BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

JOHN T. BRIDSON

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

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

Docket No. 25-EKCE-294-RTS

January 31, 2025

****PUBLIC****

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is John T. Bridson. My business address is 818 South Kansas Avenue, Topeka, Kansas 66612.

Q. By whom and in what capacity are you employed?

A. I am employed by Evergy Kansas Central, Inc. and serve as Vice President, Generation for Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM"), Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central, Evergy Metro, Inc. d/b/a as Evergy Missouri Metro ("EMM"), Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW"), the operating utilities of Evergy, Inc.

Q. On whose behalf are you testifying?

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

Q. Please describe your educational background and business experience.

A. I received a B.S. in mechanical engineering from Kansas State University in 1992. I began my career with Westar Energy in January 1993 as a plant engineer at the Jeffrey Energy Center. I held several engineering and management positions at Jeffrey Energy Center before being promoted to Executive Director, Gas Plants in 2001, where I managed all of Westar's gas fired generating plants. In 2007, I became Executive Director of the Lawrence Energy Center. I became Executive Director, Generation in May 2010, leading the management of all of Westar's generation fleet before being promoted to Vice President, Generation in February 2011. I assumed the role of Senior Vice President, Generation and Marketing in

early 2015, adding the power marketing responsibilities. I became the Vice President of Generation after the merger between Westar Energy and Great Plains Energy that formed Evergy, Inc.

Q. What are your responsibilities as vice president, generation?

A. I am responsible for the generating plants that are owned and operated by Evergy Kansas Central ("EKC"), Evergy Metro, and Evergy Missouri West, the Evergy, Inc. operating utilities. This includes coal, gas, oil, solar and wind generation facilities. I am also responsible for two plants operated by others, which are the State Line and Dogwood combined cycle plants. State Line is co-owned with Liberty Utilities, and it is the operator. Dogwood has several owners including City of Independence, MO, Kansas Municipal Electric Association ("KMEA"), Kansas Power Pool ("KPP"), Missouri Public Utility Alliance ("MPUA") and the Unified Government of Wyandotte County. I also serve as a board member of the Wolf Creek Nuclear Operating Corporation, overseeing the 94% interest in Wolf Creek Generating Station co-owned by EKC and Evergy Metro. I also oversee our employees who handle our participation in the Southwest Power Pool (SPP) Integrated Market, including market operations and fuel procurement, as well as wholesale contracts with other parties. Recently I have also taken on the leadership of the utility companies' Operations Support group which covers safety, skills training, fleet services, facilities and operations analytics.

Q. What is the purpose of your testimony?

A. My testimony addresses EKC's proposal to modify some of the terms for the regulation and recovery of the Western Plains Wind Farm that were adopted by the

Commission in Docket No. 18-WSEE-328-RTS ("18-328 Docket").[1] This would include removal of the performance band applied to the asset.

II. EKC'S PROPOSAL TO MODIFY THE REGULATORY TERMS FOR WESTERN PLAINS WIND FARM

Q: What is EKC requesting from the Commission as regards the terms for recovery and regulation of the Western Plains Wind Farm ("Western Plains")?

A: Specifically, EKC is requesting the Commission modify the terms for Western Plains to align its regulation with the terms in place for the Persimmon Creek Wind Farm approved in EKC's 2023 rate case in Docket No. 23-EKCE-775-RTS ("23-775 Docket"). The specific modifications requested are:

- Remove the performance band applicable to Western Plains
- Remove the transfer of the residual value of the wind farm at the end of the 20-years to EKC. This would permit the wind farm asset to remain in rate base and continue operating for the benefit of EKC retail customers consistent with traditional regulatory assets.
- After twenty years, allow the levelized revenue requirement to be reevaluated to consider any maintenance capital expenditures, costs associated with life extension for the plant, or other additional costs incurred to operate and maintain the resource.

[1] "In the Matter of the Joint Application of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in their Charges for Electric Services."

Q: Will you please discuss the background of the Western Plains Wind Farm?

A: Western Plains is an approximately 281 MW wind farm located in Ford County, Kansas. EKC first invested in the Western Plains through a predecessor company, Westar Energy ("Westar"), beginning in 2015. It was attractive as a lower cost wind energy asset, and also as a desirable renewable energy project to add to the generation portfolio. The wind farm went into service in February of 2017. EKC, as successor to Westar, acquired Western Plains at the time of the Great Plains-Westar merger and has owned and operated the asset since.

Q: What was the origin of the performance band for Western Plains?

A: The performance band on Western Plains is the result of a settlement agreement in Westar's rate case in the 18-328 Docket ("18-328 S&A"). Staff supported the inclusion of Western Plains in Westar's rates and supported use of the proposed levelized revenue requirement. A condition of that support, however, was the establishment of a performance mechanism. Staff essentially argued that because it was an "owned asset," some form of performance mechanism or tracker should be used to incentivize Westar to ensure the wind farm was competitive with the alternative of a Purchased Power Agreement ("PPA"). PPA's are ordinarily structured such that customers only pay for the wind energy they receive and wind energy that was available but not taken as a result of economic conditions. The PPA price is typically based on expected P50 performance.

Q: What is P50 performance?

A: P50 performance refers to the 50th percentile of a probability distribution. This means there is a 50% chance that the actual performance will be better than the P50

value and a 50% chance it will be worse. It's often used in forecasting and budgeting to represent a median or typical outcome. It is a common factor to evaluate the expected energy from a wind farm and is used to determine an expected energy rate ($/mWhr).

Q: Was the performance band supported by other intervenors as well?

A: Yes, it was supported by some of the other parties to the docket, including the Kansas Industrial Consumers Group ("KIC") and the Citizens' Utility Ratepayer Board ("CURB").

Q: Did Westar oppose imposition of the performance band in the 2018 docket?

A: Yes. Westar understood that Staff was proposing to include the performance band to insulate customers from any performance risk associated with the wind farm. However, Westar believed that the performance band mechanism proposed was not an appropriate tool for this purpose. Westar's position then was that the performance band mechanism, incentivizing only production as opposed to long term availability, focuses its incentives on the wrong behaviors and metrics. Consequently, it can unfairly punish EKC for market forces that are out of its control. It also ignores the benefits to customers of the wind farm that balance against any performance risk.

However, Westar was confident that it would operate the wind farm effectively and efficiently and that it would produce as expected, so Westar agreed to the imposition of the performance band to allow the parties to reach settlement in the case. There were other terms of the agreement, including a provision allowing Westar to realize any residual value of the wind farm at the end of 20-years. This

includes any wholesale margins the wind farm may produce, and any asset or land sales related to the acquisition.[2]

Q: Was the performance band ultimately implemented by the Commission?

A: Yes, it was approved as one component of a comprehensive non-unanimous settlement agreement of all issues in the rate case.

Q: What were the terms of the performance band?

A: Pursuant to the approved settlement, in the event that Western Plains had a capacity factor of greater than 48.57%, producing more than 1,193,878 MWhs in any calendar year based on a rolling three-year average beginning with the three-year average period ending December 2020, the Company would be allowed to include a charge in the ACA filing to the benefit of the Company that equates to the difference between the actual production and the 1,193,878 MWhs, multiplied by $20.70/MWh. In the event Western Plains had a capacity factor of less than 44.57%, producing less than 1,095,556 MWhs in any calendar year based on a rolling three-year average beginning in 2020 and using the three-year average for 2018-2020, there would be a credit in the ACA filing to return to ratepayers any shortfall in MWhs from 1,095,556 MWhs, multiplied by $20.70/MWh. Western Plains has operated within the bounds of the performance band during every reporting period since it went into service.

[2] 18-328 S&A, p. 7, ¶24. The 20 years ends on February 23, 2037.

Q: Can you explain what "capacity factor" means?

A: Yes. In general, it is the amount of power generated from a wind generation source compared to its maximum potential output for a given time period (typically on an annual basis) and is calculated by dividing the power output by the maximum power capability. It essentially measures how a particular generation asset is operated compared to its full capability.

Q: Did the 18-328 S&A allow for modifications to be made in the future to the Western Plains settlement terms?

A: Yes. The settlement included the following provision:

> In the event of changes in law or regulations, or the occurrence of events outside the control of Westar that result in a material adverse impact to Westar with respect to recovery of the Western Plains revenue requirement, Westar, as applicable, may file an application with the Commission proposing methods to address the impact of the events, including adjusting the credit due to customers through the ACA described above. The other Parties to this settlement shall have the right to contest any such application, including whether the impact of the change or event is material to Westar, and whether the proposed remedy in the application is reasonable.[3]

It is under this provision that EKC is requesting modification in this docket. In 2022, the federal government extended the Production Tax Credit ("PTC") for wind farms upon which construction began before December 31, 2024, and other governmental subsidies and pro-wind policies were implemented. This was part of the federal government Inflation Reduction Act ("IRA"). These events were outside the control of EKC and in 2018 were considered unlikely to occur. If the modifications to the 18-328 S&A as set out above are not adopted, these events will

[3] 18-328 Non-Unanimous Settlement Agreement filed July 17, 2018 ("18-328 S&A"), pp. 6-7, ¶23.

result in a material adverse impact to EKC with respect to recovery of the Western Plains revenue requirement when the 10-year PTC for Western Plains expires.

Q: What are PTCs?

A: PTCs are federal tax credits available for renewable energy projects, including wind farms. PTCs for renewable energy projects were initially introduced by legislation passed by Congress in 1992. At a basic level, PTCs provide tax credits to owners of generation resources in a set amount per unit of energy generated or produced. PTCs for wind farm projects have been scheduled to lapse at a number of points of time in recent decades. Western Plains will still be able to take advantage of its PTCs until approximately the end of February 2027, at which time its PTCs will expire. However, the IRA of 2022 further extended PTCs for new wind farm projects such that newly constructed wind farms may continue to be able to take advantage of PTCs beyond 2034, as long as construction was started before the end of 2024. Some wind farms in the region will likely reap PTCs beyond the end of 2034, dependent upon when they began producing energy.

Q: Are PTCs advantageous to wind farm operators?

A: Yes. Simply stated, they reduce the overall cost of production per unit of wind energy, reducing costs per unit to the customer in the market. Generation assets like Western Plains generally operate when selected to operate by the applicable regional transmission organization energy market -- in this case, the SPP energy market. In simple terms, SPP selects generation resources based on lowest production cost. PTCs artificially lower the cost of production, so a wind farm that

still has available PTCs can produce at a lower cost than one that does not. This gives it a competitive advantage in the bidding process, created only through a subsidy and not actual performance.

Therefore, energy produced from a wind farm with PTCs can be marketed at a lower price than energy produced at a wind farm without PTCs. Continued extension of PTCs puts existing wind farms at a disadvantage once the PTCs assigned to them expire, as the newer wind farms can take advantage of the PTCs and drive the market lower. This development will reduce production on wind farms that no longer are eligible for the PTCs. Had PTCs not been extended, the market would normalize and no wind farm would have a PTC advantage over another over time.

Q: At the time of implementation of the performance band for Western Plains in 2018, was the extension of PTCs for wind farms considered likely to happen?

A: Although some extension of PTCs for wind farms may have been a possibility, the substantial policy support for wind farms exhibited by the extension of PTCs up to 2034 was not expected, and the circumstances that precipitated the passage of the Inflation Reduction Act of 2022 were certainly not expected and were certainly outside of EKC's control.

Q: Does the increased number of wind farms also factor into whether the Western Plains will be selected by SPP for production on a particular day or during a particular month?

A: Yes. Wind farms that are located closer in proximity to the demand are likely to have less delivery constraints than those located further away, so they can deliver

energy at a lower overall cost. Therefore, with additional wind generation assets in the marketplace, there is greater likelihood that SPP will be able to select generation with less impact on constraints than Western Plains to satisfy portions of the overall load and at a more economic price. As more and more wind farms are added to the grid, Western Plains must compete with wind farms that may be more proximately located to the load they are serving or otherwise enjoy fewer constraints.

All of these factors support the conclusion that the more wind assets constructed and integrated into the SPP system, the less likely an asset like Western Plains will be selected for production on any particular day or during a particular month. EKC had no control over the PTC extension or the national political environment, and no control over other renewable generating resources that are constructed in the region.

Q: In light of these events, how will continuation of the performance band materially impact EKC's ability to recover its Western Plains revenue requirement?

A: As Western Plains PTCs begin to expire in 2027, it will have to compete against newer wind farms with PTC's extending as far out as 2034 or beyond. Western Plains, even when available, will also have a disadvantage in competing with the proliferation of wind farms in the region spurred by other pro-green energy governmental subsidies and policies. This places Western Plains at a substantial disadvantage as it becomes less likely it will be selected by the SPP market for operation on a regular basis, even while Western Plains would be available to produce and is still providing the same economic backstop as contemplated by the

original structure of the band-with provision. EKC will continue to operate Western Plains efficiently after its PTCs expire; however, continued application of the performance band will unavoidably punish EKC for curtailment of production caused by economic factors outside of EKC's control, while Western Plains provides the economic cap.

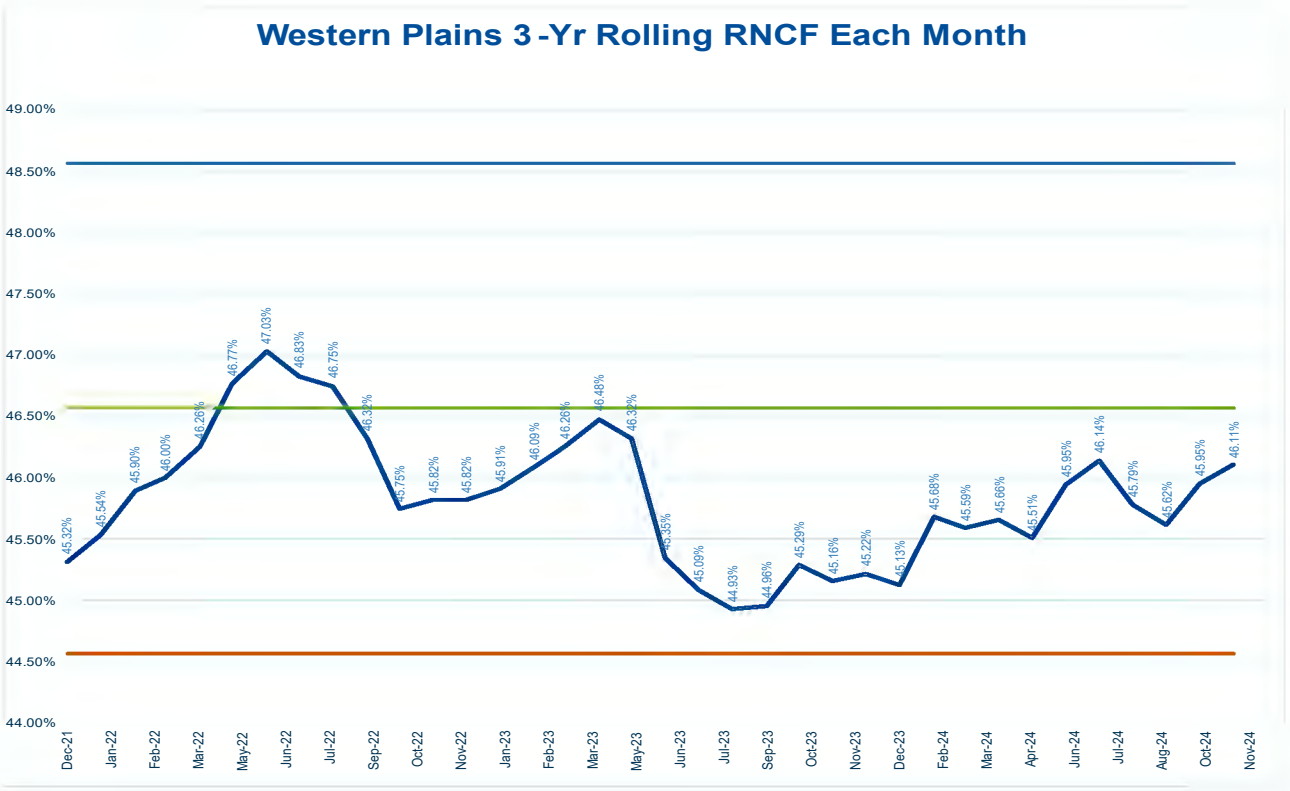
Q: You mentioned above that EKC's track record of productively operating the wind farm supports removal of the performance band. Can you explain?

A: As stated above, EKC has consistently operated the wind farm productively and well within the parameters of the performance band since 2018. The wind farm is a productive and highly performing asset, as evidenced by actual performance data and measurements since it was placed into service. The actual performance data demonstrates that EKC is dedicated to proper maintenance and upkeep of the wind farm such that it can be available for regular operation at a productive level. Historical performance is better evidence of expected future performance than a P50 model, which was used to establish the upper and lower capacity factor limits for the performance band.

Q: Can you describe the historical performance data EKC has gathered for Western Plains since 2017, and what those data demonstrate about future performance of the wind farm?

A: As displayed below in **Table 1,** the wind farm has been within the performance band metrics every month since operations began in 2017.

Table 1



The above graph shows the three-year rolling average rated net capacity factor for the wind farm and delineates the upper and lower parameters of the performance band for the preceding 28 months after a three-year rolling average could be established. In each instance, EKC has operated the wind farm productively and well within the metrics of the performance band.

Q: What is EKC's understanding of the original purposes of the performance band?

A: EKC understood the performance band was intended to incentivize desirable behavior—productive and economically efficient operation of Western Plains - and disincentivize undesirable conduct - such as failing to utilize the wind farm to produce affordable energy to be used by EKC's customers. In the future, however,

because of the events described above, the incentives created by the performance band will both incentivize production of energy from a more expensive source and conversely punish the reasonable decision to curtail production when production is not economical.

Q: Does the performance band fail to consider other value Western Plains brings to EKC's customers?

A: It does. Some value must be given to the *availability* of an asset like Western Plains, as opposed to just focusing on productivity. EKC is able to control availability by properly maintaining the wind farm facility and keeping it available as a source for production when economically warranted. Conversely, a mechanism that solely focuses on productivity unduly encompasses economic factors that are out of EKC's control, and decisions that are made not by EKC, but instead are made by other participants in the marketplace, primarily the SPP.

Q: You state that Western Plains provides substantial benefits to EKC customers even when it is not regularly operated. Can you elaborate?

A: Yes. There are additional benefits that EKC's ownership of Western Plains offers to its customers other than the production of power. For instance, EKC's investment in Western Plains helped return some balance to its renewable portfolio. Prior to investing in Western Plains, EKC owned only 12% of its total wind resources, leaving 88% of existing wind generation purchased through PPAs. Generation diversity adds to reliability and stability for customers.

Further, the addition of an owned wind resource like the Western Plains reduces long-term risk, which benefits customers by avoiding over reliance on the

PPA market. EKC's decision to invest in the Western Plains was a prudent decision at the time it was made, and it continues to be a prudent decision today.

Q: How does ownership of the wind farm reduce long-term risk by avoiding overreliance on the PPA market?

A: Without utility ownership, premium sites for renewable resources would be controlled by out of state companies, potentially benefiting other states and depriving retail customers in Kansas of prime locally generated clean energy in the future. It is not uncommon for developers to offer projects to out-of-state utilities.

Without utility ownership, retail customers would be at risk for the price of replacement power when a PPA for a wind farm expires. If out-of-state entities control the best sites, the cost to replace an expiring PPA may not be the cost of continuing to operate or repowering the site with a modest return; but rather the price of the local utilities' next best option at the time, which could be a similar resource at a less attractive development site and higher cost. Additional utility ownership of renewables helps mitigate the risk of increased cost of replacement power as existing PPAs expire.

EKC believes a renewable asset like the Western Plains Wind Farm can last longer (e.g. through superior maintenance practices as seen with our coal assets, or through site repowering) than the 20-year term of a PPA contract. Customers then receive the residual benefit of the renewable asset's after its initial life as opposed to that benefit going to the developer. This includes the existing infrastructure, transmission interconnection, land rights, as well as the potential additional energy generated from the initial assets. Utility ownership can also provide the opportunity

to optimize for EKC's customers in making decisions around repowering, adding storage, and any other augmentations which may be possible, without relying on a developer.

Q: Do you believe the Western Plains Wind Farm will continue to be productive after the twenty-year term of the 18-328 S&A?

A: Yes, because EKC intends to continue to productively and prudently operate the wind farm similar to the manner it has done since its inception.

Q: But doesn't the 18-328 S&A give EKC's shareholders the residual rights and value of Western Plains at the end of 20 years?

A: Presently, it does. The 18-328 S&A states, "The Parties agree that Westar is free to realize any residual value of the wind farm at the end of 20-years, which is February 23, 2037. This includes any wholesale margins the wind farm may produce, and any asset or land sales related to the acquisition.[4]" This was a benefit granted to the Company, as explained by Staff witness, Mr. Grady:

> Because the fixed price PPA approach described above insulates ratepayers from the risks typically associated with wind farm ownership, these risks are shifted to shareholders. Accordingly, paragraph 24 of the Settlement includes a provision which allows Westar shareholders to capitalize on any residual value of the wind farm after its expected life of 20 years. This is reasonable and balanced between ratepayers and shareholders, as is required in order for rates to be just and reasonable.[5]

[4] 18-328 S&A, p. 7, ¶24.

[5] Testimony of Justin Grady in Support of Non-Unanimous S&A, 18-328 Docket, p. 21.

Q: Are you proposing that this term of the 18-328 S&A be modified?

A: Yes, this term of the S&A is tied to the production band. Removal of the latter should be accompanied by removal of the former.

Q: Will EKC's customers be harmed if the performance band is removed?

A: No. There will still be available wind energy generated and available at a suppressed price because there will still be wind farm assets with available PTCs that can continue to bid generated energy into the market at a very low price to the customer. Therefore, customers will still be able to access energy produced from renewable wind resources at affordable prices in the marketplace. At the same time, Western Plains will continue to be available as a generation resource and will generate when market conditions warrant. From the customers' perspective, therefore, removing the performance band will not cause harm.

Q: If Western Plains had been achieved through a PPA instead of ownership, would customers have been responsible for paying for economic curtailment the same as they would without the performance band?

A: Yes. At the time Western Plains was developed, PPAs contained a standard term requiring payment for economic curtailments. If the developer had power available to sell into the SPP market but the economics at the time did not result in SPP choosing that power, the developer would still be allowed to charge the purchaser under the PPA for it. The following is an example from a PPA executed by the Company in 2015: (**THE FOLLOWING IS CONFIDENTIAL**)

**[redacted]

[redacted]**

Therefore, removing the performance band keeps customers on par with where they would have been under a PPA if economic conditions cause EKC to fall below the lower boundary of the performance band in the future. In contrast, leaving the performance band in place penalizes EKC in a way that would not have occurred under a PPA.

Q: Would removing the performance band for Western Plains be consistent with how the Commission has treated other utility-owned wind assets recently?

A: Yes. In EKC's 2023 rate case, the Commission approved the recovery of the Persimmon Creek Wind Farm without applying a performance band. At the time, Persimmon Creek had been operating for a few years and had a proven track record of performance. That was not the case for Western Plains in 2018, but it is now. We now have an actual history for Western Plains showing that its performance over the past six years is as it was envisioned during the 2018 case. EKC has never experienced a reporting period where reporting criteria were below the performance

band levels. EKC has now shown it can and has operated the Western Plains Wind Farm as a productive asset, and as such the performance band is unnecessary and should be removed.

Q: Would the granting of EKC's overall request in this docket allow Western Plains to align its regulation with the terms in place for Persimmon Creek?

A: Yes. The specific modifications requested are:

- Remove the performance band applicable to Western Plains
- Remove the transfer of the residual value of the wind farm at the end of the 20-years to EKC. This would permit the wind farm asset to remain in rate base and continue operating for the benefit of EKC retail customers consistent with traditional regulatory assets.
- After twenty years, allow the levelized revenue requirement to be reevaluated to consider any maintenance capital expenditures, costs associated with life extension for the plant, or other additional costs incurred to operate and maintain the resource

Q: Does this conclude your testimony?

A: Yes, it does.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

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

John Bridson

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

NOTARY PUBLIC - STATE OF KANSAS
NANCY A. FIENHAGE
MY APPT. EXPIRES

Notary Public

My Appointment Expires:
3/23/2028