

**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 SCHEDULING A PUBLIC WORKSHOP FOR EVERGY 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

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

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.

Plan. While agreeing Evergy's total capital expenditure projections are not excessive when compared to other publicly traded electric holding companies,³ Staff expressed concerns with 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

5. 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

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.*

¹⁰ *Id.*

¹¹ *Id.*, p. 3.

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

6. Like Staff, CURB states it has 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.¹³ 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.¹⁴ CURB expresses concerns over the increased planned spending, especially for Evergy Kansas Central,¹⁵ with the levels of proposed transmission spending,¹⁶ and that spending on information technology has not provided sufficient benefits in customer service.¹⁷

7. On September 15, 2022, the Commission issued an Order Finding Evergy Complied with the Requirements of the Capital Plan Framework and Directing Evergy to Attend a Public Workshop to Explain the Necessity of Increased Capital Expenditures (Order). The Commission shares Staff's and CURB's concerns with the Capital Investment Plan's dramatic increases in capital expenditure projections,¹⁸ and expressed interest 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.¹⁹

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, ¶ 12.

¹⁴ *Id.*, ¶ 14.

¹⁵ *Id.*, ¶ 15.

¹⁶ *Id.*

¹⁷ *Id.*, ¶ 16.

¹⁸ Order Finding Evergy Complied with the Requirements of the Capital Plan Framework and Directing Evergy to Attend a Public Workshop to Explain the Necessity of Increased Capital Expenditures, Sept. 15, 2022, ¶ 13.

¹⁹ *Id.*, ¶ 14.

Evergy was given a deadline of September 30, 2022, to confer with Staff, CURB, and the Presiding Officer to propose a date for a workshop to explain the necessity and impact of the proposed capital spending.²⁰ In advance of the workshop, Evergy was directed to 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.²¹

8. After receiving input from Evergy, Staff and CURB, the Commission directs Evergy to submit its modeling by December 2, 2022.

9. The workshop will begin at 9:30 a.m. on Tuesday, December 13, 2022, and will be conducted by Zoom. The workshop can be viewed by the public on the Commission's YouTube channel, which can be accessed on the home page of the Commission's website: www.kcc.ks.gov.

The format of the workshop will be:

- Introductory remarks by the Chair
- Evergy Presentation
- Commissioner questions/comments to Evergy²²
- CURB questions/comments to Evergy
- Staff questions/ comments to Evergy

THEREFORE, THE COMMISSION ORDERS:

A. By December 2, 2022, 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.

²⁰ *Id.*

²¹ *Id.*, Ordering Clause B.

²² Commissioners may elect to defer their questions until after CURB and Staff question Evergy.

B. The workshop for Evergy to explain the necessity and impact of the proposed capital spending is scheduled for December 13, 2022, beginning at 9:30 a.m. The workshop will be conducted by Zoom, and available to the public on the Commission's YouTube channel.

BY THE COMMISSION IT IS SO ORDERED.

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

Dated: 10/04/2022



Lynn M. Retz
Executive Director

BGF

CERTIFICATE OF SERVICE

19-KCPE-096-CPL

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 10/04/2022.

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