BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Joint Filing Regarding Capital Plan and Integrated Resource Plan Reporting Formal Compliance 18-KCPE-095-MER	)))	Docket No. 19-KCPE-096-CPL

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), and files its Report and Recommendation regarding Evergy Metro, Inc. ("Evergy Kansas Metro"), Evergy Kansas Central, Inc. and Evergy Kansas South, Inc.'s (together, "Evergy Kansas Central") (collectively, "Evergy") Five Year Capital Investment Plan ("Capital Plan").

Staff has found that Evergy complied with the requirements of the Capital Plan framework. Staff is concerned, however, with the continued growth in Evergy's five-year Capital Plan, especially considering its cumulative growth since 2020. Staff acknowledges Evergy's Capital Plan remains below the average electric-only utility Capital Plan in terms of percentage increase in Net Plant and relative to existing levels of Depreciation and Amortization; and, other national and regional electric-only utilities are also increasing their Capital Plans robustly.

While Evergy's level of Capital Investment will likely result in moderate rate increases for Evergy customers, as long as Evergy's capital expenditures remain below the average national and regional peer utility, it should allow Evergy to continue to make progress toward achieving regionally competitive rates and reliable electric service.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Carly R. Masenthin

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Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

Laura Kelly, Governor

REPORT AND RECOMMENDATION
UTILITIES DIVISION

TO: Susan K. Duffy, Chair
Dwight D. Keen, Commissioner
Andrew J. French, Commissioner

FROM: Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: July 10, 2023

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

EXECUTIVE SUMMARY

On February 28, 2023, Evergy Metro, Inc. (Evergy Kansas Metro), Evergy Kansas Central, Inc. and Evergy Kansas South, Inc. (the latter two together as Evergy Kansas Central) (all three collectively referred to herein as Evergy) filed their Five Year Capital Investment Plan (Capital Plan). Evergy's Capital Plan filing was required by the Order Adopting Integrated Resource Plan and Capital Plan Framework, issued by the Kansas Corporation Commission (Commission) on February 6, 2020, in Docket No. 19-KCPE-096-CPL (19-096 Docket).[1] With this Order the Commission approved the Integrated Resource Plan (IRP) and Capital Plan framework that was submitted by Evergy, Staff, and the Citizens Utility Ratepayer Board (CURB).[2] The framework required Evergy to submit its initial Capital Plan filing on March 9, 2020, with subsequent annual filings due by February 28 of each year. The purpose and structure of the Capital Plan, and the procedure for review of the Capital Plan framework, is provided in detail in Appendix A of the Commission's February 6, 2020, Order.[3]

In this Report, Staff evaluates Evergy's Capital Plan filing for compliance with the Commission-approved reporting framework. Additionally, we will evaluate the changes in Evergy's Capital

[1] *See* Order Adopting Integrated Resource Plan and Capital Plan Framework, February 6, 2020, https://estar.kcc.ks.gov/estar/ViewFile.aspx/20200206105827.pdf?Id=da24762e-a6b9-4288-9cde-09ab47dac275. Attachment A of the Order contains the IRP and Capital Plan Framework.
[2] The original Capital Plan framework was submitted on March 1, 2019, with a Joint Supplement and Clarification submitted on September 9, 2019.
[3] Each of these elements are discussed in more detail in the Background section of this Report.

Plan that have occurred since Staff's review of the 2022 Capital Plan.[4]

In this Report, Staff finds that Evergy complied with the requirements of the Capital Plan framework. Additionally, Staff finds that Evergy's five-year Capital Plan, covering years 2023-2027, contains $824 million more (12.14%) capital expenditures for the combined Evergy Kansas Central and Evergy Kansas Metro, than was contained in the 2022 five-year Capital Plan, which covered years 2022-2026. The 2022 five-year Capital Plan, was an increase of $1.048 billion over the 2021 five-year Capital Plan (2021-2025). The 2021 five-year Capital Plan was an increase of $1.095 billion over the 2020 five-year Capital Plan (2020-2024). To recap, the combined Evergy Kansas Central and Evergy Kansas Metro five-year Capital Plan has grown from $4.639 billion in 2020 to $7.606 billion in 2023, an increase of 63.95% in just four years.

In evaluating Evergy's Capital Plan, we have compared Evergy's capital expenditure projections to publicly-available capital expenditure projections of other electric only utilities, as well as Evergy's regional peers. For the years 2023-2025, Evergy's projected increase in Net Plant as a percentage of existing Net Plant (18.01%), remains below the median of electric only utilities in the U.S. (21.3%) and below the average of its regional peers (23.26%).[5] Evergy's ratio of capital expenditures to depreciation and amortization (2.47) is nearly identical to its regional peer average (2.46), and the median of electric-only utilities nationally (2.48). Evergy's 2023-2025 total company capital expenditure projections grew 12.67% over its 2022-2024 projections, whereas the capital expenditure projections of Evergy's regional peers grew by an average of 15.60%.

While Staff is concerned with the continued growth in Evergy's five-year Capital Plan, especially considering the cumulative growth in this Capital Plan since 2020, Evergy's Capital Plan remains below the average electric-only utility Capital Plan in terms of percentage increase in Net Plant and relative to existing levels of Depreciation and Amortization. Evergy's increase in Net Plant relative to existing Net Plant ranks 14th out of 17 electric-only utilities nationally, and 5th out of 6 regional peer electric-only utilities.

While Evergy's propensity over the last four years has been to increase its capital expenditure budgets higher and higher with each iteration, other national and regional electric-only utilities are increasing their Capital Plans robustly as well.[6] Accordingly, while Evergy's level of Capital Investment will likely result in moderate rate increases for Evergy customers, as long as Evergy's capital expenditures remain below the average national and regional peer utility, it should allow Evergy to continue to make progress towards achieving regionally competitive rates and reliable

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[4] *See*, Staff's Report and Recommendation Regarding Evergy's 2022 Capital Plan, https://estar.kcc.ks.gov/estar/ViewFile.aspx/S202207080906414962.pdf?Id=5f5693c1-52e1-40cd-8584-40b8c2fc7023

[5] The Average electric only utility growth in Net PPE as a % of existing Net PPE was 28.17%. However, this was significantly affected by NextEra Energy, Inc.'s 98.27% Growth in Net PPE. We therefore calculated the median for purposes of this national comparison.

[6] *See* S&P Capital IQ Report attached to this Report.

electric service.

In this Report Staff refrains from commenting on the merits of any individual component of Evergy's Capital Plan, as these investments will continue to be evaluated pursuant to existing regulatory processes, including Evergy's existing IRP, the new transmission investment oversight process established as a result of this year's change to K.S.A 66-1237, and general rate cases pursuant to K.S.A 66-117.

BACKGROUND

On May 24, 2018, the Commission approved the merger between Westar Energy, Inc. (Westar) and Kansas City Power and Light Company (KCPL) to form the company known today as Evergy.[7] One of the elements of the Non-Unanimous Settlement Agreement in that Docket (paragraph 50(iv)) called for a Capital Plan reporting Docket in which Evergy would file annually its five-year capital expenditure projections. Staff originally recommended this Capital Plan reporting requirement in response to stakeholder concerns in the merger dockets and previous rate cases regarding the level of Westar and KCPL's capital investment and the resulting rate impacts. These concerns were understandable. In Staff's Rate Study of Westar and KCPL's rates for the years 2008-2018, we found that growth in Net Plant was a significant contributing factor to the growth in both company's rates. Specifically, Westar's Net Plant/Retail MWh grew by the third highest amount of the 23 utility study group, and KCPL's grew by the fourth highest amount.[8]

On February 6, 2020, the Commission approved the Capital Plan framework, contained within Appendix A of the Commission Order. As provided in the Order, the purpose of the Capital Plan framework is:

- To provide the Commission visibility into Evergy's forecast for new investments as well as replacement of aging utility infrastructure; and
- To identify strategic and major capital projects that will set Evergy's short-term and long-term direction.

The Capital Plan framework was structured as follows:

- The Capital Plan will be based on Evergy's five-year budgeting process and practices;
- Capital expenditure projections will include generation, transmission, distribution, and general plant investments; and
- There will be more detail in year one with less detail in years two through five, consistent

[7] Evergy Kansas Central (formerly Westar) and Evergy Kansas Metro (formerly Kansas City Power and Light) are still technically separate utility companies, under common holding company ownership.
[8] *See* Study of Kansas City Power and Light and Westar Energy, 2008-2018, pp 6-7, filed January 14, 2019. https://estar.kcc.ks.gov/estar/ViewFile.aspx/S20190114113704.pdf?Id=0ead0c60-c1c0-4cde-8837-c9fe3823204a

with the structure of Evergy's five-year budget.

In order to demonstrate compliance with the Capital Plan framework, Evergy is required to provide the following items in its annual filings:

- Letter of Transmittal;
- Five Year Summary of Capital Investment Plan by category, consistent with Evergy's other external reporting requirements;
- Year 1 Project Detail of Capital Investment Plan by project, consistent with Evergy's capital project planning process; and
- Comparison of prior year projected versus actual capital investments by project, consistent with Evergy's capital project planning and accounting processes. The comparison will begin with the second filing and each filing thereafter.

Additionally, in response to concerns stated by the Kansas Electric Power Cooperative (KEPCo) and the Citizens Utility Ratepayer Board (CURB) during the review of Evergy's 2020 Capital Plan filing, Evergy committed to provide an explanation of all variances from forecasted amounts in excess of 10% within a category, or $3 million for an individual project.[9]

Once Evergy has submitted its Capital Plan filing, Staff, CURB, and any Intervenor shall review the compliance filing required by this framework and may file responsive comments providing any remarks and/or identifying any concerns regarding the Capital Plan, not later than 120 days after the Capital Plan Report filing date. Parties may file cross-answering comments in response to other parties' comments no later than 30-days after the initial responsive comments. Evergy may file a report responding to the responsive comments filed by each party no later than 180 days after the Capital Plan Report filing date. Lastly, the Commission shall issue an order, which contains findings that Evergy's Capital Plan filing either does or does not demonstrate compliance with the requirements of the Capital Plan framework. The Commission may also address any comments or concerns raised by the parties if it so chooses.

Evergy filed its compliance filing on February 28, 2023, in compliance with the Commission's February 6, 2020, Order. Pursuant to the Capital Plan framework discussed above, responsive comments were due by 120 day after February 28, 2022, or by June 28, 2023. On July 7, 2023, the Commission approved Staff request to extend the deadline to file comments to July 10, 2023.

ANALYSIS

Staff finds that Evergy's Capital Plan filing, as filed on February 28, 2023, is compliant with the standards established by the Capital Plan framework discussed in the Background section of this

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[9] *See*, Response of Evergy to Comments Regarding Capital Plan, September 29, 2020, https://estar.kcc.ks.gov/estar/ViewFile.aspx/S202009291103414262.pdf?Id=c380dff0-5301-4ab4-926c-bc07c7f8ba9b.

Report above. Staff offers the following supplemental comments to aid the Commission in its evaluation of Evergy's Capital Plan filing.

Updated Capital Plan Compared to February 2022 Capital Plan Filing

Evergy's projected capital expenditures for years 2023 to 2027 total $6.078 billion for Evergy Kansas Central, an increase of $823 million (15.66%) over the $5.255 billion projected for the years 2022-2026 as reported in the prior Capital Plan filing made by Evergy in February 2022. For Evergy Kansas Metro, Evergy projects $1.528 billion in capital expenditures from 2023-2027, an increase of $1 million over the $1.527 billion projected for the years 2022-2026 as reported in the prior Capital Plan filing. On page three of each utility's Capital Plan filing, Evergy provides an explanation for the increased capital expenditures in each category. Evergy points to a company-owned renewables investment being included in 2027, whereas none existed in 2022. It also points to increased investments at existing generation facilities in order to maintain reliability and accredited capacity, and to maintain coal-fired operations at the Lawrence Energy Center. Evergy also points to investment required to serve additional economic development, including the Panasonic load addition, as well as increased pole inspections and distribution investment. Evergy also references its investments in new customer investments including the Uplight project.

Rate Impact of Increased Spending

As part of Evergy's Capital Plan filing, it included an analysis of the rate impact of the $823 million in Evergy Kansas Central increased capital expenditures projected during this time frame. Assuming the currently authorized pre-tax ROR, Evergy estimates this investment will increase rates by $97 million in the first year after a rate case, or a 5% increase (1% CAGR over the five-year investment time frame). This rate increase impact is calculated assuming no growth in annual sales levels. If sales levels grow by .5% annually, Evergy projects an equivalent reduction in the rate increase. For Evergy Kansas Metro, Evergy calculates an immaterial change in retail rates for the projected change in investment levels.[10] It should be noted that these rate increase calculations do not purport to reflect all Evergy projected capital expenditures, instead they only reflect the increase in capital expenditures announced by Evergy since the 2022 Capital Plan.

Evergy Capital Expenditures Compared to Other Electric Utilities

Staff performed an evaluation of the capital expenditure projections contained in Evergy's Capital Plan compared to the publicly available capital expenditure projections of other electric only holding companies/utilities. This analysis is recreated in the table below.

[10] See page two of the Transmittal Letter accompanying the Capital Plan filing.

Electric Only Holding Company Capital Expenditure Analysis

	A		B		C		D		E	
	2022 Depr. and Amort. (millions$)	Rank	2022 Net PPE (millions$)	Rank	Capex 3 Year Total 2023-2025 (millions$)	Rank	Average 2023-2025 Cap Ex/2022 Depr. and Amort.	Rank	2023-2025 Growth in Net PPE as a % of 2022 PPE	Rank
NextEra Energy, Inc.	$ 4,503	1	$ 62,717	3	$ 75,139	1	5.56	1	98.27%	1
Eversource Energy	$ 1,194	8	$ 26,351	7	$ 16,307	5	4.55	2	48.29%	2
IDACORP, Inc.	$ 174	16	$ 4,978	14	$ 2,294	14	4.39	3	35.59%	3
ALLETE, Inc.*	$ 242	15	$ 3,262	16	$ 1,800	15	2.48	8	32.92%	4
PNM Resources, Inc.	$ 341	13	$ 6,237	13	$ 2,803	12	2.74	7	28.54%	5
Otter Tail Corporation*	$ 93	17	$ 1,984	17	$ 799	17	2.86	4	26.20%	6
Entergy Corporation*	$ 2,190	5	$ 42,487	5	$ 16,035	6	2.44	11	22.28%	7
FirstEnergy Corp.	$ 1,375	6	$ 34,592	6	$ 11,540	7	2.80	6	21.44%	8
Exelon Corporation	$ 2,702	3	$ 70,167	1	$ 22,950	3	2.83	5	21.16%	9
American Electric Power Company, Inc.*	$ 3,203	2	$ 68,769	2	$ 23,820	2	2.48	9	20.66%	10
Portland General Electric Co.	$ 417	12	$ 7,388	12	$ 2,690	13	2.15	15	19.48%	11
Edison International	$ 2,633	4	$ 52,032	4	$ 17,800	4	2.25	13	19.03%	12
PPL Corporation	$ 1,233	7	$ 25,926	8	$ 8,475	8	2.29	12	18.42%	13
Evergy Inc.	$ 929	9	$ 22,684	9	$ 6,873	9	2.47	10	18.01%	14
Pinnacle West Capital Corporation	$ 818	10	$ 17,404	10	$ 5,320	10	2.17	14	16.47%	15
OGE Energy Corp.*	$ 461	11	$ 10,290	11	$ 2,850	11	2.06	16	14.26%	16
Hawaiian Electric Industries, Inc.	$ 295	14	$ 5,394	15	$ 1,304	16	1.47	17	7.77%	17
Avg. Ex Evergy	$ 1,367		$ 27,499		$ 13,245		2.85		28.17%	
Average Regional Peers Ex Evergy	$ 1,238		$ 25,359		$ 9,061		2.46		23.26%	

Sources: S&P Global Market Intelligence, FERC Form 1 Data

* Indicates a Regional Peer Holding Company included in KCC Staff's Rate Study

This analysis indicates is that Evergy's capital expenditure projections remain at the low end of other publicly-traded electric utilities and its regional peers. While Evergy's budgeted capital expenditures have increased significantly since the 2020 five-year Capital Plan filing, so have the budgeted capital expenditures of its peers. Evergy's capital expenditures as a percentage of its existing net plant at 18.01% (a proxy for relative rate base growth) remains below the average of its regional peers at 23.26%, and its capital expenditures to depreciation and amortization ratio of 2.47 (a proxy for absolute rate base growth) is nearly identical to the regional peer average of 2.46. Evergy's 2023-2025 total company capital expenditure projections grew 12.67% over its 2022-2024 projections, whereas the capital expenditure projections of Evergy's regional peers grew by an average of 15.60%.

<u>Staff's Comments in Response to Evergy's Updated Capital Expenditure Projections</u>

While Staff is concerned with the continued growth in Evergy's five-year Capital Plan, especially considering the cumulative growth in this Capital Plan since 2020, Evergy's Capital Plan remains below the average electric-only utility Capital Plan in terms of percentage increase in Net Plant and relative to existing levels of Depreciation and Amortization. Evergy's increase in Net Plant relative to existing Net Plant ranks 14th out of 17 electric-only utilities nationally, and 5th out of 6 regional peer electric-only utilities.

While Evergy's propensity over the last four years has been to increase its capital expenditure budgets higher and higher with each iteration, other national and regional electric-only utilities are increasing their Capital Plans robustly as well. Accordingly, while Evergy's level of Capital Investment will likely result in moderate rate increases for Evergy customers, as long as Evergy's capital expenditures remain below the average national and regional peer utility, it should allow Evergy to continue to make progress towards achieving regionally competitive rates and reliable electric service.

Another indication that Evergy's regional peers are increasing their projected capital expenditures faster than Evergy is the ratio of projected capital expenditures to depreciation and amortization, a rough proxy for absolute rate base growth. Evergy's regional peers grew this ratio from an average of 2.12 last year to an average of 2.46 this year, an increase of 16.03%. Evergy on the other hand, grew this ratio from 2.27 last year to 2.47 this year, a growth of 8.8%. Staff is encouraged by this result, and encourages Evergy to maintain a capital expenditures trajectory lower than its regional peers, so as to continue the recent progress made towards regionally competitive rates.

RECOMMENDATION

Staff recommends the Commission should issue an Order accepting Evergy's Capital Plan filing as compliant with the Capital Plan framework established by the Commission in the February 6, 2020, Order.

FINANCIAL FOCUS

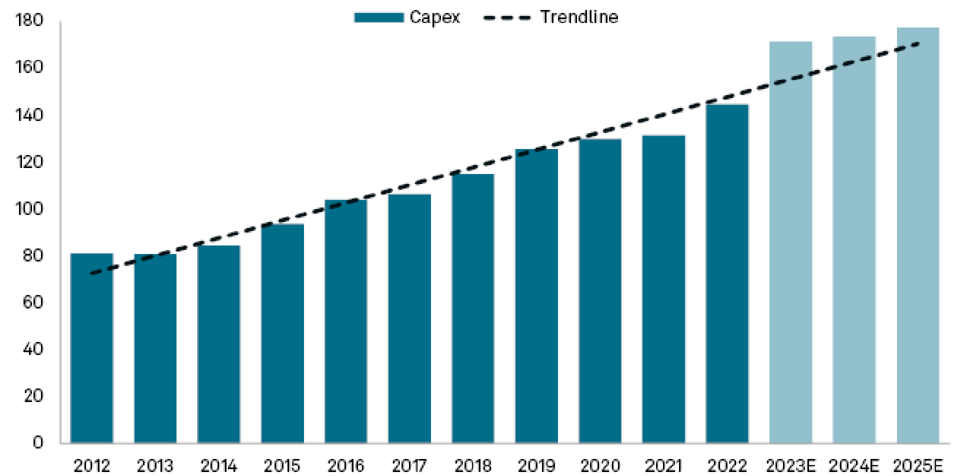
Seismic shift in capex plans reported by utilities for 2023 through 2025

Thursday, March 16, 2023 6:40 AM PIT

By Brian Collins, Jason Lehmann, Dan Lowrey and Heike Doerr
Market Intelligence

The forecast for renewable energy capital expenditures among Regulatory Research Associates' broad sample of publicly traded electric, gas and multi-utilities remains strong on a foundation of increasingly favorable economics for renewable energy, aggressive state-level clean energy mandates, growing corporate interest, a clean energy transition commitment at the federal level and the Inflation Reduction Act of 2022.

Energy utility actual and estimated capital expenditures ($B)



Compiled Mar. 14, 2023.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

The Take

* 2023 is anticipated to be a record year of utility industry capital investments, with the aggregated forecast for the 46 tracked energy utilities exceeding $171 billion in capex this year, according to the results of analysis by Regulatory Research Associates.

* 2023 forecast capital expenditures by the RRA-tracked energy utilities are expected to be the greatest spending magnitude of any year-to-date, with the anticipated aggregate capex rising more than 18% compared with the 2022 realized spending of $144 billion by these 46 tracked utilities.

* Capex in the years 2024 and 2025 is forecast to expand incrementally each year to $173.4 billion and $177.1 billion, respectively, on spending growth in electric transmission, distribution and generation assets, as well as in the renewables sector.

* The nation's electric, gas and water utilities are investing in infrastructure at record levels to upgrade aging transmission and distribution systems; build new gas, solar and wind generation; and implement new technologies, including those related to smart meter deployment, smart grid systems, cybersecurity measures, electric vehicles and battery storage. The considerable spending levels are expected to serve as the basis for solid profit expansion in the utility industry for the foreseeable future.

* Several catalysts are anticipated to impel elevated spending over the next several years, including replacement of aging infrastructure, state renewable portfolio standards, federal infrastructure investment plans and tax credits that incentivize conversion of the nation's power generation network to zero-carbon sources. The federal Inflation Reduction Act of 2022 is also expected to play a substantial role over the next decade.

Energy, water utility capex plans on track for record-breaking 2023

The projected 2023 capex of $171.3 billion for the 46 energy utilities included in the RRA representative sample of the publicly traded U.S.-based utility universe is expected to resoundingly exceed the $144.4 billion of realized investment in 2022 by the same companies. Federal support for infrastructure investment that Congress approved and the president signed into law late in 2021, as well as the Inflation Reduction Act, is a significant driver of much of the increased outlays.

Across the small investor-owned water utility industry, total capex is forecast to increase 6.5% in 2023 to approximately $4.6 billion and will likely remain above

$4.3 billion in 2024. In recent years, the segment has experienced considerable growth, with 2022 infrastructure investments rising 18% compared with 2021.

Investment geared to grow in 2024-25

Multiple drivers are expected to impel elevated spending over the next several years, such as pent-up demand to replace and modernize aging infrastructure and the impact from the significant number of states having renewable portfolio standards that incorporate large expansions in low-carbon energy generation. Also, federal infrastructure investment plans to shift the nation's power generation network to zero-carbon sources by 2035 will gradually come to fruition. It is anticipated that companies' plans for future projects will continue to solidify around the considerable 2021 and 2022 federal legislation that supports infrastructure investment, increasing the likelihood that utility investments will be successively higher in 2024 and 2025 and likely in many years ahead.

The nation's electric and gas utilities are investing in updating aging transmission and distribution, or T&D, systems; building new gas, solar and wind generation; and implementing new technologies, such as those associated with smart meter deployment, smart grid systems, cybersecurity measures and battery storage. The considerable spending is expected to serve as the basis for solid profit expansion in the sector for the foreseeable future.

Spending on renewables is projected to total more than $75 billion in the years 2023 through 2025, with approximately $25 billion allocated each year across RRA's coverage landscape of 46 publicly traded energy utilities.

Several factors will provide the impetus for ongoing utility renewable energy development, including technology costs falling; state policy and renewable portfolio standards; customer demand; and environmental, social and governance considerations. These take place amid a broader trend toward utility sector decarbonization supported by federal investment and tax credits.

The increase in the number of renewable generation sources, often great distances from load centers, will continue to drive new transmission projects. Additionally, despite challenges to the rate of return levels authorized by the Federal Energy Regulatory Commission, such as those arising from periodic shifts in the sanctioned methodology for calculating returns on equity, the average ROE allowed on transmission investments remains above the average ROE authorized by state commissions in traditional general rate proceedings.

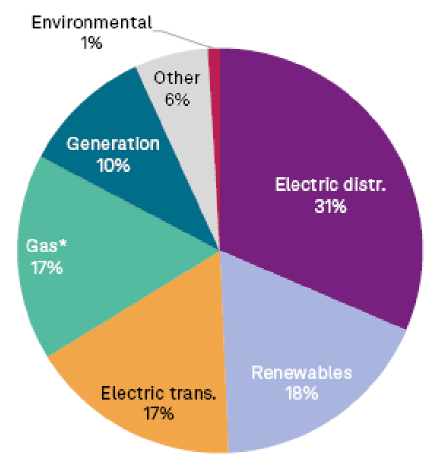
From a gas perspective, the momentum in replacing mature gas distribution infrastructure continues and is likely to be maintained at material levels for many years, considering state and federal mandates to address safety. Additionally, despite headwinds in many regions of the country regarding the future of gas, it is expected to remain a critical energy source for some time. In addition, gas midstream pipelines and downstream distribution networks are likely to be central to the aims of many midstream and utility enterprises to extend the life of their infrastructure by transporting renewable gas and hydrogen blends.

Utilities with largest capex revisions since prior analysis

NextEra Energy Inc., the world's top generator of renewable electricity, remains the leader among energy utility holding companies regarding planned capex. In June 2022, the company unveiled a new capex plan, heavy on renewable energy and electric T&D investments, representing a substantial increase in spending over prior plans.

NextEra utility subsidiary Florida Power & Light Co. expects to invest between $32 billion and $34 billion from 2022 through 2025, including more than $10 billion for regulated solar projects. About $14 billion-$16 billion is planned for electric T&D projects to support reliability and resiliency, customer growth and storm hardening.

Capex by business category, 2023E-2025E



Compiled Mar. 14, 2023.
* Gas includes pipeline, storage, distribution and other gas infrastructure.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

Selected companies' capex forecast changes

	Change from H1 2022 (%)		2023-2024 forecast ($M)		
Companies	2023	2024	H1 2022	H1 2023	Change (%)
NextEra Energy Inc.	171.3	203.4	17,475	50,034	186.3
Portland General Electric Co.	86.2	12.3	1,300	1,940	49.2
Alliant Energy Corp.	21.0	57.6	3,058	4,260	39.3
PPL Corp.	20.3	35.4	3,950	5,050	27.8
Eversource Energy	43.3	11.4	8,896	11,350	27.6
WEC Energy Group Inc.	21.6	26.8	7,055	8,760	24.2

Compiled Mar. 14, 2023.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

Florida Power & Light aims to completely decarbonize its energy mix by 2045 through ongoing renewable energy spending, the addition of battery storage and renewable gas generation, and the conversion of gas units to run on green hydrogen.

NextEra's competitive energy development arm, NextEra Energy Resources LLC, plans to invest between $14 billion and $16 billion annually from 2023 through 2025 primarily on renewable energy-focused projects, with smaller amounts allocated for electric transmission, gas pipelines and infrastructure. The company is well-positioned to capitalize on a growing decarbonization trend across multiple U.S. economic sectors. It owns and operates about 30,000 MW of various clean energy assets, as of Dec. 31, 2022, and has an additional backlog of signed wind, solar and energy storage contracts amounting to approximately 19,000 MW in early 2023.

Since the first half of 2022, **Portland General Electric Co.** has increased its 2023-24 capex by about 49% to $1.94 billion, driven by the company's scheduled investment in a planned 311-MW wind farm in eastern Montana. The utility also continues to seek other capacity resources to meet peak customer demand and state decarbonization requirements. The company has stated it needs up to 4,000 MW of new non-emitting resources to meet its 2030 emissions targets.

Portland General Electric also plans substantial electric T&D spending, including on poles, wires, substations and grid modernization. The company has said the investments are necessary to meet growing electric load, improve reliability and resiliency, incorporate distributed energy and expand electrification to other industries like transportation.

In February, the company filed with the Oregon Public Utility Commission for a $337.8 million rate increase to recover its electric T&D reliability and resiliency investments, as well as higher net variable power costs and higher costs due to inflation, and expenses associated with a hydroelectric repowering and modernization project in Oregon.

PPL Corp.'s 2023-24 capital expenditures are forecast at 28% higher than our fall 2022 capex outlook. Between 2022 and 2026, the Allentown, Pa.-based company plans $14.25 billion of spending, including $4.85 billion at PPL Electric Utilities Corp. in Pennsylvania, $3.40 billion at Narragansett Electric Co. in Rhode Island and $6.0 billion at LG&E and KU Energy LLC in Kentucky.

The company is aiming for net-zero carbon emissions by 2050 via a multi-pronged investment strategy that envisions additions of renewable and natural gas-fired generation to replace the company's coal-fired assets in Kentucky; electric T&D investments to enable increased electrification, large-scale connection of distributed energy and delivery of renewable energy to load centers; research, development and investment in new energy technologies that may help the company achieve its clean energy goals ahead of schedule; and decarbonization and emissions reduction of its non-generation assets and operations, including its electric equipment and natural gas infrastructure.

WEC Energy Group Inc. increased its five-year capital spending program to $20.1 billion for 2023 through 2027, as it rolled the plan forward by a year in an updated investor presentation delivered in February. The company had previously forecast spending of $17.7 billion over the 2022-26 time frame. The largest increases are investments in electric generation and distribution by its utilities in Wisconsin and Michigan. Wisconsin Electric Power Co. and Wisconsin Public Service Corp. in Wisconsin and Upper Michigan Energy Resources Corp. are subsidiaries of WEC Energy.

The capital expenditures on generation investments at the company's utilities are expected to increase 37%, to $6.44 billion over the next five years from $4.69 billion expected in the 2022-26 period. The company's capex plan includes $5.4 billion in regulated renewables investment, including almost 3,300 MW of solar, battery and wind, all of which qualify for production tax credits. WEC is retiring its remaining coal-burning power units, with plans to use coal only as a backup fuel by the end of 2030. By 2035, the company plans to entirely eliminate coal as a fuel source from its generation portfolio.

Alliant Energy Corp. refreshed its capex plan in November 2022 to incorporate an expansion of its renewable energy program and to reflect the benefits of the Inflation Reduction Act. The company now expects to invest about $8.48 billion between 2023 and 2026, primarily in renewables and storage projects, and electric distribution networks.

This forecast is up almost 39% from the company's prior forecast when Alliant expected spending of about $6.12 billion over the 2022-25 time frame in early 2021. Projected spending in 2024 alone has been revised upward by almost 58%. Management highlighted the benefit of the Inflation Reduction Act in its latest earnings call. "[The Inflation Reduction Act] directly supports our strategic plans to advance cleaner energy for our customers, while providing significant customer and investor benefits," explained Alliant CFO Robert Durian. It "enables additional rate base opportunities while also lowering customer costs with a shift from tax equity to full ownership for our planned solar and battery projects."

> *Refer to the linked databook for additional insight into infrastructure investments over the next several years within the U.S. utility industry, including intelligence distilled from the aggregation of multiple individual company forecasts.*

Note: *This report is designed to identify capital expenditure trends in the U.S. utility sector using a range of sources of information, including corporate investor presentations, annual reports and other sources. While S&P Global Market Intelligence takes all due care to ensure the data represented is accurate and represents our best interpretation of industry trends, the varying nature of the available sources of information in terms of depth, quality and timeliness means this report should only be used as outlined. Though underlying data is included in this report, those seeking actual company-specific capital expenditure information should use data filed with the U.S. Securities and Exchange Commission.*

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