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

DIRECT TESTIMONY OF

DARRIN R IVES

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

IN THE MATTER OF THE PETITION OF EVERGY KANSAS CENTRAL, INC., EVERGY KANSAS SOUTH, INC., AND EVERGY METRO, INC. FOR DETERMINATION OF THE RATEMAKING PRINCIPLES AND TREATMENT THAT WILL APPLY TO THE RECOVERY IN RATES OF THE COST TO BE INCURRED FOR CERTAIN ELECTRIC GENERATION FACILITIES UNDER K.S.A. 66-117.

Docket No. 25-EKCE-207-PRE

November 6, 2024

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Darrin R. Ives. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("Evergy Kansas Metro" or "EKM"), and Evergy Kansas Central, Inc. and Evergy Kansas South, Inc., collectively d/b/a as Evergy Kansas Central ("Evergy Kansas Central" or "EKC"), the operating utilities of Evergy, Inc., as well as Evergy Missouri Metro ("Evergy Missouri Metro"), and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West").

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Kansas Metro and Evergy Kansas Central. I will generally refer to both entities collectively as "Evergy" or "the Utilities," unless there is a need to specifically distinguish between the two, or if a portion of my testimony relates to one and not the other.

Q: What are your responsibilities as the Vice President of Regulatory Affairs?

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

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

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of

Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by Kansas City Power & Light in 1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

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

A: Yes, I have testified before the KCC and the Missouri Public Service Commission ("MPSC"). I have also provided written testimony to the Federal Energy Regulatory Commission and testified before Missouri and Kansas legislative committees.

II. PURPOSE AND SUMMARY OF TESTIMONY AND OVERVIEW OF THE FILING

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide an overview of Evergy's Petition filed in this docket from a regulatory policy perspective, including the following:

a. A discussion of the reasons Evergy is seeking predetermination of ratemaking principles in this docket for these projects pursuant to K.S.A. 66-1239, as amended by H.B. 2527,[1] and the benefits of utilizing predetermination under the new predetermination statute;

[1] *See* Kansas Laws 2024, ch. 60, § 4 (eff. July 1, 2024).

b. An analysis of the Petition related to its compliance with provisions of K.S.A. 66-1239, including:

i. An overview of the specific natural gas generating facilities and solar generation project to which the Petition relates,

ii. An explanation of how the proposed generation additions are consistent with Evergy's most recent preferred plan developed through the Integrated Resource Planning ("IRP") process,

iii. and the reasons Evergy's plan is reasonable, reliable, and efficient;

c. An overview of the estimated rate impacts from the projects;

d. An explanation of the procedural schedule Evergy is proposing for the docket and the request to provide supplemental testimony in February;

e. A discussion of the specific ratemaking treatment Evergy is requesting in its Petition.

Q: Could you please provide an executive summary of your testimony?

A: Evergy's construction of the new generation facilities proposed in this Petition is a significant part of Evergy's broader long-term resource plan to meet substantially increased capacity and energy requirements while ensuring system reliability and minimizing carbon emissions from its system. Evergy is committed to a multifaceted plan for responsible generation transition, involving (a) new, highly efficient natural gas generation which helps modernize our dispatchable generation fleet, (b) less reliance on older units and coal for generation, (c) growing investment in solar and wind generation resources, and (d) continued focus on demand-side management programs. This plan results in a balanced, all-of-the-above strategy in maintaining resource adequacy that will benefit Kansas customers for years to come.

Evergy's preferred resource plan – and the specific projects proposed in this Petition – advance the fiscal and economic objectives of ensuring that investments in new generating facilities are prudent, that they are part of a robust, resilient resource plan that considers least cost options to meet long-term planning requirements, that they meet our obligation to provide dependable, efficient, and affordable service to Evergy's customers, and that they facilitate the continuation of Kansas' successful economic development achievements. Additionally, Evergy's investment in the two natural gas plants in Hutchinson and Sumner County will bring direct value to the area in jobs and tax dollars and will ensure Kansas can continue to accommodate business growth that will benefit the entire state.[2] This investment is consistent with the intent of the recently passed Kansas House Bill 2527 and the policy of the State of Kansas.

The proposed construction of the new natural gas and solar generation facilities meets the needs identified under Evergy's IRP, which has established a preferred resource plan that is reasonable, reliable, and efficient. Implementation of that plan is prudent and will result in reasonable cost impacts for our customers, allowing us to maintain our position with respect to regional rate competitiveness while building generation that will ensure we can reliably and efficiently serve our customers and meet the demand resulting from economic growth in the state.

The predetermination process provides an opportunity for the Commission and other parties to review Evergy's implementation of the projects identified by the IRP,

[2] *See* Evergy Press Release, October 21, 2024, attached hereto as **Exhibit DRI-1**.

including specific site selection, plant design, construction schedules, and cost estimates that result from our process to achieve competitive pricing and capable and efficient support for construction of the projects. Our predetermination Petition reflects Evergy's commitment to conducting business openly, directly, and transparently. The predetermination process itself provides a predictable and constructive method for assessing the prudency and costs of planned major investments and, in so doing, serves the interests of our customers and investors.

Q: Please identify the other witnesses who will provide testimony for Evergy in this docket.

A: In addition to my testimony, the following witnesses are also submitting direct testimony in conjunction with the filing of Evergy's Petition in this docket:

- Jason Humphrey is providing testimony explaining the relationship between Evergy's IRP and generation planning processes, identifying the elements of Evergy's long-term generation plan, providing an overview of the new generation additions from a development perspective, and describing at a high level the process used by Evergy to select these new generation additions;
- Cody VandeVelde is providing testimony discussing Evergy's IRP process, how it supports the proposed investments at issue in this docket, impacts on customer costs from an IRP perspective, and the updated IRP analysis Evergy performed in order to evaluate the increase from the cost estimate included in the 2024 IRP to the cost estimate Evergy received for the CCGT projects from its Owner's Engineer;
- Kyle Olson is providing testimony discussing the project to construct the two natural gas generation facilities, including the process for acquisition through

requests for proposal, decisions regarding siting of the plants, timeline of the project, and other specific details related to the project;

- John Carlson is providing testimony discussing the Kansas Sky Solar project, including Evergy's identification of the need for solar generation in its IRP, identification and acquisition of its interest in the project, costs of the project, and other details related to the development and construction of the Kansas Sky Solar project;
- John Grace is providing testimony regarding Evergy's plans to finance the proposed investments related to the projects, the ownership structure of the two CCGT projects and the benefits derived from the new CWIP cost recovery mechanism and the recently enacted property tax exemption for new electric generation construction, the federal tax benefits available to the solar project, and the levelized revenue requirement ratemaking treatment proposed for that facility;
- Ron Klote is providing testimony on rate impacts related to the projects and investments, including discussion of how the investments will be recovered through rates, an analysis of impacts on customer rates, and rate-related benefits from the use of the Construction Work in Process ("CWIP") Rider; and
- Katy Onnen will testify regarding future system upgrades that may be mandated by Evergy's regional transmission organization, the Southwest Power Pool ("SPP"), and how Evergy and its consultant, 1898 & Co., are estimating and planning for incorporating the costs of those upgrades.

III. REASONS FOR SEEKING PREDETERMINATION UNDER K.S.A. 66-1239

Q: Why is Evergy seeking predetermination of ratemaking principles for this project?

A: There are a number of reasons why Evergy is requesting predetermination of ratemaking principles related to these projects and assets. Primarily, predetermination achieves Evergy's goals of predictability and certainty of ratemaking principles, and overall openness and transparency of the process. In addition, under the newly amended K.S.A. 66-1239, the Company is able to utilize newly available ratemaking procedures and tools that the Company believes will result in substantial benefits to the customer by providing a more favorable rate structure.

Q: How does predetermination promote predictability and certainty, and why is that important to Evergy?

A: Predetermination allows Evergy to have the certainty of knowing that its investments for construction of the proposed plants have been reviewed, scrutinized and found to be reasonable, and that mechanisms for recovery of those investments through Evergy's rates are known prior to construction. This is very important given the magnitude of the investments anticipated by Evergy and the risks related to such substantial investments. The certainty of predetermination of ratemaking treatment also allows Evergy to continue to attract capital on reasonable terms for this and other investments necessary to supply increased demand and usage on the system, and to meet Evergy's service obligation to provide service to all customers in its territories.

Q: You mention transparency and openness as a reason for seeking predetermination. Can you please expand on how predetermination promotes openness and transparency?

A: Yes. By utilizing the predetermination process provided by the legislature, we will better inform customers of the costs of ensuring the availability of adequate and reliable generation capacity. The predetermination process allows the Commission, Staff, intervenors and customers to be fully informed about what investments Evergy must make and is making not only to meet increased demand and usage on the system, but to do so with reliable, efficient, and dispatchable means of generation, all while transitioning away from coal and other outmoded and less environmentally conscious generation resources. Therefore, predetermination best promotes Evergy's commitments to openness and transparency, while meeting its service obligations.

Q: How do the new ratemaking mechanisms in the recently amended predetermination statute result in a beneficial rate structure for customers?

A: The benefit to the customer is largely derived through use of CWIP accounting and the CWIP rider for Evergy's investment in the new natural gas generation. Overall, the CWIP rider provides a mechanism for recovery of costs of the project in a manner that reduces the financing and interest costs on building the plants, both over the construction period and over the useful life of the plant. This allows Evergy to provide crucial dispatchable natural gas generation at a lower cost to the customer than would otherwise be the case. Mr. Grace discusses the benefits for customers associated with use of the CWIP rider in greater detail in his direct testimony.

Q: How do these benefits derived from the predetermination process promote Evergy's goals and objectives in this docket?

A: They fit directly with what Evergy's stated objectives and missions are in this proceeding. First, because the Commission, Staff, intervenors and other interested parties, including the public, are able to view specific aspects of the project - including the costs - and be involved in the shaping of ratemaking policy related to the project before, during and after construction, predetermination enhances collaboration and transparency. At the same time, there is more visibility and control on the prudence of the costs themselves throughout the process. This is not just a benefit to customers, but also engenders greater confidence in the process and therefore is a substantial benefit to Evergy. In addition, as discussed above, these projects are an important part of Evergy's resource plan to meet increased capacity and energy requirements and support substantial economic development in the State of Kansas. Predetermination, and the ratemaking principles adopted in K.S.A. 66-1239, allow Evergy to accomplish those goals nimbly, efficiently, and at a lower cost to the customer because of the innovation of the CWIP rider. Therefore, predetermination provides substantial benefits not only to the customers and to Evergy and its investors, but also to the State of Kansas at large.

IV. OVERVIEW OF THE REQUIREMENTS FOR PREDETERMINATION UNDER K.S.A. 66-1239 AND EVERGY'S COMPLIANCE WITH THE STATUTE

Q: Provide an overview of the requirements for predetermination related to new generating assets under K.S.A. 66-1239.

A: K.S.A. 66-1239, with respect to a utility's acquisition of a stake in a generating facility, indicates that the utility may file a Petition with the Commission for determination of the ratemaking principles and treatment that will apply to the utility's recovery in rates of the cost to be incurred to acquire the proposed generation. K.S.A. 66-1239(c)(2) provides that a utility seeking a determination of ratemaking principles and treatment shall describe how its acquisition of the proposed "stake in the generating facility is consistent with the public utility's most recent preferred plan and resource acquisition strategy submitted to the commission." K.S.A. 66-1239(c)(3) provides that "in considering the public utility's preferred plan and resource acquisition strategy, the commission may consider if the public utility issued a request for proposal from a wide audience of participants willing and able to meet the needs identified under the public utility's preferred plan, and if the plan selected by the public utility is ***reasonable, reliable and efficient***." (emphasis added).

Q: Does Evergy's Petition comply with these requirements?

A: Yes. As I discuss below, the two natural gas plants and the solar plant proposed by Evergy in this Petition are consistent with the requirements identified in Evergy Kansas Central's most recent preferred plan developed under the IRP process. The addition of these plants to Evergy Kansas Central's generating fleet is essential to allow EKC to continue to provide reliable and efficient service to its customers, especially given the recent changes in resource adequacy requirements established by SPP and the economic development occurring on Evergy Kansas Central's system. Evergy's preferred resource plan, which was developed pursuant to the procedures established by the Commission for IRPs, is reasonable, reliable and efficient and the proposed generation additions are a key component of that plan. As I discuss below and in more detail in the direct testimony of Mr. Klote, the addition of these resources will have a reasonable rate impact on customers and will enable Evergy to maintain its positive trajectory with respect to regional rate competitiveness.

V. OVERVIEW OF PROPOSED GENERATION ADDITIONS AND EVERGY'S EFFORTS TO ASSURE IT RECEIVED COMPETITIVE PRICING AND VALUE AND MINIMIZED THE OVERALL RISK OF THE PROJECTS

a. Natural Gas Generation

Q: Please provide a general description of the natural gas plants proposed as part of filing.

A: Evergy plans to add two new advanced-class 710 MW combined cycle natural gas turbine generating facilities ("CCGTs"). The natural gas facilities are known as the Viola Generating Station ("Viola") and the McNew Generating Station ("McNew"). The natural gas generation stations will be constructed in separate locations – the Viola Generating Station will be in Sumner County, Kansas, near Conway Springs, and the McNew Generation Station will be in Reno County, Kansas near Hutchinson. The Viola Station is scheduled for commercial operation by January 1, 2029, and the McNew Station by January 1, 2030. It is currently planned that EKC will own 50% of the Viola Station and 100% of the McNew Station. However, as I discuss below, we are asking the Commission to allow Evergy some flexibility in allocating the second half of the McNew Station to an Evergy affiliate, a decision we plan to make before we file supplemental information in this docket in February.

Mr. Olson provides details regarding Evergy's plan to develop these two generating assets and the expected costs associated with their construction in his direct testimony.

Q: Describe generally Evergy's approach to developing the proposed natural gas plants.

A: Evergy's development process for the proposed natural gas plants has encompassed three new natural gas facilities – the Viola and McNew plants proposed in this Petition and a simple cycle natural gas plant proposed to be built in Missouri for Evergy Missouri West. As Mr. Olson explains, by developing these three facilities together as part of the same process, Evergy will be able to achieve cost savings and efficiencies that will benefit customers.

There are three major components of the development of these natural gas plants – (1) retaining an Owner's Engineer ("OE"), (2) procuring Power Island Equipment ("PIE"), and (3) selection of an Engineer, Procure, and Construct ("EPC") contractor.

Under this structure, the OE will provide technical and managerial support to Evergy, including assistance with oversight of the EPC process and serving as Evergy's representative in the EPC contractor's procurement process. By using an OE with experience in EPC work to oversee the EPC process, Evergy will be able to apply prudent oversight to that process and the EPC contractor.

The PIE includes the major equipment for the projects, including the advanced J-Class gas turbine, an electrical generator, a heat recovery steam generator, and a steam turbine. Evergy's approach will be to procure all of this equipment from one vendor in order to minimize risk because the PIE vendor will warrant the equipment delivery schedule and performance.

The EPC contractor will design and construct a complete power plant for each of the projects and provides Evergy with a plant that complies with the commercial and technical specifications agreed upon during the contracting process. The EPC contract coordinates all engineering design, procurement and construction work and is responsible for ensuring the entire project is completed on schedule.

As a whole, this approach will help Evergy complete the projects on schedule and minimize risk. Mr. Olson discusses each of these components, including the selection process used by Evergy and the current status, in greater detail in his Direct Testimony.

Q: Has Evergy selected and contracted with an OE?

A. Yes, as Mr. Olson testifies, the OE contractor selected for these projects is Burns & McDonnell ("BMcD"). Evergy solicited bids under an owner's engineer request for proposal ("OE RFP"). The OE RFP was prepared by a team with considerable experience in natural gas plant configurations and construction. In preparing the solicitation documents, Evergy's project team emphasized the long-term nature of the projects and insisted that bidders submitting proposals put forward their best effort to commit to Evergy their most experienced resources over the next several years. Evergy emphasized six critical criteria in its OE RFP, including (1) past experience with Evergy; (2) key resources and staff résumés; (3) experience with advanced class turbines; (4) completeness of bid proposal; (5) OE proximity to Evergy's headquarters and the project sites; and (6) project rate sheet/hourly rate. Based on those criteria, the Evergy project team determined five firms were qualified for the projects and solicited bids from those five firms. We received bid proposals from three of those firms. The final result was a unanimous decision to award the OE services contract to BMcD.

There were multiple reasons for selecting BMcD as discussed in more detail in Mr. Olson's testimony, but in addition to substantial experience and expertise in building these types of projects, BMcD also provided a competitive cost estimate, which was slightly lower than the next most qualified bidder. Therefore, Evergy employed strategies for the dual purpose of maximizing experience, expertise and convenience, but also minimizing overall cost for the OE's services.

Q: Has Evergy selected a supplier for the PIE?

A: Yes. As Mr. Olson explains, we conducted a competitive solicitation for the PIE by issuing an RFP seeking bids. BMcD assisted Evergy in preparing the RFP, which was released in

July 2024. Bids were submitted to Evergy in September 2024. As a result of this competitive process, Evergy selected Mitsubishi Power America ("MPA") as the PIE supplier for the natural gas projects.

In order to support our construction schedules for the proposed plants by reserving manufacturing capacity for the PIE before its PIE Supply Agreement with MPA is finalized, Evergy entered into a Reservation Agreement with MPA. The Reservation Agreement requires MPA to irrevocably reserve manufacturing slot space for the PIE being provided for Evergy's projects in order to ensure delivery on or before the scheduled dates.

Q: What is the status of Evergy's selection of an EPC contractor?

A: Evergy, with assistance from BMcD, developed an RFP seeking bids for an EPC contractor. This RFP was issued on October 15, 2024, and bids are due on January 31, 2025. Evergy invited the three contractors in the market with experience on projects similar to Evergy's and that could support the labor requirements. All three of these contractors have indicated that they intend to provide bids in response to the RFP.

We expect to finalize our selection of the EPC contractor shortly after receipt of the final bids on January 31, 2025, and will be able to provide testimony regarding that selection in February when we file supplemental testimony as I propose in testimony below.

Q: How did Evergy develop its cost estimate for the two natural gas plants proposed in this filing if it has not yet selected the EPC contractor?

A: BMcD worked with Evergy to develop a comprehensive cost estimate for the costs that will be charged by the EPC contractor. BMcD has extensive experience working as an EPC contractor on other similar projects – the only reason that BMcD did not participate in the bidding process for Evergy's EPC contractor is being it was already selected as the OE – and BMcD applied that expertise to develop a very detailed cost estimate for the EPC component of these projects.

Evergy already had cost information on the other components of the project (OE costs, PIE costs, and transmission upgrades) and was therefore able to develop a complete cost estimate for the two plants by including the BMcD estimate together with the known costs for the other items. Mr. Olson provides the itemized detail of our cost estimates in Exhibits JKO-8 and JKO-9 to his Direct Testimony. As I discuss below, the only component of these cost estimates we will be updating in February is the EPC contractor costs; however, we do not expect that amount to vary significantly from what we have included in the estimates in this direct filing.

Q: Are there other aspects of the natural gas projects where Evergy has worked to minimize risk and benefit customers?

A: Yes, Evergy has made a significant effort to minimize the risk associated with any interconnection or system Network Upgrades that might be required in order to connect the new generating facilities to the transmission network.

Q: Does Evergy anticipate additional reliability and system upgrades to be mandated by SPP as a result of the construction of the new generation facilities?

A: Yes. This topic is discussed in more detail in the testimony of Katy Onnen. In general, Evergy anticipates two categories of costs related to reliability upgrades mandated by SPP: interconnection Network Upgrades and system Network Upgrades. Mr. Olson identifies the expected cost of the interconnection Network Upgrades in his direct testimony.

As Ms. Onnen states in her testimony, there are a number of variables that are likely to impact the timing and amount of costs associated with mandated system Network Upgrades, so they are somewhat unpredictable. These required upgrades are likely less certain because there are more variables and unknowns with respect to the timing and amount of such costs. In order to develop an estimate of the costs of the expected system Network Upgrades, Evergy engaged a consultant – 1898 & Co. – to conduct an analysis and provide a high and low estimate of required upgrades. Although Evergy cannot eliminate all variables and risks in this process, this process provides us with the best information available and allows us to make reasonable and prudent decisions related to construction of the new generation facilities, incorporating the best available information regarding these SPP mandated upgrades.

Q: Has Evergy taken any other steps to help minimize the impact of required upgrades on customers?

A: Yes. As Ms. Onnen discusses in detail, Evergy has supported a revision in SPP policy that would result in base-plan funding for the required system Network Upgrades.[3] This revision is still being processed at SPP and would have to be approved by the Federal Energy Regulatory Commission ("FERC"), but if ultimately implemented, would spread the costs of the required upgrades across the SPP footprint rather than directly assigning all costs to Evergy Kansas Central, as would occur under the current SPP process.

b. Solar Generation

[3] SPP already provides a separate study process and path for Load Responsible Entities to designate an existing generator as a network resource and receive Base Plan funding treatment for up to $180,000/MW of the system Network Upgrades identified in that study process. So, the proposed revision would effectively just be to extend the existing SPP policy to system Network Upgrades associated with new network resources that are trying to come online as quickly and efficiently as possible to meet SPP capacity and resource adequacy requirements.

Q: Please provide a general description of the solar generation proposed as part of filing.

A: EKC proposes to construct one 159 MW ac solar farm as generation assets. The solar farm, known as the Kansas Sky Solar Facility, will be located in Douglas County, Kansas, and is scheduled for commercial operation beginning approximately December of 2026. As with the natural gas generation facilities, EKC is seeking predetermination of ratemaking principles related to the Kansas Sky Solar Facility in this docket. The Kansas Sky Solar asset fits squarely within EKC's preferred resource plan, it further promotes the growth of renewable generation assets in EKC's generation portfolio, and it allows EKC to serve expanding demand of its customers with a more diversified generation portfolio. Mr. Carlson provides detail regarding EKC's identification of the Kansas Sky project as an ideal option to fulfill the need identified in its IRP.

Q: How has the acquisition of Kansas Sky been structured?

A: The Kansas Sky agreement is discussed in more detail in the testimony of Mr. Carlson, but in general it is structured as a Purchase and Sale Agreement ("PSA") for the development assets wherein a project company, Free State Solar Project, LLC ("FSSP"), has been established to develop the project. FSSP has secured land rights, permits, interconnection rights and developed a 30% design and engineering, procure and construct ("EPC") bid package, which has been approved by EKC. Remaining design and engineering work will be done by the EPC contractor that EKC will select and will be approved by EKC.

After all conditions of closing are met, Evergy will then acquire the equity interests in FSSP and the associated development assets upon closing at Notice to Proceed ("NTP"). Immediately after closing, EKC plans to effect a short-form merger of KSSP with and into

EKC, with EKC surviving the merger, in order to consolidate the assets of the project company with those of EKC.

After the closing occurs, EKC will take responsibility for the construction, commissioning, and operation of the Kansas Sky project. For construction, we will hire an EPC contractor to manage the site design, procure necessary equipment, and either build or hire subcontractors to build the project.

Q: What is the status of the acquisition of and development of Kansas Sky?

A: We have executed the PSA, which will close once all conditions are met, as discussed by Mr. Carlson. We issued the RFP for the EPC bids on August 16, 2024, and bids were returned to us on October 16, 2024. We plan to finalize our selection of the EPC contractor early in November 2024 and execute a final EPC contract prior to February so it can be provided to the Commission at that time.

Q: You mentioned that a short-form merger will occur after substantial completion of the project is achieved. Are you requesting anything from the Commission with respect to that short-form merger?

A: We are requesting approval from the Commission to take all steps necessary to end up with EKC as the owner of the Kansas Sky plant. The short-form merger that will occur is really just a formality that is a result of the corporate structuring of the transaction. It is necessary to ensure that the plant is directly owned by EKC at the conclusion of the development of the project. Because this is not a "true" utility merger but instead a corporate formality, EKC does not believe it is necessary for the Commission to apply the merger standards it has historically applied when reviewing mergers between utilities. If the Commission determines that it is prudent for EKC to construct and own Kansas Sky and include the costs in rates, it would logically follow that EKC should be permitted to take the necessary steps to accomplish that transaction.

Q: How does EKC propose to recover its investment in Kansas Sky from customers?

A: As Mr. Grace and Mr. Klote discuss in greater detail, we are proposing to incorporate our investment in Kansas Sky in rates using a levelized revenue requirement. Our proposed approach is consistent with the ratemaking treatment approved by the Commission for EKC's investment in the Western Plains Wind Farm in Docket No. 18-WSEE-328-RTS and the Persimmon Creek Wind Farm in Docket No. 23-EKCE-775-RTS. Use of a levelized revenue requirement benefits customers by providing for a stable price for this generation resource over the initial book life of the solar farm, 30 years. This approach will remove the drastic swing in revenue requirements when the production tax credits expire and the 10-year property tax exemption for the renewable resource expires.

Q: When will EKC's rates reflect a return of and on its investment in the Kansas Sky project?

A: EKC's rates will not reflect a return on or of its investment in the Kansas Sky project until the proposed levelized revenue requirement is included in the revenue requirement used to set new base rates and those rates become effective. The Kansas Sky project is expected to be placed in service by December 2026. However, it is impossible to time a rate case to begin recovering an investment at the time it goes into service. The minimum time period between the true-up date in a general rate case and the effective date of new rates has historically been about six months.

While a generation project is under construction and before it is placed in service, EKC is permitted to accrue Allowance for Funds used During Construction ("AFUDC"), which is a regulatory accounting method that allows utilities to capitalize the financing costs incurred during the construction of a new plant. AFUDC is accrued at EKC's rate of return, and the balance is added to the cost of the plant to be recovered in rates. This is reflected in our calculation of the levelized revenue requirement discussed above.

However, EKC is not permitted to accrue AFUDC after a plant is placed in service. This means that there will be a lag between the in-service date, when EKC will start incurring depreciation expense and operating and maintenance expense without being permitted to accrue AFUDC, and the time when new customer rates become effective that are based on a revenue requirement that includes the investment in Kansas Sky. The amount of lost recovery of EKC's return on and return of its investment during this period of time would be significant. Without construction accounting, even if we are able to optimize the timing of our next general rate case, EKC will experience at least six months of regulatory lag on its investment.

With planned investments in natural gas generation and solar generation, as discussed in this Petition, EKC will be making extraordinarily large financial outlays for the construction of new generation over the next six years. EKC is requesting construction accounting treatment in order to facilitate those large investments by eliminating one source of regulatory lag. Approval of the requested treatment would also validate the Commission support for Evergy's investment in the development of solar resources in Kansas.

Q: **What is EKC requesting in order to ensure equitable treatment to allow it to avoid the impact of regulatory lag, recover its costs, and earn a reasonable return on its Kansas Sky investment?**

A: EKC is requesting that the Commission approve construction accounting treatment, under which EKC would be permitted to defer and recover as a regulatory asset over the remaining life of the Kansas Sky generating plant the pretax rate of return, depreciation expense, and actual operating and maintenance expense, offset by the value of the production tax credits, incurred between the time the Kansas Sky plant is placed in service and the effective date of rates that include the levelized revenue requirement. Recovery of the regulatory asset will begin in the next general rate case after inclusion of the levelized revenue requirement in rates and recovered over the life of the plant.

Q: Is there precedent supporting EKC's request for construction accounting treatment for Kansas Sky?

A: Yes. In Docket No. 15-GIME-025-MIS, the Commission approved accounting treatment consistent with what we are requesting for Kansas Sky for both Westar Energy, Inc. and Kansas City Power & Light Company ("KCP&L") related to their investment in environmental retrofits for the La Cygne Energy Center. The Commission recognized that without approval of such treatment, the regulatory lag that would occur would have the potential create a negative impact on earnings for the companies.[4] The Commission also found that addressing the potential for negative financial impacts to Westar and KCP&L through the use of the accounting mechanisms would benefit customers by improving the companies' access to low-cost capital.[5] The Commission also authorized construction accounting for KCP&L's investment in Unit 1 of the Iatan Generating Station.[6]

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[4] Order Approving Joint Application, Docket No. 15-GIME-025-MIS, at ¶ 13 (September 9, 2014).

[5] *Id*. at ¶36.

[6] *See* Order: 1) Approving Stipulation and Agreement; and 2) Addressing Scope of Final Rate Case Under the Approved 2005 Regulatory Plan, 09-246 Docket, Docket No. 09-KCPE-246-RTS, July 24, 2009.

Q: What strategies has EKC used to assure it minimizes costs in the acquisition and construction of the Kansas Sky Solar project?

A: As stated in the testimony of Mr. Carlson, EKC did not acquire its interest in the Kansas Sky Solar project by way of a competitive RFP. Rather, EKC was approached by the original project developer, Savion. However, there are notable safeguards and guideposts that EKC utilized to assure that its costs in this project are competitive and reasonable.

First, as discussed above, the 2024 IRP identified a need for an additional solar generation asset for EKC. The 2024 IRP included cost measures for generation assets measured per kW generated at each asset, which were based upon data from responses to Evergy's general RFP, including responses and bids for solar generation. EKC's current estimated costs for the Kansas Sky Solar facility are actually approximately *30% lower* than the cost measures in the 2024 IRP, which were based upon recent competitive bids and responses to general RFP solicitations made by Evergy into the competitive market.

Second, in examining specific responses to the 2023 general RFP on which those cost measures are based, EKC's estimated costs for the Kansas Sky Solar facility compare favorably, and are consistent with those competitive bids and RFP responses. As Mr. Carlson testifies, EKC has also compared its estimated costs for Kansas Sky to costs for similar projects priced by others and our estimate is in line with those other sources.

Finally, although EKC did not acquire the entire project based upon a competitive RFP process, the majority of the goods and services used in the construction process, including most of the equipment, components and supplies for construction, will be procured through a competitive RFP process, assuring the pricing and cost is reasonable and competitive. As a result, although EKC did not utilize a competitive RFP process in its acquisition of its original interest in the Kansas Sky Solar project, EKC has utilized reasonable strategies and made prudent decisions to assure that its costs are reasonable and competitive.

VI. THE PROPOSED PROJECTS ARE CONSISTENT WITH EVERGY'S PREFERRED PLAN AND RESOURCE ACQUISITION STRATEGY

a. Evergy Kansas Central's IRP and Preferred Plan

Q: Why is Evergy's IRP process relevant to its requests in this Petition?

A: As I indicate above, the statute authorizing Evergy to seek predetermination of ratemaking treatment for the proposed generation assets indicates that as part of its filing, Evergy "shall" describe how its "stake in the generating facility is consistent with [its] most recent preferred plan and resource acquisition strategy submitted to the commission."[7]

Q: Can you briefly describe Evergy's IRP framework?

A: Evergy's IRP was first implemented following the 2018 merger between Westar Energy, Inc. and Kansas Gas and Electric Company ("Westar") and Great Plains Energy Incorporated ("Great Plains" and Kansas City Power & Light Company (KCP&L"), out of which Evergy was created and formed. In that docket, Evergy was required to develop an IRP and submit an IRP report to the Commission every three years, with additional annual reporting. The overall purpose of the IRP is to assist Evergy in making prudent investment decisions to supplement and augment its overall portfolio of resources and provide a prudent management strategy by identifying resources that ensure adequate and affordable electric services to customers while minimizing overall costs, and meeting reliability requirements.

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[7] K.S.A. 66-1239(c)(2).

As Mr. VandeVelde explains in greater detail, integrated resource planning is a strategic tool Evergy uses to develop a comprehensive plan for meeting future energy and demand requirements over a long-term period. The process involves evaluating a wide-range of potential supply- and demand-side resources. The IRP model incorporates forecasts of future electricity demand, new generating capacity, fuel prices, transmission improvements, renewable energy resource integration, and other relevant factors. The framework is generally designed to present a preferred portfolio of resources to customers and to the Commission through resource modeling, which identifies the portfolio of resources that is projected to meet customer needs at the lowest reasonable cost, given uncertainty in the future.

Q: Is the addition of the two natural gas generation assets proposed in this Petition consistent with EKC's most recent preferred plan?

A: Yes. As Mr. VandeVelde explains in his direct testimony, the resources proposed in this predetermination case are critical to meeting EKC's capacity and energy requirements as identified in the 2024 IRP Preferred Plans.

The Kansas Sky solar facility (159 MW) corresponds with the 150 MW of solar in 2027 identified for EKC in the 2024 IRP. The Kansas Sky project was determined to be ideal to fill this need identified in the IRP due to its total capacity of 159 MW, its location in the EKC service territory near load, its relatively low permitting and environmental risk profiles, and the levelized cost of energy ("LCOE") of the project as compared to others available. Additionally, the asset had a mature SPP queue position, excellent solar resource potential, nearby infrastructure and personnel.

With respect to the natural gas generation proposed in this Petition, the Viola generation station corresponds to the 325 MW (half of a combined cycle) of thermal generation addition that is identified in year 2029 in EKC's Preferred Portfolio. The other half of this facility will be allocated to Evergy's Missouri West utility. The McNew generation station corresponds to the 325 MW (half of a combined cycle) of thermal generation addition that is identified in year 2030 in EKC's Preferred Portfolio. Additionally, as discussed below, in this filing, Evergy is requesting predetermination of the full McNew generating station (all 710 MW) for Evergy Kansas Central with the flexibility to decide by February 2025 to allocate the second half of the McNew plant to an affiliate if certain conditions are met.

b. Updated IRP Analysis related to Costs for Natural Gas Generation

Q. Does the estimate of the cost of the two CCGTs provided by Mr. Olson in his direct testimony vary from the cost estimate Evergy used in the 2024 IRP analysis for the addition of combined cycle natural gas generation?

A. Yes. In his direct testimony, Mr. Olson explains that the costs for the construction of the two CCGTs has increased substantially since Evergy performed its 2024 IRP analysis due to inflation and the significant demand nationally for construction of natural gas generation right now.

Q. How did Evergy account for this significant change in input with respect to the IRP and how it supports EKC's request in this proceeding?

A. As Mr. VandeVelde explains, we performed an updated IRP analysis, using most all the same inputs that were used in the 2024 IRP triennial filing, changing only the cost, heat rate, and installed size characteristics of new natural gas generation to be consistent with the cost estimate provided by Mr. Olson. The results of that updated analysis indicate that EKC's investment in 50% of the Viola plant and 50% of the McNew plant is still the selected plan through 2030. Thus, this updated analysis continues to support EKC's plan related to the two CCGTs proposed in this docket. As. Mr. VandeVelde explains, because the updated analysis supports a change in the planned investments after 2030, we will continue to review those investments with our next annual update to the IRP.

With respect to our proposal in this docket, the fact is that EKC must add generation that provides capacity and energy in order to meet needs related to load growth, increasing SPP reserve margin requirements, expiring capacity contracts, and anticipated retirements of coal resources and ensure the continued reliability of its system. Even with the changed assumption related to cost, the addition of the two CCGTs is the best approach for EKC to meet those needs and maintain reliability for its customers.

Q: Has Evergy reviewed other information to determine whether the initial cost estimate for the two natural gas plants included in this filing is reasonable and consistent with other construction in the industry?

A: Yes. We reviewed information from recent filings in other jurisdictions and determined that the costs in those cases are very similar to what we are proposing here. Mr. Olson discusses this comparison and recent IRPs submitted by other utilities that include cost estimates for CCGTs very similar to Evergy's initial cost estimate.

c. Evergy's Request Related to the Second Half of the McNew Plant

Q: Based on the IRP Evergy filed in 2024, Evergy Kansas Central only needs 50% of the second CCGT for which you are requesting predetermination. Why should the Commission provide predetermination for 100% of that CCGT?

A: Evergy has discussed in testimony in previous dockets the capacity needs created by the revised resource adequacy requirements established by the SPP attributable to increased reserve margin requirements and changes in capacity accreditation standards and the growth already occurring on EKC's system related to customers like Panasonic. Currently, Kansas is experiencing record levels of economic development opportunities both from local business expansions and new business interests. In addition to Panasonic, EKC is currently seeing a substantial amount of interest from very large customers, such as data centers, interested in locating in the EKC territory. Based on our analysis, the addition of even just one of these large customers would create an additional capacity need for EKC above and beyond what was reflected in the 2024 IRP. The second half of the second CCGT could be used to meet that capacity need. Because we believe that the addition of one or more of these large customers is highly likely within the next three-year period, because we need to be prepared to meet our obligation to serve them when they request service and want to encourage and foster the economic development benefits that would result for Kansas from the addition of such a customer, and because the timeframe for construction of new generation is at least three years, EKC is requesting predetermination from the Commission for the entire second CCGT at this time, unless certain conditions as outlined below are met.

Q: What is Evergy's specific request with respect to the second half of the second CCGT it is proposing in this docket?

A: As I indicate above, we expect that EKC will have a need for the full second CCGT unit when it comes online in 2030. However, as the Commission knows and as Mr. VandeVelde has discussed in his direct testimony, Evergy plans for its three operating utilities both on an individual basis and on a combined basis across all three utilities. Based on our current view of expected load additions across our operating utilities, it is likely that one of EKC's affiliate utilities, Evergy Metro or Evergy Missouri West, will have a greater need for the capacity from the second half of the McNew plant. Those utilities are also experiencing significant interest from very large customers, and Evergy Missouri West faces some level of uncertainty associated with its Crossroads generating plant and whether it will continue to be available to serve customers. Therefore, EKC is requesting that the Commission provide predetermination allowing Evergy Kansas Central to construct and recover in rates the entire second half of the second CCGT, but in the alternative, also allow EKC to transition the allocation of that half of the McNew plant to an affiliate based on the framework I outline below. Pursuant to the proposed framework, EKC will include a notice of the resolution of the allocation question in the supplemental testimony it will file in February in this proceeding.

Q: Is Evergy making any related request at the MPSC?

A: Yes. We intend to file an application for a certificate of convenience and necessary with the MPSC later this month to request the authority for Evergy Missouri West to own and construct a simple cycle natural gas plant and 50% of the Viola plant. We intend to seek a finding of decisional prudence from the MPSC in that filing related to our investment in these facilities. In that filing, we will also request similar flexibility to what I describe above for Evergy Missouri West and Evergy Metro to be able to acquire the second 50% interest in the McNew plant in the event the framework I laid out above results in such an allocation.

Q: Are there benefits that will result to Evergy and its customers as a result of the planning and construction of the two CCGT units and the simple cycle natural gas plant for EMW as part of the same process?

A: Yes. As Mr. Olson explains in his direct testimony, there are significant economies of scale and efficiencies that result from the construction of these three plants as part of the same process. Clearly, it's not possible for Evergy Kansas Central to only construct half of a generating plant, and by constructing the entire second CCGT plant together with the first CCGT plant contemplated by the IRP and EMW's simple cycle plant, Evergy will achieve significant benefits in terms of cost savings that will be passed on to customers.

Additionally, by allowing Evergy the flexibility it is requesting, the Commission will help Evergy be better prepared to meet the ever-changing economic development and growth that is occurring in both Kansas and Missouri. Addition of any of these large customers will be beneficial to the state and the region and to the other customers on Evergy's system, and Evergy's request in this docket will put it in a better position to be prepared to support that growth.

Q: Why is Evergy Kansas Metro included in this predetermination filing when the IRP does not indicate that it needs natural gas generation at this time?

A: The inclusion of EKM reflects the Company's request for flexibility in addressing ownership of 50% of the McNew generating station. Although the IRP does not currently show that Evergy Metro needs natural gas generation in 2030 when the second CCGT unit will go into service, there is a strong possibility that Evergy Metro will experience customer growth that will necessitate the addition of dispatchable generation before 2032, when the IRP currently shows the addition of a simple cycle natural gas unit for Evergy

Metro. As a result, we are requesting that the Commission provide predetermination for Evergy Metro to accept allocation of the second half of the McNew generating station CCGT unit from EKC in the event that the application of the framework outlined below results in allocation of the 50% interest to Evergy Metro. Pursuant to the proposed framework, the Company will include a notice of the resolution of the allocation question in the supplemental testimony it will file in February. We are asking the Commission to establish the ratemaking treatment that would be applied to Evergy Metro's investment in that half of the second CCCT unit at this time, to be applied only in the event that portion of the unit is allocated to Evergy Metro.

Q: How does Evergy propose to handle the recording of costs related to the second half of the second CCGT between now and when the final allocation decision is made?

A: We will record the costs incurred related to the second half of the second CCGT on EKC's books unless and until a decision is made to allocate that portion of the plant to a different affiliate. If the entire second plant remains allocated to EKC, no adjustments will need to be made. In the event it is allocated to another affiliate, the appropriate transactions will be recorded on both entities' books to ensure that the appropriate amount of already-incurred costs are transferred to the utility acquiring the interest in the second half of the plant at that time. Mr. Klote explains the accounting process related to the co-owned facilities in greater detail in his direct testimony.

Q: What is the decision framework Evergy will apply in order to determine the final allocation of the second half of the McNew plant?

A: We propose to apply the following framework:

1. Evergy's starting proposal is to allocate the full 100% interest in the McNew plant to EKC. This is supported by need created as a result of the likely addition of a large load customer to EKC's system and could facilitate EKC's renewal of an expiring wholesale contract with another Kansas utility.
2. Before the deadline for supplemental testimony in February, which I discuss below, Evergy will determine whether, for regional resource adequacy considerations, the second 50% allocation should be transferred to Evergy Missouri West or Evergy Metro.
    a. The 50% allocation will be transferred to Evergy Missouri West only if all three of these conditions are met:
        i. The addition of an incremental large load customer under evaluation is confirmed to be located in Evergy Missouri West territory and Evergy Missouri West is responsible for developing capacity resources to meet the new load (rather than the customer providing capacity resources);
        ii. Evergy Missouri West is able to complete transmission infrastructure upgrades in time to accommodate the new large load customer's planned load ramp; and
        iii. Evergy Missouri West is able to finance the construction and ownership of the 50% allocation.
            1. If (ii) or (iii) does not occur, Evergy Missouri West will have to work with the new large load customer to determine whether their load can still be served if the customer is able

to bring a generation resource to Evergy Missouri West but Evergy Missouri West will not be allocated the 50% interest in the second CCGT.

b. In the event that one or more of these three conditions does not occur, Evergy will determine whether the 50% allocation should be transferred to Evergy Metro. The 50% allocation will be transferred to Evergy Metro if the following four conditions are met:

i. An existing large load customer in Evergy Metro decides to pursue an expansion under evaluation in Evergy Metro's territory;

ii. Evergy Metro is responsible for developing capacity resources to meet the expanded load (rather than the existing customer providing capacity resources to serve the expanded load);

iii. Evergy Metro is able to complete transmission infrastructure upgrades in time to accommodate the expansion under evaluation; and

iv. Evergy Metro is able to finance the construction and ownership of the 50% allocation.

3. As part of its supplemental testimony to be filed in February, Evergy will submit testimony explaining the outcome of the allocation of the second 50% interest in the second CCGT.

VII. <u>CONSTRUCTION OF THE PROPOSED ASSETS PROVIDES REASONABLE, RELIABLE, AND EFFICIENT SERVICE TO EVERGY'S CUSTOMERS AT A REASONABLE AND PRUDENT COST</u>

Q: Has Evergy calculated and estimated the total costs for construction of the Viola and McNew facilities?

A: As I discussed above, Evergy developed an initial cost estimate for the two CCGT plants utilizing the cost for the Owner's Engineer and PIE acquisition, based on the agreements already developed with those contractors. For the final component of costs – the EPC contractor - BMcD, helped Evergy develop an initial cost estimate based on BMcD's substantial experience with that type of work. Mr. Olson provides the details of the development of the EPC cost estimate in his direct testimony. The cost estimate included with this Petition is considered an initial or preliminary cost estimate only because Evergy has not yet finalized its selection of its EPC contractor, which will include the balance of plant not inclusive of the PIE contract. As Mr. Olson testifies, an RFP for bids for the EPC contractor was issued in October 2024 and Evergy plans to finalize its decision regarding those bids by the end of January. Once that decision is finalized, Evergy will then be able to update the initial estimate for the EPC costs and have the definitive cost estimate to be used in this proceeding.

Q: Is Evergy requesting predetermination as to the entire definitive cost estimate at this time?

A: Yes, Evergy is requesting that the Commission consider the entire definitive cost estimate, which it will provide to the parties in February 2025, for predetermination of ratemaking principles in this proceeding.

In order to be able to complete construction on these projects on the timeline required by the IRP, it was necessary for Evergy to get this Petition on file with the Commission before the final amount for one component of the definitive cost estimate is available. As I discuss below, we have proposed a procedural schedule that will allow us to supplement our testimony to update the EPC cost in the estimate and provide the final definite cost estimate in February, with a deadline for Staff and Intervenor testimony after that supplemental testimony is filed.

Q: Has EKC estimated the rate impacts to its customers related to the natural gas projects?

A: Yes. Mr. Klote discusses the estimate of the rate impacts that will occur as a result of EKC's investment in the two natural gas plants in more detail in his direct testimony. By way of summary, however, EKC expects its investment in 50% of the Viola plant and 50% of the McNew plant to impact rates through a new CWIP rider and through recovery of its investment through base rates. The net impact to customers' bills of the CWIP rider is expected to be in a range of 0.58% - 3.82%. The net impact to customers' bills when the projects are included in rate base during the first general rate case after they are placed in service is expected to be approximately 4.3% for each of the 50% interests in the two plants.

Q: Has EKC estimated the rate impacts to its customers related to the solar project?

A: Yes. As Mr. Klote indicates, we expect the rate impact from the inclusion of the levelized revenue requirement in EKC's rates to be an overall net bill impact of approximately 0.69%.

Q: Has Evergy analyzed how the overall rate increase from these projects will impact Evergy's regional rate competitiveness in comparison with other similar utilities in the region?

A: As we discussed in our last general rate case, EKC has made significant progress in improving its position with respect to regional rate competitiveness. In fact, from 2017 through 2024, EKC's residential rates rose only 2.2%, well below the average increase of peer utilities of 14.7%, and well below the rate of inflation of 27.1%. This increase for EKC was lower than all of the non-affiliate regional peer utilities to which we are typically compared.

Because the projects proposed in this Petition will not be placed into service and into base rates for several years, it is highly speculative to do a relevant comparison of the impact the projects will have on EKC's rates to the rates of other utilities in those future years. We do not have insight into what generation additions or other system investments our peer utilities will be making over the next two to five years. Based on the current demand for natural gas plant construction – as discussed by Mr. Olson – and the number of announced solar projects across the country, it is likely that many of our peer utilities are planning to construct new generation during that time period. Based on the expected level investment that will be occurring by electric utilities in the next several years, we expect EKC to remain in a good position as far as rate competitiveness even after the investments proposed in this docket are included in rates.

VIII. EVERGY'S PROPOSED PROCEDURAL SCHEDULE

Q: Is Evergy proposing a specific schedule for this docket?

A: Yes, we have attached our proposed schedule to the Petition. In advance of filing this Petition, we proposed this schedule to Staff and the other intervenors from our last general rate case. We have heard from Staff and counsel for the Kansas Industrial Consumers Group, Inc. that the proposed schedule is acceptable. We have not received objections from any other party. The schedule incorporates the 240-day deadline for a Commission order specific in K.S.A. 66-1239.

Q: What is Evergy's proposal with respect to supplemental testimony?

A: We have proposed a date for Evergy to provide supplemental testimony in February in order to provide the Commission with three specific pieces of information: (1) an update to the initial estimate for the EPC cost for the projects in order to identify the final definitive cost estimate for the natural gas plants; (2) the signed EPC contract for the solar project; and (3) our decision regarding allocation of the second half of the McNew plant, including any necessary updates to the testimony discussing rate impacts for the projects. The proposed schedule includes a date for Staff and intervenors to file testimony after Evergy makes its supplemental filing in February.

IX. EVERGY'S SPECIFIC RATEMAKING REQUESTS

Q: Please state the ratemaking requests that Evergy is asking the Commission to approve in this docket.

A: The Petition requests the following ratemaking decisions from the Commission:

- EKC seeks the determination of the following ratemaking principles and treatment to be applied to its proposal to add 355 MW from a combined cycle natural gas plant (50% interest in "first CCGT" or "Viola plant") and 355MW from a combined cycle natural gas plant (50% interest in "second CCGT" or "McNew plant") to its generating fleet:
  a. That EKC's proposal to construct and own 50% of the Viola plant and 50% of the McNew plant, as described in this Petition, is prudent;
  b. That EKC's construction and ownership of 50% of the Viola plant and 50% of the McNew plant proposed in this Petition is consistent with EKC's most recent preferred plan and resource acquisition strategy;

c. That the initial definitive cost estimate for 50% of the Viola plant and 50% of the McNew plant, that will be subsequently updated and provided to the Commission in supplemental testimony in February 2025, is reasonable and will be recovered in rates as follows:

   i. Pursuant to K.S.A. 66-1239(c)(6)(A), EKC will be permitted to implement a CWIP rider not sooner that 365 days after construction of the generation facility begins, which EKC intends to implement as part of its upcoming general rate case, and EKC will recover through the CWIP rider the return on up to 100% of amounts recorded to construction work in progress on EKC's books for its stake in the two natural gas plants, not exceeding the definitive cost estimates for each plant approved by the Commission. In addition, this rider will be allowed to have periodic increases not more than every six months;

   ii. EKC will be permitted to accrue costs in CWIP to be recovered from customers up until the time that the natural gas plants are placed in service and EKC will be permitted to recover a return on those costs through the CWIP rider until new base rates reflecting EKC's investment in the natural gas plants take effect;

   iii. When new base rates reflecting EKC's investment in the natural gas plants take effect, those base rates shall include a deferral for depreciation expense incurred and carrying costs on any unrecovered portion of EKC's investment in the natural gas plants at EKC's weighted average cost of capital determined in the rate case to include such costs in rates, incurred between the time the natural gas plants are placed in service and the time the investment in the natural gas plants is included in base rates;

iv. Investment amounts up to the definitive cost estimate approved by the Commission for the two natural gas plants will be included in rate base in the first rate case following the in-service date(s) for the two facilities;

v. Amounts spent in excess of the definitive cost estimate(s) will be subject to prudence review, based on a comparison to the costs of plants of similar vintage and design.

d. That, unless the application of the decision framework discussed above results in the allocation of the second half of the McNew plant to EMW or EKM, the Commission provide predetermination allowing EKC to construct and recover in rates the entire second half of the McNew plant consistent with the ratemaking treatment described above in sections (a)-(c) for the first half of the McNew plant.

- EKM seeks the determination of the following ratemaking principles and treatment to be applied to its request related to the second half of the second CCGT:

  a. That, if application of the decision framework discussed above results in the allocation of the second half of the McNew plant to Evergy Metro, the Commission provide predetermination establishing ratemaking treatment, consistent with the ratemaking treatment requested for EKC above, that would be applied to EKM's investment in that half of the McNew plant.

- EKC seeks the determination of the following ratemaking principles and treatment to be applied to its proposal to add the 159 MW Kansas Sky solar generating facility to its generating fleet:

a. That EKC's proposal to construct and own 159 MW of solar generation, as described in the Petition, is prudent;

b. That EKC is authorized to take all steps necessary to effectuate the transfer of the generating assets to EKC;

c. That EKC's construction and ownership of the Kansas Sky solar facility proposed in this Petition is consistent with EKC's most recent preferred plan and resource acquisition strategy;

d. That, in lieu of including the solar generating facility in rate base, a levelized revenue requirement of the solar facility with an amount of $15.8 million be included in EKC's total revenue requirement in the Company's next general rate case following the date the solar generating facility is placed in service. This levelized revenue requirement for the Kansas Sky generating plant to be fixed for the first thirty years of the life of the generation site, at the end of which, the levelized revenue requirement will be reevaluated;

e. That EKC be permitted to defer and recover as a regulatory asset over the remaining life of the Kansas Sky generating plant the pretax rate of return, depreciation expense, and actual operating and maintenance expense, offset by the value of the production tax credits, incurred between the time the Kansas Sky plant is placed in service and the effective date of rates that include the levelized revenue requirement. Recovery of the regulatory asset to begin in the next general rate case after inclusion of the levelized revenue requirement in rates and recovered over the life of the plant; and

f. That, in the event of changes in law or regulations, or the occurrence of events outside the control of EKC that result in a material adverse impact to EKC with respect to recovery of the Kansas Sky revenue requirement, EKC, as applicable, be permitted to file an application with the Commission proposing methods to address the impact of the events.

X. <u>CONCLUSION</u>

Q: Please state your ultimate conclusions and summarize your testimony.

A: Evergy's Petition and supporting documents and testimony demonstrate that its plan for constructing the Viola and McNew natural gas generation facilities and the Kansas Sky solar project is reasonable, reliable and efficient, and Evergy's planned costs and decisions related to recovery of such costs are prudent under the circumstances. Evergy's decision to request predetermination promotes transparency and openness in the process, helps secure necessary capital for the financing of the project, and allows Evergy to recover substantial costs related to the natural gas generation under a CWIP Rider, which will reduce overall costs included in general rates. Evergy's plan is directly consistent with its IRP and promotes acquisition of resources that advance the goals of its IRP. The project enables Evergy to meet growing customer demand, accommodate substantial important economic development and growth in the State of Kansas, enhance Evergy's investment in natural gas and solar generation, and provide substantial benefits to the State in terms of jobs and tax dollars. Therefore, the project enables Evergy to timely strengthen the capacity and reliability of its system and meet and supply the needs of a growing economy with additional demands on Evergy's system but do so competitively and affordably for its customers. Therefore, this project is extremely well suited for the predetermination procedures outlined in K.S.A. 66-1239, and Evergy is excited to bring this opportunity before the Commission.

Q: Does that conclude your testimony?

A: Yes, it does.

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

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

Darrin R. Ives

Subscribed and sworn to before me this 6th day of November 2024.

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

NEWS RELEASE
FOR IMMEDIATE RELEASE

Evergy announces two new 705 MW high-efficiency natural gas plants

Two plants to be built in Kansas will help meet growing energy needs, support reliability

KANSAS CITY, MO., Oct. 21, 2024 – Evergy, Inc. (NASDAQ: EVRG) today announced it will invest in two new 705 megawatt (MW) combined-cycle natural gas plants that will be built in Kansas. The plants are expected to begin operating in 2029 and 2030.

"High-efficiency modern natural gas plants will meet the electricity needs for our region's growing economy. These plants also will bring good paying jobs and tax dollars to Kansas," said David Campbell, Evergy Chairman, President and Chief Executive Officer. "Dispatchable natural gas is an important resource within Evergy's growing and diverse energy portfolio, complementing our planned investment in wind and solar resources and supporting our commitment to affordable, reliable and sustainable electricity."

The two new plants will provide flexible generation that pairs well with the abundant renewable resource potential in Evergy's service area and will meet stringent emissions standards. The plant in Sumner County is expected to begin providing electricity in 2029, and the plant in Reno County is expected to be in service in 2030.

"Kansas is experiencing record economic growth, and Evergy is prepared to deliver the reliable, affordable, and sustainable energy needed." Kansas Gov. Laura Kelly said. "Evergy's multi-billion dollar investment brings direct value to the Hutchinson and Sumner County areas in jobs and tax dollars. It also ensures Kansas can continue to invite business growth that benefits the entire state."

The natural gas plants will represent a major investment in the state's energy infrastructure that will serve customers for 40 years. During construction, more than 500 jobs are anticipated for each plant. After a 10-year exemption, each plant will provide more than $500 million in property tax revenues over its service life and will bring to the communities 20-40 skilled craft jobs that pay more than $90,000 annually.

"We're pleased to make this investment in communities we serve," Campbell said. "As Kansas and Missouri are seeing historic opportunities for attracting new businesses to our area, Evergy is committed to providing the affordable, reliable and sustainable energy our customers need. This growth benefits all customers by helping to hold down prices."

Kansas' success in drawing new and expanding businesses has driven the need for more electric generation. During the 2024 Kansas legislative session, a bipartisan effort resulted in legislation that enhances Kansas policies related to electric infrastructure investment, which will help Kansas compete with other states for investment and ultimately save customers money.

Dan Hawkins, Speaker of the House, said, "We are pleased that a legislative policy we championed is helping ensure a strong energy future for the state of Kansas. I look forward to seeing the benefits this brings in terms of jobs, economic growth and energy security for our state for years to come."

Senate President Ty Masterson, added, "Kansans depend on reliable electricity each and every day to power their lives and their businesses. These investments by a long-time Kansas energy company will make our state even more attractive to those wanting to live, work and grow a business in our great state."

NEWS RELEASE
FOR IMMEDIATE RELEASE

Earlier this year, Evergy filed with the Kansas Corporation Commission and the Missouri Public Service Commission its 20-year plan for meeting customers' energy needs, which included these generation plants. With strong economic growth expected in Kansas and Missouri over the next decade, The plan maps out a responsible generation transition as Evergy prepares for growing energy demand and for older plants to retire. It ensures customers' needs are met today and in the future.

About Evergy

Evergy, Inc. (NASDAQ: EVRG), serves 1.7 million customers in Kansas and Missouri. Evergy's mission is to empower a better future. Our focus remains on producing, transmitting and delivering reliable, affordable, and sustainable energy for the benefit of our stakeholders. Today, about half of Evergy's power comes from carbon-free sources, creating more reliable energy with less impact to the environment. We value innovation and adaptability to give our customers better ways to manage their energy use, to create a safe, diverse and inclusive workplace for our employees, and to add value for our investors. Headquartered in Kansas City, our employees are active members of the communities we serve.

For more information about Evergy, visit us at www.evergy.com.

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