

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

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

**ORDER FINDING EVERGY COMPLIED WITH REQUIREMENTS OF CAPITAL
PLAN FRAMEWORK AND DIRECTING EVERGY TO ATTEND A PUBLIC
WORKSHOP TO EXPLAIN THE NECESSITY OF INCREASED CAPITAL
EXPENDITURES**

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having reviewed the files and records, the Commission finds the following:

1. On February 6, 2020, the Commission issued its Order Adopting Integrated Resource Plan and Capital Plan Framework requiring Evergy, Inc. and its operating subsidiaries to make triennial integrated resource plan filings and annual updates, and a process for the Parties to file reports not later than 150 days after Evergy's compliance filings.¹ The Order requires Evergy to file a Capital Investment Plan by February 28th of each year and gives the parties 120 days to submit responsive comments.

2. On February 28, 2022, Evergy Kansas Central and Evergy Metro filed their 2022 Annual Update of the Capital Investment Plan.

3. On June 23, 2022, the Commission granted Staff's motion to extend the deadline to July 8, 2022, for all parties to respond to the Capital Investment Plan.²

¹ Order Adopting Integrated Resource Plan and Capital Plan Framework, Feb. 6, 2020.

² Order Granting Staff's Motion for Extension to File Capital Investment Plan Comments, June 23, 2022, ¶ 3.

4. On July 8, 2022, Commission Staff (Staff) filed a Report and Recommendation and the Citizens' Utility Ratepayer Board (CURB) filed its comments on Evergy's Capital Investment Plan.

5. Staff advises: (1) Evergy complied with the requirements of the Capital Investment Plan framework approved by the Commission and (2) Evergy's total capital expenditure projections are not excessive when compared to other publicly traded electric holding companies.³ However, Staff is concerned by the increased capital expenditure projections in the Capital Investment Plan from the Sustainability Transformation Plan (STP) in Docket No. 21-EKME-088-GIE (Docket 21-088).⁴ The capital expenditures are estimated to be \$1.215 billion higher (21.82% more) than the STP.⁵ The 2022 five-year Capital Investment Plan has also increased by \$1.048 billion (18.27%) over the 2021 five-year Capital Investment Plan, which increased \$1.095 billion (23.60%) over the 2020 five-year Capital Investment Plan.⁶ Staff notes while Evergy's projected increase in Net Plant as a percentage of existing Net Plant (15.83%) for 2022-2024 remains below the average electric utility in the U.S. (20.28%) and below the average of its regional peers (16.13%), Evergy's ratio of capital expenditures to depreciation and amortization (2.27) has grown to a level that is 7% above its regional peers (2.12).⁷ Additionally, Evergy's 2022-2024 capital expenditure projections grew 8.70% over its 2021-2023 projections, compared to the average 3.38% growth for Evergy's regional peers.⁸ If this trend continues, Staff believes it will undermine the goal of achieving regionally competitive rates and reliable electric service, especially with rising inflation.⁹

³ Notice of Filing of Staff's Report and Recommendation, July 8, 2022, p. 1.

⁴ *Id.*

⁵ Staff Report and Recommendation, July 8, 2022, p. 2.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

6. Staff's Report and Recommendation suggests: (1) advising Evergy to slow the pace of its increased transmission investment in favor of distribution modernization projects;¹⁰ (2) favoring Purchased Power Agreements for renewable energy projects instead of making them utility-owned;¹¹ (3) requiring Evergy to file updated and comprehensive financial modeling similar to that provided in Docket 21-088 to show how retail rate changes are impacted by continued increases in capital expenditures; and (4) directing Evergy to explain the upward trend in its capital expenditures to its various stakeholder groups in public workshops.¹²

7. CURB agrees the 2022 CIP Update filing is in compliance with the framework structure and purpose established by the Commission.¹³ Like Staff, CURB states its previously expressed concerns with the rising level of expenditures in the face of low load growth, regional rate competitiveness and ratepayer energy burden, and the pressure to build up rate base and increase shareholder value remain relevant.¹⁴ CURB notes the steady rise in projected budgets for Evergy's Capital Investment Plan is concerning, but understandable considering Evergy's explanation and the spikes in commodity and labor prices.¹⁵ CURB expresses concerns over the increased planned spending, especially for Evergy Kansas Central,¹⁶ with the levels of proposed transmission spending,¹⁷ and that spending on information technology has not provided sufficient benefits in customer service.¹⁸ Lastly, CURB believes that Evergy's flat or low growth load warrants careful consideration before building new generation of any type.¹⁹

¹⁰ *Id.*

¹¹ *Id.*, p. 3.

¹² *Id.*

¹³ Comments of the Citizens' Utility Ratepayer Board Regarding the Evergy Kansas Metro and Evergy Kansas Central Capital Investment Plan 2022 Update Filing, July 8, 2022, ¶ 11.

¹⁴ *Id.*, ¶ 12.

¹⁵ *Id.*, ¶ 14.

¹⁶ *Id.*, ¶ 15.

¹⁷ *Id.*

¹⁸ *Id.*, ¶ 16.

¹⁹ *Id.*, ¶ 19.

8. On August 26, 2022, Evergy filed its Responsive Comments regarding its Capital Investment Plan. While Evergy responds to some of the substantive comments from the parties, it reiterates that this docket is not the place for decisions regarding the prudence of Evergy's investment plans or recovery of related costs.²⁰ Evergy claims its projected capital expenditures for the 2022-2026 period are reasonable.²¹ Evergy contends Staff's concerns that the forecasted spending is higher than the forecast for 2020-2024 presented in the STP fail to recognize Evergy's focus on improving its regional rate competitiveness while making capital investments that improve reliability for customers and help transition to cleaner energy.²²

9. Evergy cautions future additions of new renewables will be subject to review and assessment not only in general rate cases, but also through likely predetermination proceedings before utility investments are undertaken.²³ It also claims making substantial progress with respect to regional rate competitiveness.²⁴

10. Evergy defends its level of planned transmission spending because: (1) its level of transmission investment is in line with its peers in the Industry; (2) transmission investment has a significant impact on reliability; (3) transmission spending is designed to help; (a) protect the grid from extreme weather and cyber-attacks, (b) minimize and prevent outages, (c) respond to and restore power faster when outages do occur, and (d) connect customers to largescale generators as well as wind / solar power; and (4) investment in the transmission system will provide customers

²⁰ Response of Evergy Kansas Central, Inc., Evergy Kansas South, Inc., and Evergy Metro, Inc. to Comments Regarding Capital Plan, Aug. 26, 2022, ¶ 7.

²¹ *Id.*, ¶ 8.

²² *Id.*, ¶¶ 9-10.

²³ *Id.*, ¶ 14.

²⁴ *Id.*, ¶ 16.

with substantial benefits (Evergy estimates the monetized value of these benefits between 2020 and 2030 to be \$555 million for Evergy Kansas Central and Evergy Kansas Metro together).²⁵

11. Evergy dismisses CURB's concern that because the Commission does not have jurisdiction to oversee Evergy's investment in the transmission System, there is not sufficient oversight of transmission spending.²⁶ Similarly, Evergy claims this is not the proper docket to consider Staff's concerns over whether PPAs are better investments than owned renewables.²⁷

12. Lastly, Evergy urges the Commission to reject Staff's suggestions to: (1) require Evergy to file updated and comprehensive financial modeling similar to that provided in the STP, showing how retail rate changes are impacted by continued increases in capital expenditures; and (2) consider requiring Evergy to appear in public workshops to explain the upward trend in its capital expenditures to its various stakeholder groups.²⁸

13. The Commission shares Staff's and CURB's concerns with the Capital Investment Plan's dramatic increases in capital expenditure projections. In the STP Docket, the Commission directed Evergy to report its Board and senior management level Key Performance Indicators (KPIs) on a quarterly basis, and a more comprehensive report tracking the granular execution level KPIs annually, to allow the Commission to evaluate whether Evergy is executing its STP successfully, and making progress towards regionally competitive rates and reliable electric service.²⁹ The Commission remains concerned with progress towards regionally competitive rates and is particularly alarmed that Evergy's capital expenditure projections increased at a much larger rate than its regional peers. Evergy's Capital Improvement Plan affects the majority of Kansans,

²⁵ *Id.*, ¶¶ 20-29.

²⁶ *Id.*, ¶ 31.

²⁷ *Id.*, ¶ 34.

²⁸ *Id.*, ¶ 63.

²⁹ *See* Order, Docket No. 21-EKME-088-GIE, Nov. 23, 2021, ¶ 29.

and thus requires public scrutiny. Thus, the Commission adopts Staff's recommendations to require Evergy to: (1) appear in a public workshop to further explain the necessity and rate impact of these increased capital expenditures on its public stakeholders; and (2) file updated and comprehensive financial modeling to provide more transparency into Evergy's current expectations of retail rate changes that will result from Evergy's continued increase in capital expenditures.

14. The Commission is interested in comparing the latest proposed capital spending to the STP to see whether they are consistent, and to the extent differences exist, to have those differences explained in a comprehensive and transparent fashion. Likewise, the Commission wants to give Evergy an opportunity to respond to Staff and CURB and explain why its proposed level of capital spending is warranted. Accordingly, the Commission directs Evergy to confer with Staff and CURB and the Presiding Officer by September 30, 2022, to propose a workshop to explain the necessity and impact of the proposed capital spending. The workshop should take place before December 1, 2022.

15. In addition to explaining the necessity and impact of the proposed capital spending in its CIP, at the workshop, Evergy should be prepared for a detailed discussion on Staff's recommendations:

- a) to slow the pace of its increased transmission investment and shift some of the planned investment towards distribution modernization projects; and
- b) to strongly consider PPA arrangements for any additional renewable investments.

THEREFORE, THE COMMISSION ORDERS:

A. Evergy's 2022 Capital Investment Plan filing meets the requirements of the Capital Investment Plan Framework.

B. Evergy shall file updated and comprehensive financial modeling to provide more transparency into Evergy's current expectations of retail rate changes that will result from Evergy's continued increase in capital expenditures. Evergy shall file this modeling in this Docket in advance of the workshop discussed in Ordering Clause C below.

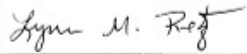
C. Evergy is directed to confer with Staff and CURB and the Presiding Officer by September 30, 2022, to propose a workshop to explain the necessity and impact of the proposed capital spending. The workshop should take place before December 1, 2022.

D. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).³⁰

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner.

Dated: 09/15/2022



Lynn M. Retz
Executive Director

BGF

³⁰K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

CERTIFICATE OF SERVICE

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I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 09/15/2022.

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