J.T. KLAUS, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
jtklaus@twgfirm.com

KACEY S MAYES, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300

WICHITA, KS 67226
ksmayes@twgfirm.com

TIMOTHY E. MCKEE, ATTORNEY
TRIPLETT, WOOLF & GARRETSON, LLC
2959 N ROCK RD STE 300
WICHITA, KS 67226
TEMCKEE@TWGFIRM.COM

FRED WICKHAM
WICKHAM & WOOD, LLC
107 W. 9th Street, 2nd Floor
Kansas City, MO 64105
fred@wickham-wood.com

BRIAN WOOD
WICKHAM & WOOD, LLC
107 W. 9th St., 2nd Flr.
Kansas City, MO 64105
brian@wickham-wood.com

/s/ Cathryn J. Dinges
Cathryn J. Dinges