BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Investigation into the Sustainability Transformation Plan of Evergy Metro, Inc., Evergy Kansas Central, Inc., and Evergy Kansas South, Inc. (collectively Evergy) Docket No. 21-EKME-088-GIE

RESPONSIVE COMMENTS OF EVERGY METRO, INC., EVERGY KANSAS CENTRAL, INC. AND EVERGY KANSAS SOUTH, INC.

COME NOW Evergy Metro, Inc. (“Evergy Kansas Metro”), Every Kansas Central, Inc. and Evergy Kansas South, Inc. (together as “Evergy Kansas Central”) (collectively referred to herein as “Evergy” or the “Company”) and file their Responsive Comments in accordance with the Commission’s Order Granting Staff’s Third Motion for a Modified Procedural Schedule. In support of its Responsive Comments, Evergy states as follows:

I. Introduction

1. Evergy appreciates the level of interest in its Sustainability Transformation Plan (“STP”) as evidenced by the number of comments filed and variety of parties participating in the docket. For the most part, parties that provided comments spent the time to thoroughly review Evergy’s plans and provided positive affirmation of the STP as filed along with constructive recommendations to consider in further enhancing the STP to the benefit of all stakeholders. As Staff indicated, Evergy’s STP is “a balanced and reasonable plan that has the potential to improve Evergy’s regional rate competitiveness and service reliability. This is not an easy feat, as these
two objectives are often times in competition with one another.”1 Staff also affirmed the STP does not violate “the merger conditions approved by the Commission in the merger agreement.”2

2. As is discussed below, Evergy has already made significant progress in improving its regional rate competitiveness and the STP is expected to make further progress towards that goal. Evergy has not had a base rate increase in Kansas since 2017 in the Evergy Kansas Central service territory and 2015 in the Evergy Kansas Metro service territory, a period of seven and nine years, respectively, relative to the end of the STP in 2024. If you measure the average annual increase in rates in Evergy’s combined Kansas service territories from 2017 through the end of the STP in 2024, rates will increase on average less than 1 percent (0.9 percent) a year. This is less than half the average rate of inflation over the same timeframe, which is projected to average 2.15 percent annually.3 From 2017 through the end of the STP in 2024 inflation is projected to be more than 15 percent, this compares to a total projected maximum increase for Evergy’s combined Kansas service territories of less than seven percent (6.7 percent) over the same time period.

3. Several constructive suggestions were made by parties in their comments that Evergy is reviewing and considering for implementation as it moves forward with its STP, as discussed below. Suggestions were made to 1) reduce or eliminate the disparity of projected rate impacts to Evergy Kansas Central and Evergy Kansas Metro and 2) to consider phasing Evergy Kansas Central transmission investment over a longer timeframe or consider shifting toward additional distribution investment. As described in more detail below, the “disparity” in rate

1 Staff Comments on STP and Topics Addressed During Commission Workshop, Docket No. 21-EKME-088-GIE, p. 5 (April 16, 2021) (“Staff Comments”).

2 Staff Comments, ¶ 82.

increase impacts is driven in part by the difference in the overall level of current rates between those jurisdictions (Evergy Kansas Metro total retail rates are currently about 12.5% higher than Evergy Kansas Central) and the potential reliability impacts of investment in each jurisdiction. As a result, Evergy does not believe seeking to eliminate this disparity will drive improved rate competitiveness overall or create the best value for customers. However, based on stakeholder feedback received and the results of Evergy’s Integrated Resource Plan (IRP), Evergy has so far identified approximately $100 million of Evergy Kansas Central FERC transmission to redirect to other types of investment – primarily to expected solar investment, which will create direct fuel and purchased power savings for customers and will be subject to a lower rate of return than FERC transmission. Evergy continues to review and work to find other opportunities to be responsive to comments received in its continued evaluation of its five-year strategic, financial plan.

4. As the Commission indicated in its Order opening the docket, the purpose of the docket was for information gathering, allowing “Staff, stakeholders, and Evergy an opportunity to collaborate and evaluate the STP.” The docket was not opened as a result of any request made by Evergy to change rates or make definitive decisions of any direct customer impact or otherwise. Evergy has not made any “ask” of the Commission and no Commission decision is required at the conclusion of the docket. Instead, the docket was designed for Evergy to share general information about the STP and gain general feedback with the schedule providing for a series of workshops, the opportunity for parties to ask discovery requests, and a time for written comments.

5. Staff has recognized that

the purpose of this docket is to allow stakeholders the opportunity to evaluate the potential impact of the STP on the core elements of the merger agreement approved in the 18-095 Docket (Merger

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4 Order Opening General Investigation, at ¶ 7.
Agreement) and to gain an understanding of how the STP will effect service and rate trajectories. This will provide stakeholders an avenue for an open dialog with Evergy about its vision of the STP as currently contemplated. Ideally, this discussion will also help inform Evergy’s decisions going forward so that as it makes its decision with respect to the implementation of the STP it does so with an understanding of the various concerns of the stakeholders. Evergy has not sought approval of its STP and a prudence determination for future ratemaking purposes on the impact of the STP as currently planned is inappropriate because the issue of prudence and cost recovery will be addressed in dockets initiated by Evergy at some point in the future.\(^5\)

6. In its Comments on the STP, CURB indicated that any final determination on ratemaking issues should only be performed as part of a full base rate case. Indeed, Evergy is not seeking any predetermination in this docket. The parties participated in this docket with the clear understanding that they were under no obligation to accept, reject or file comments on any aspects of the STP.\(^6\) Indeed, CURB views this proceeding simply as an informational proceeding. Therefore, it is CURB’s understanding that the STP will neither be accepted nor rejected by the KCC in this proceeding.

7. Given the nature of this proceeding as collaborative and informational and the fact that no order is requested or required, Evergy does not plan to respond to every point of agreement or recommendation for change raised by each party. Evergy’s lack of response should not be taken as agreement with the party, but rather reflects Evergy’s efforts to focus on the larger points and recommendations represented in comments and cross-answering responses. In fact, some of the parties’ comments are less of a response to the STP and more of the use of this forum to present their long-held beliefs or to promote specific business interests. Evergy’s silence on any point

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\(^5\) Staff’s Motion to Approve Procedural Schedule, Docket No. 21-EKME-088-GIE, ¶¶ 4 and 5 (November 6, 2020).

raised by a party is not intended to indicate agreement and should not prejudice the Company’s ability to discuss or object to a recommendation made in comments at any point in the future.

8. Most of the commentors seemed to appreciate the collaborative nature of this docket and of the workshops. For example, CURB indicated that the workshops in the case were “very helpful.” As Evergy has previously explained, the timing of the review that occurred in this docket was highly unusual and necessitated a process that was collaborative but also protected the sensitive and evolving nature of Evergy’s plans. The STP is Evergy’s current plan but continues to evolve as the general business environment changes, and as Evergy receives input from stakeholders in this process and other ongoing proceedings, including the IRP process. Uniquely, the review by parties in this docket involved a five-year plan that by its nature will continue to evolve. By design, Evergy’s five-year strategic, financial plan has the most detail and highest level of certainty in the first planning year, and has flexibility in the remaining years to address changes in the general business environment, customer needs and operating performance of the system among other factors. Due to these dynamics, assuredly, these plans will undergo further revisions from time to time. In this context, the parties were given the opportunity to view Evergy’s plans as they are being developed and refined. This is very different from the normal regulatory process, where the Commission and parties review decisions made by Evergy after they are implemented as part of Evergy’s request in a general rate case. As such, Sierra Club’s suggestion that Evergy should have somehow expanded the stakeholder involvement in the docket to individuals and companies beyond those who intervened is illogical and inconsistent with the

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7 CURB Comments, ¶ 33.
purpose and nature of the proceeding. Evergy’s board and management must be allowed to exercise their discretion in running the business and forming its strategic plans without inappropriate, or over-reaching, input and review.

9. Given the unusual circumstance of reviewing a long-term strategic, financial plan rather than reviewing past utility execution for prudence and reasonableness, it is an important reminder that when reviewing financial forecasts, they should not be considered as “final,” and the planning consistently evolves as the business, operational and political environment changes. The first planning year is more developed while the later periods have more opportunity for change as the environment changes.

10. Although many parties were collaborative and constructive in their comments, that cannot be said for the comments filed by the Kansas Industrial Consumers, Inc. (“KIC”). KIC’s comments focus on an incorrect interpretation of Evergy’s forecasted rate change as a result of the STP and a non-existent commitment that Evergy would never change the 2017 capital forecast provided in the merger docket. With respect to the rate impact of the STP, KIC beats the drum on its perspective on Evergy’s rates ignoring data provided demonstrating that the rate impacts of the STP are less than expected inflation and result in improved regional rate competitiveness for Evergy – representing further progress from the already existing improvements illustrated in independent data sources and as previously recognized by Staff. This key information is

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9 *Missouri ex rel. Southwestern Bell Tel. Co. v. Public Service Com.*, 262 U.S. 276, 289 (1923) (“The commission is not the financial manager of the corporation and it is not empowered to substitute its judgment for that of the directors of the corporation; nor can it ignore items charged by the utility as operating expenses unless there is an abuse of discretion in that regard by the corporate officers”); *United Fuel Gas Co. v. Railroad Com. of Kentucky*, 278 U.S. 300, 320 (1929) (“We recognize that a public service commission, under the guise of establishing a fair rate, may not usurp the functions of the company's directors and in every case substitute its judgment for theirs as to the propriety of contracts entered into by the utility”).

10 Staff provided testimony to the Kansas legislature indicating that in 2019, average electricity rates in Kansas
discussed below and completely ignored by KIC. While Evergy continues to focus on regional rate competitiveness, evidence is abundant that neither Evergy’s rates, nor bill impacts, are the highest in the region. Because KIC continues to say so does not make it true. Furthermore, KIC completely disregards the fact that no merger commitment was made related to future capital investment levels at the time of the merger proceeding. In fact, no such commitment was even proposed by any party in the merger docket or by the Commission. The forecast used at the time of the merger was based on the best information available in 2017; however, the Commission and parties clearly recognized that capital forecasts change on a regular basis when they required Evergy to make annual filings to update its capital plan.

11. In contrast to others’ positive and supportive comments, both CURB and KIC overstate or misunderstand the STP’s link to shareholders and specifically Elliott Management. KIC’s and CURB’s focus on Elliott Management as the impetus for the development of the STP and their suggestion that this demonstrates the STP is designed to benefit only shareholders is inaccurate and irrelevant to the matters before the Commission in this docket. We agree with CURB when they stated the STP is a financial plan, that is an undisputed fact in Evergy’s view. Throughout Evergy’s engagement with Elliott Management and over the course of the above-captioned docket, Evergy’s Board and management team have been resolute in their commitment to serving the best interests of all Evergy stakeholders, including customers, employees, shareholders and the communities Evergy serves. Evergy has made it clear that any alteration to its strategic plan – including the development of the STP – would balance the interests of

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declined by 4.29%, which was the largest decline in the country. Neither Evergy Kansas Central nor Evergy Kansas Metro has the highest rates in the region and Evergy’s rates are declining faster than the regional average. See Staff Presentation to Senate Utilities Committee (Feb. 4, 2021).
stakeholders, serve the interest of regional rate competitiveness, and fully comply with the terms of the merger agreement that allowed for the creation of Evergy. The focus on reliability, affordability and sustainability is a win for all. The settlement agreement approved by the Commission in the merger docket requires Evergy to operate in a balanced way. However, Evergy operates in a competitive environment where earnings do matter and earnings relative to peers matter. While the final nudge to reevaluate the post-merger cost structure and investment opportunities may have come from a single investor, those discussions were not new to Evergy.

Management had been developing its long-term strategic, financial plan before engagement by Elliott, with a focus on generation transition plans and grid modernization needs. These are not new areas of focus to Evergy nor to the electric utility industry. Operating in a balanced way does not mean giving no consideration to shareholders; instead, it requires Evergy to do so alongside consideration of other stakeholders, which is what Evergy has done when developing the STP. The STP is a balanced and collaborative approach with a goal of improving Evergy’s infrastructure and reducing operating costs; however, Evergy needs shareholder/equity support to make investments and obtaining such support requires a reasonable return. Without reasonable returns, shareholders will not stay or invest in the company and Evergy is less likely to attract affordable capital to invest on behalf of customers.

Furthermore, the Commission has already determined that Elliott’s and Evergy’s motives in developing the STP are irrelevant to the matters before it in this docket. The Commission explained that although the “entire ‘strategic review’ to increase shareholder value resulted from pressure from Elliott (as evidenced by Elliott’s public letter and culminating in its public agreement with Evergy),” the Commission “is not investigating either Elliott’s or Evergy’s motives. Instead, the investigation before the Commission is providing an opportunity to
collaborate and evaluate the STP. While the STP’s impact on customers and shareholders is relevant in this Docket, the Commission is investigating the STP, *not the decision to pursue the STP.*”¹¹ As a result, KIC’s and CURB’s focus on Elliott Management in their comments is an irrelevant distraction to the real focus of the docket – to provide an opportunity for the Commission and stakeholders to understand Evergy’s STP and the impacts it may have on all stakeholders in the future.

13. Evergy’s key responsive comments as discussed in detail below can be summarized as follows:

a) Evergy Kansas retail rates have dramatically improved their regional position since the 2018 merger with Kansas retail rates declining more than any state in the nation from 2018 – 2019
b) currently Evergy Kansas Central customers enjoy retail rates about 12.5% below Evergy Kansas Metro customers
c) the STP enables Evergy to further improve regional rate competitiveness; with recent adjustment to the STP reducing the Evergy Kansas Central expected retail rate increase CAGR to under 1.8%,
d) the STP investment in Evergy Kansas Central transmission will begin to address aging equipment and modernize the grid to help ensure customers will continue to have excellent service well into the future,
e) the realization of operational savings is credible given Evergy’s recent track record of delivering cost efficiencies, and the detailed nature of expected future cost efficiencies, without undue operational reliability risk,
f) a commitment to customer service enhancements that will be key to modernizing the customer experience during this transformational period, and
g) a commitment to a cost-effective clean energy transition.

II. Regionally Competitive Rates

14. With the STP, Evergy will continue to achieve significant reductions in non-fuel operations and maintenance (NFOM) and fuel and purchase power costs (FPPC) that will help moderate rate increases and are expected to further improve the regional competitiveness of

¹¹ Order Denying KIC’s Motion to Join Elliott Management as a Required Party, Docket No. 21-EKME-088-GIE, ¶ 18 (Nov. 24, 2020).
Evergy’s customers’ rates. The STP will build on the progress made in executing Evergy’s merger savings plan in 2018 and 2019, during which Evergy’s residential and industrial rates in Kansas decreased while the regional average increased over this period. Evergy’s commercial rates in Kansas also decreased more rapidly than the regional average over this period. From 2017 to 2019, Evergy’s Kansas residential and industrial rates decreased 6.5% and 2.8%, respectively, while the regional average increased by 2.0% and 0.1% respectively. For the same period, Evergy’s Kansas commercial rates decreased by 3.3% while the regional average decreased at a slower pace of 1.2%.

15. In fact, for 2019 alone, electric rates for Kansans declined by 4.3%, which is the greatest price reduction of any state in the nation let alone the surrounding states; this decline further closed the regional rate gap.

**Average Retail Price Change 2018-2019**

![Image showing average retail price change 2018-2019](image)

16. In 2018, the year that Evergy was created in a merger between Westar and KCP&L, both legacy companies had rate reviews resulting in rate decreases for their Kansas customers. As a result of the merger, base rates for Evergy were frozen for a period of five years. Since the
merger through May of 2021, five out of eight Transmission Delivery Charge changes have been decreases. And, over the same time frame, four out of eight Fuel Adjustment Charge changes have been decreases. Collectively over this time period, rate adjustments have decreased Kansas customer rates by approximately $275 million. This progress toward further regional rate competitiveness is expected to continue with the STP, which will result in rate increases below the expected level of inflation for Evergy overall as well as on a jurisdictional basis.

17. When the merger was approved, the combined company capital investment plan was reduced $1.1 billion over a five-year period from $7.2 billion to $6.1 billion for the years 2018 through 2022. Based on 2017 financial plans, capital investment was expected to decrease for the period from 2018 through 2022 as a result of the merger. The current $9.2 billion capital investment plan referenced by certain commentors spans from 2021 through 2025. It is updated for three additional years past the original five-year period with most of the additional capital investment being added from 2023-2025. Previous filings and documentation provided show that Evergy’s capital investment plan under the STP is significantly below national and regional average investment plans for electric utilities.

18. Parties have pointed out the disparity in rate changes that are forecasted to be experienced between Evergy Kansas Central and Evergy Kansas Metro customers under the STP. In the August 2020 filed STP, Evergy Kansas Central is expected to see an increase just below the level of inflation while Evergy Kansas Metro rates are expected to decrease slightly over the STP horizon. It is important to note that Evergy Kansas Metro’s rates are currently approximately 12.5% higher than Evergy Kansas Central’s rates. Under the STP, Evergy Kansas Central customers will still enjoy overall rates lower than Evergy Kansas Metro, but this rate gap will
narrow, resulting in closer alignment while continuing to make progress toward more regionally competitive rates.

19. As management continues to assess the STP and consider changes to the STP as filed in August 2020, and largely influenced by the three STP work study sessions, we have begun to make updates and modifications to the STP. While we are still evaluating these changes and considering others, we currently expect the rate compound annual growth rate (CAGR) for Evergy Kansas Central over the same 2020 – 2024 time period will be under a 1.8% CAGR, or at least 18% lower than in the August 2020 filed STP. Evergy will continue to review these changes for appropriateness and are considering additional opportunities to further reduce retail rate increases over the STP period in Evergy Kansas Central. Some of these changes may reprioritize investments to Evergy Kansas Metro.

III. Grid Modernization – The Need for Evergy Kansas Central Transmission Investment

20. While CURB acknowledged in its cross-answering comments that transmission investment may well be needed, they along with Staff and others also raised concerns about the level of investment set forth in the STP specific to Evergy Kansas Central transmission. Staff recommended that Evergy Kansas Central transmission investment be addressed by redirecting a portion of the investment out of Evergy Kansas Central and into Evergy Kansas Metro, spreading the Evergy Kansas Central transmission investment out over a longer period, or redirecting Evergy Kansas Central transmission investment to Evergy Kansas Central distribution asset replacement. Evergy has already provided comments in this response regarding rate comparisons of Evergy Kansas Central and Evergy Kansas Metro providing a compelling case for why redirecting significant capital from Evergy Kansas Central to Evergy Kansas Metro is not in the best interest
of customers. This section focuses specifically on the needed investment in Evergy Kansas Central transmission and how that investment is already spread over a significant period. In addition, a recent Notice of Proposed Rulemaking (NOPR) issued by FERC recommending elimination of the 50bps return on equity adder for RTO participation should significantly alleviate parties’ concerns expressed about higher authorized returns for Evergy on transmission investment. If adopted by FERC, this change will also reduce the STP projected rate increase CAGR for Evergy Kansas Central through 2024 relative to the August 2020 filed STP level. This likely change does not reduce Evergy’s conviction that these same investments are beneficial for customers and system reliability.

21. As discussed in the December STP Grid Modernization Workshop, the investment planning processes in place at Evergy are robust. Evergy considers such things as re-configuring infrastructure so that multiple sources are available to serve load to reduce outage risk, substation bus configuration, age and condition of equipment, reduction in customer or equipment outages, reduction of safety hazards, improvement to protection and control schemes, increased transmission and distribution system flexibility, as well as compliance with FERC, NERC and National Electric Safety Code (NESC) requirements. These are all outlined in the Evergy Bulk Electric System Planning Criteria, which is posted publicly on our Open Access Same-Time Information System (OASIS) site. Projects identified by Evergy and included in the capital investment plan address these reliability drivers.

22. The transmission project planning process deployed at Evergy is composed of 5 distinct considerations: (1) Customer Reliability, (2) Financial, (3) Growth and Technology, (4) Public Image, and (5) Employee Benefits. First, Customer Reliability utilizes four criteria to distinguish projects including asset criticality, health, and risk score algorithms, power quality
impacts, potential for line overload, and contingency availability. Second, Financial
considerations include measuring project net present value revenue requirement and net present
value net income. Third, the Growth and Technology area focuses on whether the project supports
Evergy strategic initiatives as well as any technology advancements included in project scopes that
help drive innovation. Evergy’s analysis aligns with comments from Commissioner French in the
grid modernization workshop, when he stated Evergy should be building the grid of the future, not
simply rebuilding the existing grid. Fourth, Public Image measures impacts to critical
infrastructure in the communities we serve. Finally, the Employee Benefit consideration reviews
and measures improvements made in field conditions that results in a system that is safer and less
costly to maintain for employees.

23. The majority of Evergy Kansas Central transmission assets are nearing or have
surpassed their expected useful lives. Staff suggests Evergy consider reducing investment in
Evergy Kansas Central transmission by spreading asset replacements over a longer period of time.
The chart below illustrates the impact STP will have on Evergy Kansas Central transmission asset
class average age. As expected, STP does provide some measure of improvement in average asset
age. However, that incremental improvement is small and demonstrates that Evergy must continue
to make investments in replacing Evergy Kansas Central Transmission assets to avoid reliability
degradation caused by aged assets increasing failure. Evergy estimates increased investment levels
in its Kansas Central transmission, similar those modeled in STP, would be necessary for 15 to 20
years in order to return to a levelized replacement cycle. This demonstrates Evergy’s STP is
already planning a replacement schedule that contemplates a lengthy investment horizon. Further
delays in replacing these assets will result in more outages experienced by customers.
24. Evergy has experience replacing aged infrastructure and measuring its benefits. In reviewing Evergy Kansas Central’s completed transmission line replacement projects over the past eight years, on average these rebuilt transmission lines experienced a 32% reduction in annual interruptions when compared to their performance prior to line replacements. Demonstrably, these replacements have led to improved reliability for Evergy Kansas Central’s customers. Industrial and large commercial customers especially share in this benefit. These customer classes have processes and equipment that are especially sensitive to slight, momentary interruptions that can occur on the transmission system. For industrial and large commercial customers, these interruptions can lead to costly downtime due to resetting their processes and in some cases a total loss of product. Replacing aged infrastructure will directly lead to fewer of these costly interruptions.

25. In summary, a significant portion of Evergy Kansas Central’s transmission and substation infrastructure are nearing end of life. Large portions of its substation transformers and
other grid infrastructure are more than 50 years old. If significant investment in replacing or upgrading aging assets is not undertaken, those assets will continue to degrade over time, increasing the likelihood of failure and customer outages. Failures of such equipment may cause outages, operational constraints and may be more expensive to replace in emergency conditions. Once equipment passes the 50 to 60-year mark, the risk of failure generally rises exponentially, reinforcing the importance of these transmission investments to maintain reliability. In addition, even at the end of the STP in 2024, a significant portion of Evergy Kansas Central’s transmission equipment continues to be nearing or exceeding the expected useful life and will continue to require investment. Lastly, the increase in Evergy Kansas Central transmission investment has remained proportional with capital investments in other asset categories as Evergy has forecasted long-term plans.

26. Another threat to Evergy Kansas Central’s aging transmission infrastructure is extreme weather events. As Evergy customers experienced in February 2021, extreme weather events have and will continue to cause disruptions to our electric grid. To the extent that the risk of extreme weather events is increasing in conjunction with climate change — as many research reports, for example the Fourth National Climate Assessment\(^\text{12}\) released in 2018, have warned — the risks to reliability and grid resiliency will increase correspondingly.

27. Evergy is prioritizing transmission investment to ensure safe and reliable power can flow from its remote generating sources to both rural and urban customers. Part of the replacement process for transmission line assets is to bring those assets up to modern construction specifications

\(^{12}\) The Fourth National Climate Assessment was created by the US Global Change Research Program, a Federal program mandated to coordinate federal research and investments in understanding the forces shaping the global environment, both human and natural, and their impacts on society. The Report included the following assessment: “Climate change and extreme weather events are expected to increasingly disrupt our Nation’s energy and transportation systems threatening more frequent and longer lasting power outages.”
designed to withstand greater ice loadings and wind speeds and to better withstand extreme conditions. The scope of these replacement projects also expands industry-leading technology to the transmission system in the form of smart substations and remotely monitored/controlled devices, increasing the reliability and resiliency of the grid by avoiding interruptions and shortening restoration times in the case of an event. These technologies help the transmission grid withstand and ride through severe weather events by self-isolating damaged infrastructure and rerouting power throughout the grid without customers experiencing loss of service.

28. Grid hardening is another key investment consideration to improve resiliency for Evergy Kansas Central’s transmission infrastructure. This concept targets specific assets of the Evergy Kansas Central transmission system where consequences of failure have significant adverse impacts on system reliability, expose large groups of customers to outages, or would result in dramatically longer restoration durations. Elements of grid hardening are employed in Evergy’s modern design specifications through the course of rebuild projects. This takes the form of designing specific storm structures spaced logically throughout the transmission system to avoid cascading failure from extreme weather. This category targets specific segments of the system or specific assets that are not part of a larger rebuild project but yet whose failure leads to considerable consequences. For example, this includes examples of upgrading river and long highway crossing structures to avoid long duration outages. Another example of grid hardening is mitigating flooding potential that can occur in low lying areas of the territory to prevent those key assets from failing.

IV. Operating Savings and Service Quality

29. A key component of the STP is the realization of operational savings. Evergy has a strong history of executing on cost savings initiatives as most recently evidenced by exceeding
the targeted operational savings from the 2018 merger. Since 2018, Evergy has reduced O&M by over 18% from $1,306 million to $1,064 million in 2020. The 2020 actual results are $10 million less than the midpoint of our published guidance range and the most recent example of our ability to manage costs and achieve savings for the benefit of customers.

30. Both Staff and CURB have stressed the importance that the realization of operational savings should not be at the risk of service quality. Evergy agrees. Evergy’s cost and efficiency gains to date have not led to degradation in service quality. Targeted efficiencies are enabled by the merger, technology and infrastructure investments. And more broadly, the STP is intended to get in front of potential service quality degradation by proactively and systematically replacing aging infrastructure instead of taking a reactive approach.

31. The STP reflects no planned reductions in front line T&D field personnel which respond to outages and maintain service quality. Also, additional contract crews on the property in both Kansas and Missouri to execute capital projects will make responding to large storm events faster and give the region access to a significantly larger amount of skilled labor resources than prior to the STP.

32. Savings related to tree trimming are derived from more efficient planning and analytics, more efficient electronic workflow and more efficient tree trimming work. Tree trimming clearances will be maintained.

V. Customer Experience Enhancements

33. The STP sets forth the five-year strategy to drive cost efficiencies and enhance the customer experience. As noted in previous comments this requires a balanced approach and a conscious focus on value-added solutions for customers. The comments from KIC downplayed the value in future self-serve functionality and energy solutions. KIC, as it represents certain of
Evergy’s largest, and most directly supported, customers, does not represent Evergy’s typical retail customers and their comments regarding customer experience are less relevant for Evergy’s large retail customer base. In fact, customers are excited about new technology that will help them manage their usage, monthly billing and payment and value information from their utility regarding energy questions in their home.

34. In addition to KIC concerns around the value add of the initiatives, CURB also expressed a concern that enhancements to the customer experience would be taken simply to increase rate base, which in fact is not the case. New customer system functionality will be evaluated to ensure the balance between cost effectiveness, customer experience improvements and employee efficiency.

VI. Reliability Metrics and Key Performance Indicator Reporting

35. Given, as discussed above, the nature of this proceeding as purely collaborative and the fact that no order is requested or required, it would be inappropriate or unreasonable for the Commission to require Evergy to establish and commit to new and different reliability metrics or reporting requirements for STP-related Key Performance Indicators (‘KPI”).

36. Evergy is subject to reporting requirements on reliability metrics annually and quality of service metrics quarterly as a result of the approved merger settlement. As part of the non-unanimous merger settlement, Evergy is already at-risk for cash penalties for shortfalls in performance. Stacking incremental reliability requirements on Evergy does not honor the heavily negotiated merger settlement, which included these metrics and a five-year rate moratorium.

37. This informational and collaborative docket is not the time or place for the imposition of new standards and taking such a step could serve to discourage Evergy or other jurisdictional utilities from collaborative engagement in future stakeholder and work study
proceedings. Certainly, such an incremental requirement coming out of docket designed for collaborative interactions and no request of the Commission would cause pause for any jurisdictional utility considering such a process in the future. It would be much more consistent with the heavily negotiated merger settlement and the nature of this docket for the Commission to evaluate any need for further reliability metric reporting or performance-based rate mechanism after the merger rate moratorium is over and during the next general rate case planned in 2023.

38. As it relates to KPIs designed to track Evergy’s progress generally, including the STP, Staff suggests such KPIs be filed periodically with the Commission. The details of how Staff envisions this to work is unclear. Any metric worthy of periodic tracking by the Commission would be consistent with the metrics and KPIs Evergy shares with its Board of Directors. Consistent with past practice the Commission and Staff have ongoing confidential access to Evergy’s board materials and minutes, and Evergy suggests this would be the best avenue for sharing the information and meet the spirit of the request. The metrics are designed and intended for management and Evergy’s Board of Directors in carrying out their responsibilities to manage and oversee day-to-day operations of the utility and necessarily measure, in many cases, highly sensitive and confidential financial and operational information. This information would not be appropriate to be generally available to parties other than the Commission and Staff in their ongoing review of Evergy board materials. Exceptions would include times, such as a general rate proceeding, when Evergy is appropriately subject to discovery that would make such confidential information necessary to be shared under the Commission’s confidentiality protections.

VII. Consistency with Merger Conditions

39. The Kansas merger docket contained 91 merger commitments (including subsets). These commitments ranged from $30.6 million of upfront one-time bill credits, four years of $11.4
million annual bill credits, additional reliability and customer service reporting and potential penalties, a five-year rate moratorium and the inclusion of an Earnings Review and Sharing Plan (ERSP) to highlight a few.

40. The ERSP should be especially noted because not only was there a five-year rate moratorium, but also if Evergy’s actual earned returns during the moratorium are above the stipulated return in the 2018 rate case then over-earnings would be shared with customers through additional bill credits.

41. Besides the most visible commitments described above several others also require continual monitoring and reporting. Additional financial commitments include maintaining investment grade capital structures and credit ratings, annual goodwill impairment analysis, capital plan reporting and filing of an updated cost allocation manual. Other customer relations and human resources commitments included maintaining charitable giving levels and quarterly submission of headcount and contingent labor by location. An entire attachment with 5 exhibits, as well as docket 19-KCPE-178-CPL, was dedicated to establishing service and reliability metrics.

42. Other important commitments included maintaining staffing levels at the Topeka General Office of at least 500 employees for 5 years and maintaining a Kansas headquarters in Topeka for 10 years. This headquarters will staff all levels of technical, managerial, and executive talent and be reflective of the fact that the combined company will have more employees in Kansas than Missouri.

43. All commitments to-date have been fulfilled. There is nothing in the STP contrary to these commitments. As previously noted, Staff affirmed the STP does not violate the merger conditions.
Lastly, there has been reference made by KIC that the STP backtracks on a merger commitment regarding the level of capital spending being held to approximately $6 billion over a 5-year period. This assertion is not accurate. During the merger proceeding, Evergy illustrated a level of capital spending efficiency that could be achieved by the combination. This illustration was based on each company’s 5-year capital plan developed in 2017 for the years 2018 to 2022 and was not indicative, and never represented to be, of a level of spending that would never change in subsequent capital plans. Not being able to predict the future in a changing business and utility environment, it would not have been prudent to lock the combined company into a capital spending cap for the foreseeable future. The Commission and all parties to the merger agreement understood the changing nature of capital planning as demonstrated by the requirement of Evergy to update annually its capital plan. No such requirement would have been offered and approved by the Commission if KIC’s view of a fully static capital plan was a reality. Likewise, it would not have been reasonable for the Commission to contemplate such a restriction that could have ramifications on service reliability or the ability to serve new customers.

VIII. Generation Transition

In the August 2020 filed STP report, Evergy indicated that the plan included “the potential retirement of approximately 500 MW of coal generation in 2024 and the development of 700 MW and purchases of an additional 200 MW of renewable energy through 2024.” The report also indicated, “while this potential exists, the pace of decarbonization will ultimately be determined in collaboration with the Company’s stakeholders as part of the IRP process…” Consistent with this and in parallel with the ongoing STP stakeholder process, Evergy has continued to work with stakeholders in the development of its first Triennial IRP as a combined company and under the new Kansas IRP process. On April 30, 2021, Evergy filed its IRP in
Missouri with a summary filing also included in Docket 19-KCPE-096-CPL in Kansas. Evergy plans to file its IRP in Kansas on May 28, 2021. The majority of the details of this plan will be included in the IRP filing but, because the Preferred Plan’s generation additions and retirements will be the same as in the Missouri IRP filing and the IRP is so central to Evergy’s STP and its continued transition toward becoming a more sustainable energy company, some of the key highlights are included below. These highlights are all based on Evergy-level IRP results, which were included in the Missouri filing; details for Evergy Kansas Central and Evergy Metro will be included in the upcoming Kansas IRP filing.

46. The Preferred Plan outlined in the IRP is broken into two time periods – the Implementation Period and the Post-Implementation Period. The Implementation Period is the time between triennial filings and is roughly the same timeframe covered by the STP (2021 through early 2024). The key actions included in the IRP’s Implementation Period are also consistent with those included in the STP as described below.

47. Similar to the STP, the Implementation Period of the IRP includes the planned retirement of the coal-fired Lawrence units 4 and 5 (484 MWs) in late 2023 and the addition of 700 MWs of utility-scale solar, which diversifies Evergy’s energy portfolio and adds peak capacity and low-cost energy to Evergy’s system. These retirements and additions were identified as part of a broader resource plan based on meeting “customer requirements at the lowest reasonable cost given an uncertain future.” Through the IRP process, this was assessed using the calculation of net present value of revenue requirements on an expected value basis across 27 different future scenarios. The Preferred Plan that was identified as a result of this systematic analysis not only

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13 Evergy Metro results were included in Missouri filing, but will also be included in Kansas filing. Metro results in Kansas filing will utilize 10-15 year modeling timeframe as outlined in Kansas IRP rules.
includes sufficient capacity additions to meet Evergy’s long-term reserve margin requirements, in order to maintain reliability as Evergy transitions toward cleaner resources, but was also the lowest cost plan on an expected value basis across the 27 different scenarios.

48. These actions identified in the IRP Implementation Period are consistent with the potential identified in the August 2020 filed STP report, other than the exclusion of 200 MW of purchased (via a power purchase agreement) solar. Given the price variation that can exist between different projects and the many options for deal structure, only owned resources are modeled in the IRP for simplicity. The evaluation of both owned and purchased solar will be included in future filings (e.g., predetermination) and, if additional benefit is identified from additional purchased solar based on this evaluation, this will be updated through future IRPs.

49. In the Post-Implementation Period (2024 through 2040), the IRP also includes the retirement of an additional 4,125 MW of fossil capacity and the addition of 3,500 MW of renewable generation and approximately 3,500 MW of zero-carbon firm, dispatchable capacity\textsuperscript{14} across Evergy. This plan, in conjunction with the actions taken over the next three years, represents a roadmap for sustainably transforming Evergy’s generation fleet for the benefit of all stakeholders. Consistent with the STP, this is a balanced plan that takes into consideration safety, reliability, affordability, and sustainability, allowing a responsible transition of Evergy’s generation fleet.

\textsuperscript{14} These firm, dispatchable resources are currently modeled as natural gas-fired combustion turbines to provide valid financial and operational parameters for calculating revenue requirements. However, because they will only be needed for reliability purposes in the last five years of the twenty-year planning horizon (2036-2040), the assumption is that new carbon-free generation and/or suitable long-duration energy storage technology will be available to provide capacity by that time period. Evergy expects a continued robust pace of technology change, including improvements to storage capabilities, and will identify specific resources to meet this need through future IRP filings as they near an implementation planning horizon.
50. In parallel with the upcoming Kansas IRP, Evergy currently plans on making a predetermination filing that will include additional supporting information for the upcoming Lawrence Energy Center retirement and procurement of the first tranche of the planned 700MW of near-term solar, which will serve Evergy Kansas Central customers. Beyond these near-term actions, management expects to continue to update the Post-Implementation Period plan in future IRP filings.

IX. Stakeholder Engagement and Outcome of Stakeholder Participation

51. From the beginning of the development of the STP, Evergy has always felt that stakeholder collaboration will result in a better plan that balances many perspectives. The objectives when engaging stakeholders has been to focus on broad engagement, transparency, encourage input and feedback, understand the tradeoff in the plan of reliability and affordability, and to work together to implement.

52. To date, the company’s primary stakeholder input has been gathered through STP work studies with regulatory stakeholders. Evergy’s sequenced engagement activities, beginning with the work studies to educate and listen to primary stakeholders, as represented by various regulatory bodies, oversight organizations, and advocacy groups, about the STP. During this initial outreach phase, Evergy also conducted customer surveys, engaged the company’s customer advisory panel, and used additional third-party research. Key findings include:

- When asked their preference about how Evergy generates power, customers preferred cleaner forms of energy over simply cheapest cost.
- Most customers support Evergy’s investment of nearly $3 billion in additional renewable generation.
- More customers than not support raising rates to increase renewables and reliability.
- Customers ranked making the grid more reliable as the most important priority, followed by increasing renewables.
• For commercial and industrial customers, 76 percent ranked reliability as their first priority, while only 21 percent ranked rates as their top priority.
  o 57 percent of commercial and industrial customers identified reliable service as the most satisfying part of their electrical service from Evergy. 26 percent ranked reasonable rates and 25 percent ranked renewable energy offerings as the least satisfying aspect of their electric service provided by Evergy.

Evergy plans to share more about its customer research, as well as the next phase of its stakeholder outreach, at the May 24 work study.

53. The IRP process has included ongoing interaction with stakeholder groups as well. Additionally, upon filing its IRP with the KCC, Evergy will share additional reliability, affordability, and sustainability plans through its website and social media channels. The website will include an interactive feature where interested parties can submit feedback about Evergy’s plan. Further, Evergy has planned two virtual “Know Your Evergy” sessions, which will be publicly accessible via the Evergy website. Again, further details about this next phase of engagement will be shared at the May 24 work study.

54. Evergy’s regulatory stakeholder engagement and customer research confirms the need for Evergy to balance safety, reliability, affordability, and sustainability to best meet the diverse energy needs of its stakeholder base. As part of Evergy’s typical efforts at continued education for and dialogue with its stakeholders, Evergy will use ongoing research, online tools via its website and social media channels, and interactive dialogue to gain insights that inform its planning process.

55. Since the STP announcement in August 2020, Evergy has stayed focused on its stakeholder goals:
56. Evergy’s goal for stakeholder outreach and collaboration has always been to achieve a level of engagement from stakeholders that supports moving forward with a plan that reflects a balancing of interests. Collectively, Evergy has provided unprecedented access to the company’s business plan and gathered input from a broad array of constituencies. That does not mean that full endorsement of all aspects of the STP by all stakeholders will be gained, but an outcome that will reflect a balanced, refined plan that has been clearly communicated and has wide acceptance.

**X. Conclusion**

57. As mentioned earlier, this proceeding was opened as an informational docket, allowing Staff, CURB, and stakeholders the opportunity to review the STP as well as provide Evergy the opportunity to gain valuable insight and feedback from the parties. The nature of this
docket is unique in that it requires no action from the Commission and Evergy is not seeking approval of the STP or rate actions in the proceeding. However, it is a very important proceeding as the STP lays out the path for transforming the largest electric utility in the state of Kansas – everything from how power is produced and how a customer will interact with the utility to the rates customers pay will be impacted by the plan. Evergy values Commission review of the STP and, as is the case with all stakeholders, welcomes feedback and guidance as an outcome of the docket. Evergy will take such feedback into consideration as the STP continues to develop and appreciates the time and effort the Commission has devoted to the proceeding.

Respectfully submitted,

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VERIFICATION

STATE OF KANSAS  )
COUNTY OF SHAWNEE  )

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

Cathryn Dinges

Subscribed and sworn to before me this 14th day of May 2021.

NOTARY PUBLIC - State of Kansas

LESLEY R. WINES
My Appt. Exp. 5/30/22

My appointment expires: May 30, 2022

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of May, 2021, the foregoing Responsive Comments was electronically served on the following parties of record:

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