

Update on Regional Competitiveness of Kansas Electric Rates

House Committee on Energy, Utilities, and Telecommunications

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Justin Grady

Chief of Revenue Requirements, Cost of Service, and Finance

Utilities Division.

j.grady@kcc.ks.gov



Focus of My Presentation:

1. Updated Kansas Electricity Rates Data (2021)
2. Regional Rate Comparisons

Regional Rate Comparisons—Based on Stakeholder Agreement

- Regional electricity rate comparison will be based on the following nine states, plus Kansas: Colorado, Missouri, Oklahoma, Arkansas, Iowa, Minnesota, North Dakota, South Dakota, and Texas.
- All of the data will be sourced from the Energy Information Administration (EIA). Specifically, Tables 6, 7, and 8—released around October of every year for the previous year’s data.
- The regional electricity rate comparison would consist of the following:
 - The average residential, industrial, and commercial electricity rate for each Investor Owned Utility (IOU) operating in these states, as reported by the EIA.
 - The average monthly electric bill for residential customers for each IOU operating in these states, as reported by the EIA.
 - The statewide average electricity rate for cooperative utilities in each of the states, presented for residential, commercial, and industrial customers as reported by the EIA.
 - The statewide average electricity rate for municipal utilities in each of the states, presented for residential, commercial, and industrial customers as reported by the EIA.
 - The statewide average electricity rate for all consumers across all utility types for each state.

2021 Update on Kansas Electric Rates

- In 2021, the most updated annual data we have from EIA, Average Electricity Rates in Kansas grew by .87%.
- Data for Kansas and the regional peer states are as follows from 2016-2021.

Average Electric Rate (\$/kWh) by State, All Consumers (2016-2021)							2021/2020	2021/2016
	2016	2017	2018	2019	2020	2021	Change	Change
U.S. Average	10.27	10.48	10.53	10.54	10.59	11.10	4.82%	8.08%
Minnesota	9.99	10.27	10.37	10.33	10.57	11.08	4.82%	10.91%
Colorado	9.83	9.99	10.02	10.17	10.27	10.90	6.13%	10.89%
Kansas	10.49	10.6	10.72	10.26	10.38	10.47	0.87%	-0.19%
South Dakota	9.83	10.05	9.97	9.96	10.06	10.43	3.68%	6.10%
Missouri	9.74	10.03	9.93	9.68	9.64	9.85	2.18%	1.13%
Texas	8.43	8.38	8.48	8.6	8.36	9.14	9.33%	8.42%
Iowa	8.55	8.73	8.92	9.08	8.97	9.13	1.78%	6.78%
Arkansas	8.13	8.26	7.78	8.22	8.32	9.10	9.38%	11.93%
North Dakota	8.94	8.78	8.91	8.85	8.53	8.65	1.41%	-3.24%
Oklahoma	7.83	8.2	8.09	7.86	7.63	8.52	11.66%	8.81%
Regional Peer Average							5.60%	6.86%

2021 Update on Kansas Electric Rates (Industrial) ⁵

- In 2021, Kansas' average electric rate for Industrial customers increased 1.12%.

2021 Average Rate per kWh- Industrial			
State	2020 Average Price (cents/kWh)	2021 Average Price (cents/kWh)	2021/2020 Change
Minnesota	7.67	8.29	8.05%
South Dakota	7.79	8.02	2.95%
Colorado	7.48	8.01	7.03%
Kansas	7.30	7.38	1.12%
North Dakota	7.26	7.37	1.48%
U.S. Total	6.67	7.18	7.67%
Missouri	6.84	7.11	3.92%
Iowa	6.43	6.63	3.16%
Arkansas	5.89	6.57	11.52%
Texas	5.07	6.12	20.74%
Oklahoma	4.61	5.50	19.31%
Regional Peer Average	6.56	7.07	8.68%

2021 Update on Kansas Electric Rates (Residential) ⁶

- In 2021, Kansas' average electric rate for Residential Customers increased 1.03%

2021 Average Rate per kWh - Residential			
State	2020 Average Price (cents/kWh)	2021 Average Price (cents/kWh)	2021/2020 Change
U.S. Total	13.15	13.66	3.86%
Minnesota	13.17	13.50	2.51%
Colorado	12.36	13.07	5.76%
Kansas	12.85	12.98	1.03%
Iowa	12.46	12.73	2.15%
South Dakota	11.75	12.22	4.02%
Texas	11.71	12.11	3.38%
Missouri	11.22	11.41	1.74%
Arkansas	10.41	11.27	8.24%
Oklahoma	10.12	11.00	8.71%
North Dakota	10.44	10.85	3.91%
Regional Peer Average	11.52	12.02	4.49%

Kansas Residential Monthly Bill Data

- In 2021, Kansas Residential Monthly Electric Bills increased 1.77%, from \$113.52/month to \$115.53/month.

2021 Average Monthly Bill- Residential

State	Average Monthly Consumption (kWh)	Average Price (cents/kWh)	Average Monthly Bill (Dollars)	Monthly Bill Rank
Texas	1,094	12.11	\$ 132.40	1
South Dakota	1,019	12.22	\$ 124.50	2
Arkansas	1,098	11.27	\$ 123.69	3
Oklahoma	1,088	11.00	\$ 119.69	4
Missouri	1,039	11.41	\$ 118.55	5
Kansas	890	12.98	\$ 115.53	6
North Dakota	1,041	10.85	\$ 112.93	7
Iowa	861	12.73	\$ 109.63	8
Minnesota	776	13.50	\$ 104.76	9
Colorado	704	13.07	\$ 91.96	10
U.S. Total	886	13.66	\$ 121.01	
Regional Peer Average	969	12.02	\$ 115.35	

Kansas Residential Monthly Bill Data

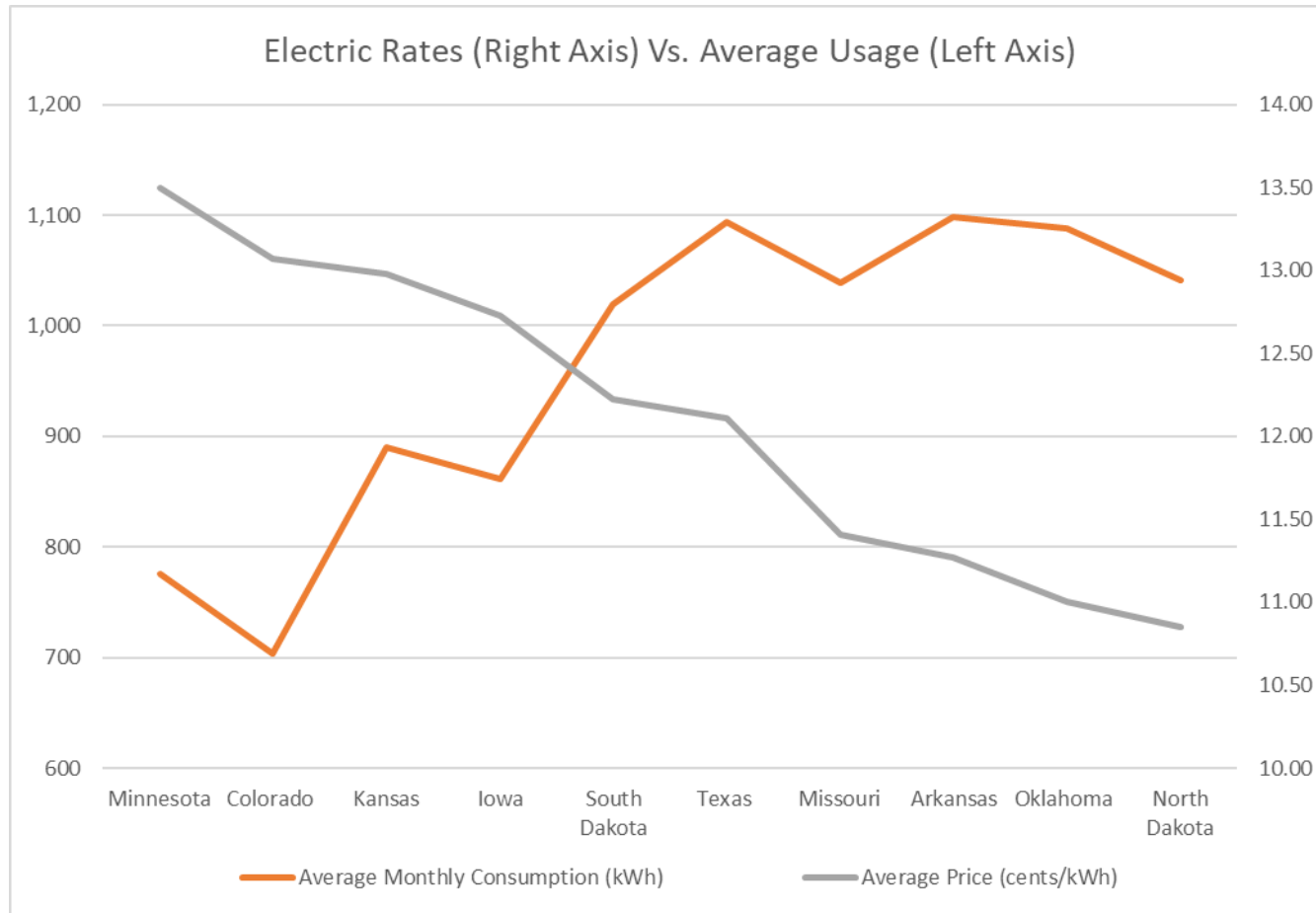
- Same data as previous slide, but sorted by Average Price (Rates). Notice the inverse relationship between usage and price.

2021 Average Monthly Bill- Residential

State	Average Monthly Consumption (kWh)	Average Price (cents/kWh)	Average Monthly Bill (Dollars)	Rates Regional Rank
Minnesota	776	13.50	104.76	1
Colorado	704	13.07	91.96	2
Kansas	890	12.98	115.53	3
Iowa	861	12.73	109.63	4
South Dakota	1,019	12.22	124.50	5
Texas	1,094	12.11	132.40	6
Missouri	1,039	11.41	118.55	7
Arkansas	1,098	11.27	123.69	8
Oklahoma	1,088	11.00	119.69	9
North Dakota	1,041	10.85	112.93	10
U.S. Total	886	13.66	121.01	
Regional Peer Average	969	12.02	115.35	

Kansas Residential Monthly Bill Data ⁹

- Same usage and average rate data as previous slide in graphical form.



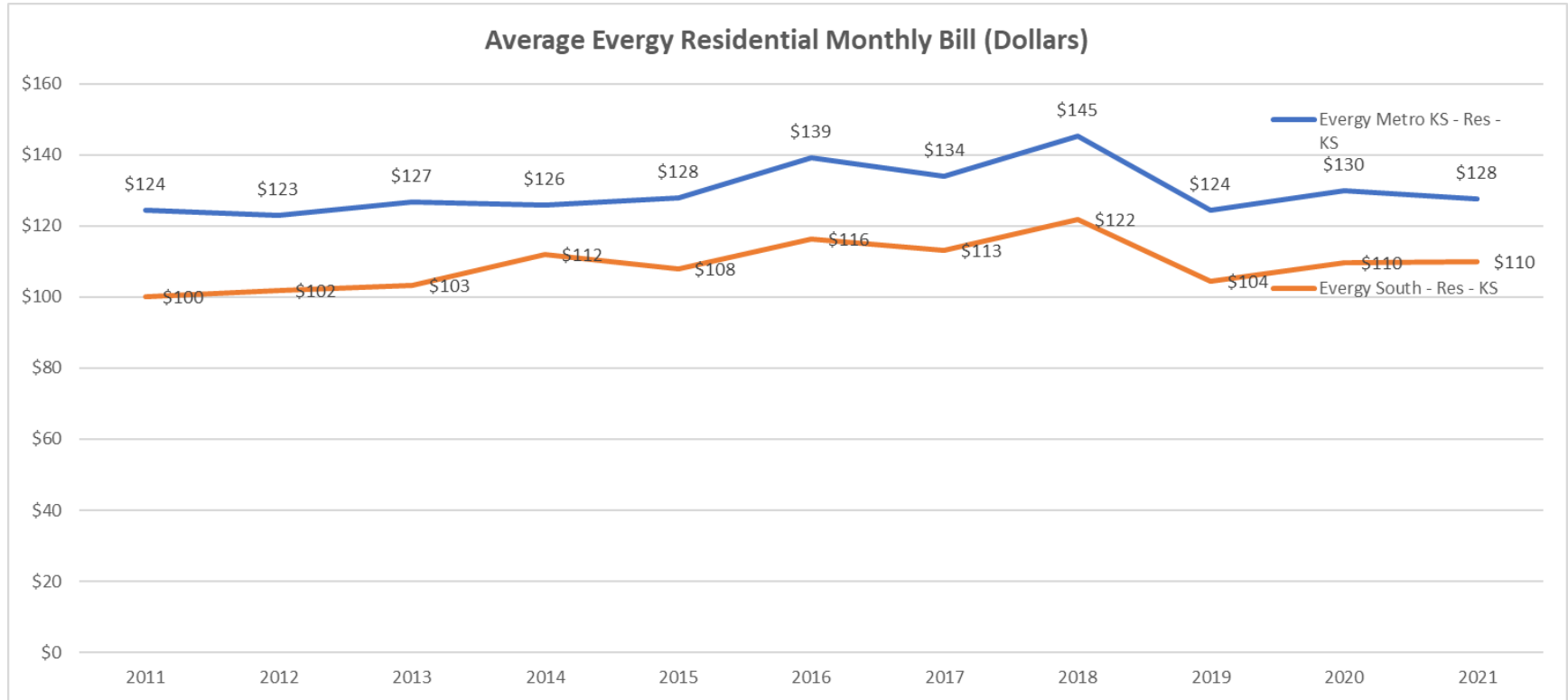
Residential Monthly Bill Data— Evergy

- Evergy's Monthly Bill data (from EIA) for residential customers shows that customer bills have grown less than inflation (CPI) over the last ten years

Residential Customer Average Monthly Bill				
Year	Evergy Kansas Metro	Evergy Kansas North	Evergy Kansas South	Evergy Kansas Central (Westar)
2011	\$ 124.30	\$ 93.30	\$ 99.99	\$ 96.45
2012	\$ 123.04	\$ 96.46	\$ 101.85	\$ 99.00
2013	\$ 126.84	\$ 98.20	\$ 103.20	\$ 100.55
2014	\$ 125.84	\$ 106.29	\$ 111.92	\$ 108.94
2015	\$ 127.95	\$ 102.57	\$ 107.99	\$ 105.12
2016	\$ 139.16	\$ 111.90	\$ 116.41	\$ 114.02
2017	\$ 134.01	\$ 108.89	\$ 113.19	\$ 110.91
2018	\$ 145.39	\$ 120.07	\$ 121.70	\$ 120.84
2019	\$ 124.32	\$ 112.66	\$ 104.41	\$ 108.78
2020	\$ 129.92	\$ 106.51	\$ 109.73	\$ 108.02
2021	\$ 127.64	\$ 107.25	\$ 110.00	\$ 108.54
10-YR CAGR	0.27%	1.40%	0.96%	1.19%
10-YR Growth	2.69%	14.95%	10.01%	12.54%

Residential Monthly Bill Data— Eversgy

- Eversgy's Monthly Bill data (from EIA) for residential customers shows that customer bills have grown less than inflation (CPI) over the last ten years



The average residential, industrial, and commercial electricity rate for each Investor Owned Utility operating in these states, as reported by the EIA.

Full List Attached

Residential—

- Evergy Kansas Central (EKC) ranks 17th in rates, 23rd in bills out of 38 utilities. (1st being highest). Rates are 0.69% higher than average utility outside Kansas, Bills 1.64% lower than average outside Kansas.
- Evergy Kansas Metro (EKM) ranks 6th in bills, 15th in rates out of 38 utilities. Rates are 2.44% higher, Bills 15.68% higher than average outside Kansas.

Commercial—

- EKC ranks 22nd in rates, 3.75% lower than average outside Kansas.
- EKM ranks 17th in rates, 0.34% higher than average outside Kansas.

Industrial—

- EKC ranks 22nd in rates, 3.92% lower than average outside Kansas.
- EKM ranks 5th in rates, 29.12% higher than average outside Kansas.

The statewide average electricity rate for Cooperative Utilities in each of the states, presented for residential, commercial, and industrial customers as reported by the EIA.

2021 Average Rate per kWh -Cooperatives			
State	Residential Average Price (cents/kWh)	Commercial Average Price (cents/kWh)	Industrial Average Price (cents/kWh)
Colorado	14.71	12.72	10.15
Kansas	14.09	13.19	9.55
Minnesota	13.32	11.30	9.68
U.S. Total	12.77	11.92	8.72
Iowa	12.45	12.08	8.15
Texas	12.44	11.66	9.09
South Dakota	12.29	11.15	9.05
Oklahoma	12.24	11.32	7.57
Arkansas	12.06	11.46	9.29
Missouri	11.53	10.46	7.60
North Dakota	10.33	11.17	8.30
Avg. Outside Kansas	12.37	11.48	8.76

The statewide average electricity rate for Municipal Utilities in each of the states, presented for residential, commercial, and industrial customers are reported by the EIA.

2021 Average Rate per kWh -Municipals

State	Residential Average Price (cents/kWh)	Commercial Average Price (cents/kWh)	Industrial Average Price (cents/kWh)
North Dakota	N/A	N/A	N/A
Minnesota	12.95	11.34	8.92
Iowa	12.46	9.59	8.03
Oklahoma	12.31	11.03	7.75
U.S. Total	11.82	11.17	8.23
Kansas	11.65	9.64	7.06
Missouri	11.01	10.05	8.22
South Dakota	10.98	10.73	7.98
Texas	10.74	9.90	6.93
Colorado	10.67	9.80	7.82
Arkansas	9.50	9.38	7.41
Avg. Outside Kansas	11.33	10.23	7.88

Questions??



Kansas Rate Competitiveness

- From 2018 to 2021, the all-in average electric rate for Kansas declined 2.29%. This ranks 48th out of 50 states, with No. 1 being the highest increase during this period. In other words, Kansas electric rates declined by the 3rd largest amount of any state in the Country over the last four years.
- In 2021, Kansas electric rates increased .91% over 2020, this was the 10th lowest increase in the Country. In other words, 40 other states had higher increases in electricity rates last year.
- The average peer state electricity rate increased by 5.59% last year, as compared to Kansas' .91% increase.
- The average peer state electricity rate increased by 5.43% from 2018 to 2021, compared to Kansas' 2.29% decrease.
- Kansas' all in electric rate in 2021 was 5.63% lower than the United States average compared to 1.80% higher than the U.S. average in 2018.
- Kansas' all in electric rate in 2021 was 8.61% higher than the average peer state rate, compared to 16.99% higher in 2018. In other words, the gap between Kansas electric rates and regional peer states has declined by nearly half (49.32%) in four years.
- Kansas' all-in electric rates are not the highest in the region. Both Colorado and Minnesota have higher electric rates and South Dakota rates are just 0.38% lower than Kansas rates.

Evergy Rate Competitiveness

Sometimes Kansas energy stakeholders use Kansas' all in electric rates as a precursor to a discussion about Evergy's electric rates in Kansas, especially Evergy Kansas Central (EKC, f/k/a Westar) the largest electric utility in the State. Please consider these facts that demonstrate the improvements that have been made in Evergy's rate competitiveness in the last several years.

- In 2021 EKC's average residential electric rate declined by 0.35% compared to 2020. EKC's 2020 average residential rate was 0.53% less than 2019. EKC's 2019 average electric rate was 5.61% less than 2018. Thus, EKC's average residential electric rate has declined for four straight years. In 2021, EKC's average industrial rate declined by 4.56% compared to 2020. The average industrial rate in EKC's territory in 2021 was below EKC's average industrial rate in 2012.
- EKC's average residential rate in 2021 is lower than the rate residential customers were paying in 2016, and just 3.2% higher than customers were paying in 2015.
- The average residential customer bill in EKC's service territory grew 0.48% in 2021 over 2020, from \$108.01 to \$108.53. The average IOU residential customer bill in regional peer states grew by 9.43%, from \$100.83 to \$110.34.
- EKC's average residential bill is now 1.64% below the average IOU residential customer bill in regional peer states. This is down from 7.12% higher than regional peer IOUs in 2020.
- EKC's average residential rate is just 0.69% higher than the average IOU residential rate in regional peer states. This is down from 10.24% higher than regional peer IOUs in 2020.
- The average residential bill for EKC's service territory in 2021 was \$108.54. This is \$.40 per month less than the average residential bill in EKC's territory in 2014, even before adjusting for inflation. Average customer bills have declined 10.17% since 2018, and have grown at 1.19% Compound Annual Growth Rate when compared back to 2011. This is below the average rate of inflation during this time frame, of 1.88%.
- EKC's average industrial rate in 2021 was 7.03 cents per kWh, 3.92% below the average industrial rate for Investor Owned Utilities in regional peer states outside of Kansas. For comparison, in 2020, EKC's average industrial rate was 12.48% higher than the average regional peer state rate.

Regional Residential Rate Comparison

Count	Entity	State	Ownership	Customers (Count)	Sales (Megawatthours)	Revenues		Average Price (cents/kWh)	Average Customer Bill
						(Thousands Dollars)			
1	Southwestern Electric Power Co	TX	Investor Owned	153,758	2,154,701	317,481.1		14.73	\$ 172.07
2	Entergy Texas Inc.	TX	Investor Owned	422,325	6,201,106	727,152.9		11.73	\$ 143.48
3	Southwestern Electric Power Co	AR	Investor Owned	104,853	1,163,090	179,427.8		15.43	\$ 142.60
4	Empire District Electric Co	MO	Investor Owned	134,689	1,715,758	229,344.0		13.37	\$ 141.90
5	Empire District Electric Co	KS	Investor Owned	8,217	106,375	13,573.0		12.76	\$ 137.65
6	Evergy Metro	KS	Investor Owned	237,392	2,857,844	363,618.7		12.72	\$ 127.64
7	Empire District Electric Co	OK	Investor Owned	3,811	49,964	5,804.0		11.62	\$ 126.91
8	Interstate Power and Light Co	IA	Investor Owned	410,149	3,680,244	619,602.0		16.84	\$ 125.89
9	Entergy Arkansas LLC	AR	Investor Owned	605,469	8,054,133	882,770.7		10.96	\$ 121.50
10	Black Hills Power, Inc.	SD	Investor Owned	58,083	554,066	83,940.0		15.15	\$ 120.43
11	Amana Society Service Co	IA	Investor Owned	709	7,255	1,021.4		14.08	\$ 120.05
12	Oklahoma Gas & Electric Co	OK	Investor Owned	688,207	8,822,705	949,822.8		10.77	\$ 115.01
13	Evergy Missouri West	MO	Investor Owned	295,895	3,633,581	407,878.0		11.23	\$ 114.87
14	Otter Tail Power Co	SD	Investor Owned	8,945	115,354	12,295.6		10.66	\$ 114.55
15	Empire District Electric Co	AR	Investor Owned	4,317	47,286	5,880.0		12.43	\$ 113.50
16	Southwestern Public Service Co	TX	Investor Owned	216,989	2,476,161	294,927.3		11.91	\$ 113.27
17	Otter Tail Power Co	ND	Investor Owned	45,601	587,351	61,201.1		10.42	\$ 111.84
18	Union Electric Co - (MO)	MO	Investor Owned	1,077,436	13,345,195	1,442,593.9		10.81	\$ 111.58
19	Public Service Co of Oklahoma	OK	Investor Owned	487,689	6,243,064	651,190.6		10.43	\$ 111.27
20	Evergy Metro	MO	Investor Owned	266,662	2,658,824	355,427.2		13.37	\$ 111.07
21	Black Hills Colorado Electric, LLC	CO	Investor Owned	87,250	640,380	115,212.0		17.99	\$ 110.04
22	Evergy Kansas South, Inc	KS	Investor Owned	293,976	3,110,589	388,038.4		12.47	\$ 110.00
23	Combined Evergy Kansas Central (N&S)	KS	Investor Owned	630,351	6,564,501	\$820,968		12.51	\$ 108.53
24	Oklahoma Gas & Electric Co	AR	Investor Owned	57,256	729,058	73,866.0		10.13	\$ 107.51
25	NorthWestern Energy - (SD)	SD	Investor Owned	50,805	571,295	65,429.0		11.45	\$ 107.32
26	Evergy Kansas Central, Inc	KS	Investor Owned	336,375	3,453,912	432,929.1		12.53	\$ 107.25
27	Otter Tail Power Co	MN	Investor Owned	49,741	539,244	63,774.9		11.83	\$ 106.84
28	Northern States Power Co - Minnesota	SD	Investor Owned	85,700	804,651	104,165.3		12.95	\$ 101.29
29	Montana-Dakota Utilities Co	SD	Investor Owned	6,390	67,254	7,564.0		11.25	\$ 98.64
30	MidAmerican Energy Co	SD	Investor Owned	4,171	55,961	4,668.8		8.34	\$ 93.28
31	Northern States Power Co - Minnesota	ND	Investor Owned	81,609	766,051	90,585.3		11.82	\$ 92.50
32	Northern States Power Co - Minnesota	MN	Investor Owned	1,186,195	9,276,160	1,291,299.7		13.92	\$ 90.72
33	ALLETE, Inc.	MN	Investor Owned	124,691	1,046,341	133,221.0		12.73	\$ 89.03
34	MidAmerican Energy Co	IA	Investor Owned	611,635	6,013,631	646,574.6		10.75	\$ 88.09
35	El Paso Electric Co	TX	Investor Owned	303,240	2,419,178	314,190.0		12.99	\$ 86.34
36	Montana-Dakota Utilities Co	ND	Investor Owned	78,983	764,761	79,144.0		10.35	\$ 83.50
37	Public Service Co of Colorado	CO	Investor Owned	1,314,481	9,995,805	1,244,927.1		12.45	\$ 78.92
38	Northwestern Wisconsin Elec Co	MN	Investor Owned	78	471	70.6		14.99	\$ 75.43
								Median Outside of Kansas	11.83 \$ 111.27
								Average Outside Kansas	12.42 \$ 110.34
								% Evergy Kansas Central Over Median	5.74% -2.46%
								% Evergy Kansas Central Over Average	0.69% -1.64%
								% Evergy Kansas Metro Over Median	7.58% 14.71%
								% Evergy Kansas Metro Over Average	2.44% 15.68%

Regional Industrial Rate Comparison

Count	Entity	State	Ownership	Customers (Count)	Sales (Megawatthours)	Revenues	
						(Thousands Dollars)	Average Price (cents/kWh)
1	Black Hills Colorado Electric, LLC	CO	Investor Owned	53	365,136	\$40,947	11.21
2	Southwestern Electric Power Co	AR	Investor Owned	628	1,080,543	\$118,317	10.95
3	Black Hills Power, Inc.	SD	Investor Owned	6	194,072	\$19,059	9.82
4	Southwestern Electric Power Co	TX	Investor Owned	4,177	2,550,848	\$248,087	9.73
5	Evergy Metro	KS	Investor Owned	864	257,028	\$24,297	9.45
6	Northern States Power Co - Minnesota	MN	Investor Owned	497	7,157,573	\$643,910	9.00
7	Amana Society Service Co	IA	Investor Owned	1	68,306	\$6,018	8.81
8	Northern States Power Co - Minnesota	ND	Investor Owned	24	358,702	\$31,217	8.70
9	Northern States Power Co - Minnesota	SD	Investor Owned	28	405,155	\$34,636	8.55
10	Empire District Electric Co	OK	Investor Owned	11	43,837	\$3,659	8.35
11	Otter Tail Power Co	ND	Investor Owned	2	12,461	\$1,037	8.32
12	Montana-Dakota Utilities Co	SD	Investor Owned	8	7,962	\$650	8.16
13	Empire District Electric Co	MO	Investor Owned	271	957,396	\$77,451	8.09
14	Empire District Electric Co	KS	Investor Owned	43	67,092	\$5,367	8.00
15	ALLETE, Inc.	MN	Investor Owned	375	6,611,310	\$516,705	7.82
16	Evergy Kansas Central, Inc	KS	Investor Owned	1,185	2,068,345	\$159,909	7.73
17	Interstate Power and Light Co	IA	Investor Owned	1,397	6,580,960	\$505,423	7.68
18	Empire District Electric Co	AR	Investor Owned	9	84,437	\$6,301	7.46
19	NorthWestern Energy - (SD)	SD	Investor Owned	64	444,892	\$32,306	7.26
20	Evergy Metro	MO	Investor Owned	914	1,411,584	\$102,375	7.25
21	Public Service Co of Colorado	CO	Investor Owned	318	6,238,027	\$448,650	7.19
22	Combined Evergy Kansas Central (N&S)	KS	Investor Owned	4,405	5,532,962	\$389,179	7.03
23	Union Electric Co - (MO)	MO	Investor Owned	3,678	4,149,760	\$280,239	6.75
24	Montana-Dakota Utilities Co	ND	Investor Owned	88	282,977	\$19,015	6.72
25	Evergy Kansas South, Inc	KS	Investor Owned	3,220	3,464,617	\$229,270	6.62
26	Oklahoma Gas & Electric Co	AR	Investor Owned	385	1,039,952	\$62,708	6.03
27	Evergy Missouri West	MO	Investor Owned	223	1,405,938	\$84,535	6.01
28	MidAmerican Energy Co	IA	Investor Owned	1,606	15,106,994	\$890,197	5.89
29	Entergy Arkansas LLC	AR	Investor Owned	23,955	8,509,168	\$496,659	5.84
30	Entergy Texas Inc.	TX	Investor Owned	6,184	8,728,819	\$487,828	5.59
31	Otter Tail Power Co	MN	Investor Owned	12	1,035,453	\$57,638	5.57
32	Oklahoma Gas & Electric Co	OK	Investor Owned	9,050	7,394,728	\$392,845	5.31
33	El Paso Electric Co	TX	Investor Owned	37	966,349	\$49,705	5.14
34	MidAmerican Energy Co	SD	Investor Owned	24	158,583	\$7,941	5.01
35	Public Service Co of Oklahoma	OK	Investor Owned	6,562	5,829,679	\$273,885	4.70
36	Southwestern Public Service Co	TX	Investor Owned	144	7,259,596	\$293,223	4.04
						Median Outside Kansas	7.26
						Average Outside Kansas	7.32
						% Evergy Kansas Central Over Median	-3.14%
						% Evergy Kansas Central Over Average	-3.92%
						% Evergy Kansas Metro Over Median	30.18%
						% Evergy Kansas Metro Over Average	29.12%

Regional Commercial Rate Comparison

Count	Entity	State	Ownership	Customers (Count)	Sales (Megawatthours)	Revenues	
						(Thousands Dollars)	Average Price (cents/kWh)
1	Northwestern Wisconsin Elec Co	MN	Investor Owned	29	186	\$29	15.43
2	Black Hills Power, Inc.	SD	Investor Owned	13,382	769,628	\$105,456	13.70
3	Amana Society Service Co	IA	Investor Owned	179	8,469	\$1,159	13.69
4	Empire District Electric Co	KS	Investor Owned	1,454	56,688	\$7,297	12.87
5	Interstate Power and Light Co	IA	Investor Owned	85,743	4,056,716	\$520,736	12.84
6	Black Hills Colorado Electric, LLC	CO	Investor Owned	12,232	915,395	\$117,418	12.83
7	Southwestern Electric Power Co	AR	Investor Owned	18,643	1,279,142	\$159,845	12.50
8	Southwestern Electric Power Co	TX	Investor Owned	30,810	2,061,008	\$250,067	12.13
9	ALLETE, Inc.	MN	Investor Owned	24,594	1,239,188	\$147,798	11.93
10	Northern States Power Co - Minnesota	MN	Investor Owned	142,693	12,357,742	\$1,430,472	11.58
11	Empire District Electric Co	MO	Investor Owned	24,410	1,509,854	\$168,142	11.14
12	NorthWestern Energy - (SD)	SD	Investor Owned	13,149	666,235	\$72,762	10.92
13	Public Service Co of Colorado	CO	Investor Owned	220,955	12,610,266	\$1,347,570	10.69
14	Empire District Electric Co	OK	Investor Owned	936	58,476	\$6,218	10.63
15	Northern States Power Co - Minnesota	ND	Investor Owned	13,236	1,007,779	\$106,588	10.58
16	Northern States Power Co - Minnesota	SD	Investor Owned	12,762	979,266	\$103,537	10.57
17	Evergy Metro	KS	Investor Owned	30,914	3,189,944	\$328,331	10.29
18	Empire District Electric Co	AR	Investor Owned	812	38,948	\$3,951	10.14
19	Evergy Metro	MO	Investor Owned	33,267	4,165,674	\$421,109	10.11
20	Montana-Dakota Utilities Co	SD	Investor Owned	2,059	65,288	\$6,524	9.99
21	Evergy Kansas South, Inc	KS	Investor Owned	40,634	3,055,585	\$304,096	9.95
22	Combined Evergy Kansas Central (N&S)	KS	Investor Owned	94,965	7,152,119	\$706,138	9.87
23	El Paso Electric Co	TX	Investor Owned	38,558	3,043,629	\$298,859	9.82
24	Evergy Kansas Central, Inc	KS	Investor Owned	54,331	4,096,534	\$402,043	9.81
25	Otter Tail Power Co	MN	Investor Owned	13,109	1,031,598	\$99,978	9.69
26	Montana-Dakota Utilities Co	ND	Investor Owned	14,413	1,043,964	\$95,837	9.18
27	Entergy Texas Inc.	TX	Investor Owned	53,307	4,749,499	\$429,730	9.05
28	Entergy Arkansas LLC	AR	Investor Owned	98,310	5,718,617	\$499,509	8.73
29	Evergy Missouri West	MO	Investor Owned	40,526	3,281,457	\$285,818	8.71
30	Oklahoma Gas & Electric Co	AR	Investor Owned	11,134	792,085	\$67,965	8.58
31	Union Electric Co - (MO)	MO	Investor Owned	163,149	13,544,792	\$1,140,226	8.42
32	MidAmerican Energy Co	IA	Investor Owned	100,168	4,788,436	\$402,975	8.42
33	Otter Tail Power Co	ND	Investor Owned	13,656	1,092,869	\$91,097	8.34
34	Oklahoma Gas & Electric Co	OK	Investor Owned	108,559	8,878,130	\$735,118	8.28
35	Southwestern Public Service Co	TX	Investor Owned	57,951	3,319,928	\$260,448	7.85
36	Public Service Co of Oklahoma	OK	Investor Owned	73,975	6,133,034	\$455,841	7.43
37	Otter Tail Power Co	SD	Investor Owned	2,877	375,549	\$27,736	7.39
38	MidAmerican Energy Co	SD	Investor Owned	995	55,232	\$3,995	7.23
						Median Outside of Kansas	10.11
						Average Outside Kansas	10.26
						% Evergy Kansas Central Over Median	-2.33%
						% Evergy Kansas Central Over Average	-3.75%
						% Evergy Kansas Metro Over Median	1.82%
						% Evergy Kansas Metro Over Average	0.34%

Appendix:

Overview of Ratemaking Process at KCC

KCC Ratemaking Process - Appendix

- 1. Overview of the Ratemaking Process in Kansas**
 - a. Regulatory Compact / Legal Standards
 - b. KCC Ratemaking Process
 - c. Role of KCC Staff and Other Intervening Parties
- 2. Types of Cases**
- 3. Styles of Ratemaking**
 - a. Rate Base/Rate of Return
 - b. DSC/TIER
- 4. Review of a Rate Case**
- 5. Rate Design/Class Cost of Service**

Regulatory Compact

The regulatory compact is an agreement codified by statute and case law that is unique to the utility space and calls for:

1. the utility to provide safe, reliable and reasonably priced service;
2. the commission to provide the utility with a reasonable opportunity to recover its costs and earn a return similar to that of other investments that have similar risk characteristics;
3. the customer to pay the approved rates; and,
4. the investor to supply the capital necessary to maintain or expand the utility system.

Source: RRA Regulatory Focus, The rate case process: a conduit to enlightenment, p.1. (July 3, 2018).

Legal Standards

1. K.S.A. 66-101b—Requires Efficient and Sufficient Service at Just and Reasonable Rates.
2. Just and Reasonable Rates has been interpreted by the Kansas Supreme Court as:

...a rate fixed within the “zone of reasonableness” after the application of a balancing test in which the interests of all concerned parties are considered. In rate-making cases, the parties whose interests must be considered and balanced are these: (1) the utility’s investors vs. the ratepayers; (2) the present ratepayers vs. the future ratepayers; and (3) the public interest.

Kan. Gas and Electric Co. v. State Corp Comm’n, 239 Kan. 483, 488 (1986).

Legal Standards

1. The KCC is required to balance the public need for adequate, efficient, and reasonable service with the public utility's need for sufficient revenue to meet the cost of furnishing service and to earn a reasonable profit. *Danisco Ingredients USA, Inc. v. Kansas City Power & Light Co.*, 267 Kan. 760, 773 (1999).
2. There is a also Constitutional basis behind the “Just and Reasonable” Standard.

The Fifth Amendment provides that, “No person shall...be deprived of...property, without due process of law; nor shall private property be taken for public uses without just compensation.” The Fourteenth Amendment provides that “No State ...shall deprive any person of...property, without due process of law...” Leonard Saul Goodman, *The Process of Ratemaking*, p. 132. (Public Utility Reports, Inc., 1998).

KCC Ratemaking Process

Fundamentally a Legal Process

- Utility regulation and Ratemaking is governed by Kansas Statutes, Administrative Rules and Regulations, and Civil Court proceedings (through appeals of KCC Orders)
- Therefore, KCC Ratemaking is largely a legal process designed to produce “substantial competent evidence” that is necessary to decide a “just and reasonable” rate necessary for the provision of “efficient and sufficient service.”
- This occurs through formal discovery, formal testimony (written and oral), post hearing briefs, evidentiary hearings, and Orders. A Record consisting of 10,000 pages is not unheard of for a major rate case proceeding.
- Generally, due process rights are set out in procedural schedules (see example of current procedural schedules next slide)
- Commission has 240 days to issue an Order so procedural schedule defines the due dates within statutory time frame
- Commission issues Orders that can be appealed to a civil court

For Comprehensive Overview of KCC Ratemaking:

<https://kcc.ks.gov/images/PDFs/electric/Rate-Study-Final-1-13-2018.pdf>

Examples of Rate Case Procedural Schedule

Black Hills Energy Rate Case, Docket No. 21-BHCG-418-RTS
--Filed May 7, 2021

July 26, 2021	5:00 p.m.	Affidavit of mailing, publication, and electronic service
August 4, 2021	6:00 p.m.	Public hearing via Zoom
September 10, 2021	5:00 p.m.	Staff/intervenor testimony due
September 21, 2021	5:00 p.m.	Cross-answering testimony due
October 1, 2021	5:00 p.m.	Rebuttal testimony due
October 5, 2021	9:00 a.m.	Settlement conference
October 8, 2021	5:00 p.m.	Deadline to submit settlement agreement
October 11, 2021	5:00 p.m.	Deadline for Black Hills to submit estimate rate case expense to Commission
October 13, 2021	5:00 p.m.	Deadline to submit testimony in support of / opposition to settlement agreement
October 13, 2021	5:00 p.m.	Deadline for all discovery motions
October 14, 2021	9:00 a.m.	Prehearing conference, if necessary
October 18-20, 2021	9:00 a.m.	Evidentiary hearing, if necessary
October 21, 2021	5:00 p.m.	Public comment period ends
October 26, 2021	5:00 p.m.	PACP report of public comments due
November 10, 2021	5:00 p.m.	Black Hills initial brief due
November 22, 2021	5:00 p.m.	Staff/intervenor briefs due
December 30, 2021	5:00 p.m.	Commission order due

Role of Interveners in Rate-making Process

- The KCC Staff represents the “public generally,” which means we strive to balance the interests between the utility company, its shareholders—As discussed, Kansas Courts have defined this as the proper role for the Commission in rate cases.
- Citizen’s Utility Ratepayer Board
 - Advocates on behalf of residential and small commercial ratepayers
- Other parties – such as large industrial customers, other government entities, or other utility companies – represent their respective interests.
 - Example—Last Evergy Kansas Central Rate Case, 21 Interveners, including: CURB, KIC, USD 259, Kroger Co., Spirit AeroSystems, CCPS Transportation., Coffeyville Resources Refining & Marketing., Wal-Mart Stores., United States Department of Defense, Holly Frontier El Dorado Refining., Occidental Chemical Corporation, Goodyear Tire & Rubber Company, Learjet, Climate and Energy Project, Cargill, Kansas State Board of Regents, Topeka Metropolitan Transit Authority, Tyson Foods, Sierra Club, Vote Solar, Midwest Power Company.
- These parties all review the Application, make recommendations on the appropriate rate level, return for stockholders, operating expenses, prudent investment, etc.
- Many rate cases settle unanimously. On occasion parties will litigate one or two issues, settle all others. All rate cases since 2012 for Evergy Kansas Central have been unanimous settlements amongst all parties.

Types of Cases with Direct Rate Implications

- Rate Cases
 - General (K.S.A. 66-117)
 - Abbreviated (K.A.R 82-2-231(b)(3)(A))
- Fuel Clause Review (Purchased Gas Adjustments and Energy Cost Adjustments)
- Review of Surcharges and Riders
 - Property Tax Surcharge (66-117(f))
 - Transmission Delivery Charge (66-1237)
 - Energy Efficiency Rider (66-1283)
 - Gas Safety Reliability Surcharge (66-2202)
 - System Integrity Plan Rider (Atmos Energy)
- Kansas Universal Service Fund Audits (KUSF)
 - Not a rate directly, but set using ratemaking process.

Styles of Ratemaking

Rate Base/Rate of Return

- **Revenue Requirement = (RB*ROR) + O&M + A&G+ Depreciation + Taxes**
 = *(Rate Base * Rate of Return) + Operating and Maintenance Expenses + Administrative and General Expenses + Depreciation Expense + Income and Other Taxes Expenses*
- Primarily used for Investor Owned Utilities (Evergy, Empire, Black Hills, Atmos, Kansas Gas Service)
- Rate Base represents all utility capital investment 'used and required to be used' to provide utility service to consumers
- Rate of Return consists of Weighted Average Cost of Capital (*Cost of Debt * Proportion of Debt in Cap. Structure*) + (*Cost of Equity* Proportion of Equity in Capital Structure*) **Example WACC= (5% * 50%) + (9% * 50%)= 7%**
- Cost of Equity (required shareholder return) is usually the most contentious issue in the case due to significant impact to both customers and shareholders, and disagreements about models used to estimate
- A Just and Reasonable rate requires a an opportunity to earn a fair return but no guarantee

Example of Revenue Requirement Calculation from Black Hills recent case

LINE NO.	DESCRIPTION	STAFF ADJUSTED
1	PROFORMA RATE BASE	\$240,977,841
2	RATE OF RETURN	6.6117%
3	OPERATING INCOME REQUIRED	15,932,611
4	STAFF ADJUSTED OPERATING INCOME	10,709,936
5	DIFFERENCE	5,222,675
6	INCOME TAX FACTOR	0.790000
7	PROFORMA REVENUE INCREASE (DECREASE)	\$6,610,982

Example of Rate Base Calculation— Black Hills

LINE NO.	DESCRIPTION	APPLICANT JURISDICTIONAL PER BOOKS	APPLICANT TEST YEAR ADJUSTMENTS	APPLICANT ADJUSTED	STAFF TEST YEAR ADJUSTMENTS	STAFF PRO FORMA ADJUSTED
1	INTANGIBLE PLANT	\$3,508,760	\$0	\$3,508,760	\$0	\$3,508,760
2	MANUFACTURED GAS PRODUCING PLANT	0	0	0	0	0
3	PRODUCTION AND GATHERING PLANT	18,719	0	18,719	0	18,719
4	PRODUCT EXTRACTION PLANT	0	0	0	0	0
5	TRANSMISSION PLANT	45,853,421	4,679,841	50,533,262	7,794,409	58,327,671
6	DISTRIBUTION PLANT	265,317,942	11,195,221	276,513,163	322,353	276,835,516
7	GENERAL PLANT	37,187,647	3,632,436	40,820,083	3,229,123	44,049,206
8	TOTAL GAS PLANT IN SERVICE	351,886,489	19,507,498	371,393,987	11,345,885	382,739,872
9	LESS: ACCUM. PROV. FOR DEPR. & AMORT.	104,681,914	3,634,488	108,316,402	(1,394,024)	106,922,378
10	NET GAS PLANT IN SERVICE	247,204,575	15,873,010	263,077,585	12,739,909	275,817,494
11	CONSTRUCTION WORK IN PROGRESS	0	0	0	0	0
12	MATERIALS AND SUPPLIES	2,372,733	300,879	2,673,612	(129,207)	2,544,405
13	GAS STORAGE	2,317,861	(530,733)	1,787,128	60,082	1,847,210
14	PREPAYMENTS	49,066	41,032	90,098	(55,832)	34,266
15	CASH WORKING CAPITAL	0		0	0	0
16	CUSTOMER ADVANCES	(114,892)		(114,892)	100,479	(14,413)
17	CUSTOMER DEPOSITS	(1,433,558)		(1,433,558)	110,474	(1,323,084)
18	DEFERRED INCOME TAX ASSETS	7,620,855	(1,871,498)	5,749,357	(1,119,477)	4,629,880
19	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(26,195,528)	(134,614)	(26,330,142)	(1,477,331)	(27,807,473)
20	REGULATORY LIABILITIES FOR KANSAS TCJA EDIT	(16,194,866)	4,205,399	(11,989,467)	(278,676)	(12,268,143)
21	REGULATORY LIABILITIES FOR KANSAS EDIT	(3,733,744)	3,733,744	0	0	0
22	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(690,064)		(690,064)	654,767	(35,297)
23	ALLOCATED BLACK HILLS SERVICE COMPANY ADIT & EDIT	(2,435,601)	(46,277)	(2,481,878)	34,873	(2,447,005)
24	TOTAL RATE BASE - KANSAS	\$208,766,837	\$21,570,942	\$230,337,779	\$10,640,062	\$240,977,841

Example of Operating Income Calculation—Black Hills

LINE NO.	DESCRIPTION	APPLICANT JURISDICTIONAL PER BOOKS	APPLICANT TEST YEAR ADJUSTMENTS	APPLICANT ADJUSTED	STAFF TEST YEAR ADJUSTMENTS	STAFF ADJUSTED	STAFF PRO FORMA ADJUSTMENTS	STAFF PRO FORMA
	<u>OPERATING REVENUES:</u>							
1	GAS REVENUES	\$87,442,937	(\$43,349,648)	\$44,093,289	\$562,314	\$44,655,603	\$6,610,982	\$51,266,585
2	OTHER REVENUES	8,353,960	(186,515)	8,167,445	(13,081)	8,154,364		8,154,364
3	TOTAL REVENUES	95,796,897	(43,536,163)	52,260,734	549,233	52,809,967	6,610,982	59,420,949
	<u>OPERATING EXPENSES:</u>							
4	PURCHASED GAS	38,992,210	(38,992,210)	0	0	0		0
5	OPERATING AND MAINTENANCE	26,861,025	193,424	27,054,449	(2,150,109)	24,904,340		24,904,340
6	TOTAL OPERATING EXPENSES	65,853,235	(38,798,786)	27,054,449	(2,150,109)	24,904,340	0	24,904,340
7	DEPRECIATION AND AMORTIZATION	8,617,795	1,401,253	10,019,048	(125,218)	9,893,830		9,893,830
8	TAXES OTHER THAN INCOME TAXES	5,947,476	402,050	6,349,526	(54,790)	6,294,736		6,294,736
9	CUSTOMER DEPOSITS INTEREST EXPENSE	23,684	0	23,684	(21,964)	1,720		1,720
10	INCOME TAXES - CURRENT & DEFERRED	2,264,844	(1,631,675)	633,169	372,236	1,005,405	1,388,306	2,393,711
11	TOTAL EXPENSES	82,707,034	(38,627,158)	44,079,876	(1,979,844)	42,100,032	1,388,306	43,488,338
12	OPERATING INCOME	\$13,089,863	(\$4,909,005)	\$8,180,858	\$2,529,077	\$10,709,936	\$5,222,676	\$15,932,611

Example of Staff Adjustments to Rate Base and Operating Income

These are the Adjustments Staff made to Evergy's Rate Base and Operating Income in last rate case, Docket No. 18-WSEE-328-RTS.

Adj. No.	Witness	Description	Effect on Rate Base or Operating Income
RB-1	Justin Grady	Deferred Tax Impacts on Rate Base	(20,324,502)
RB-2	Justin Grady	Western Plains Levelized Amount	(405,029,711)
RB-3	Kristina Luke Fry	Reverse Pension Rate Base	24,177,813
RB-4	Kristina Luke Fry	Analog Meter Retirements	5,462,584
RB-5	Kristina Luke Fry	Working Capital Update	(2,699,189)
RB-6	Kristina Luke Fry	Rate Base Reduction Update	1,624,705
RB-7	Chad Unrein	Reverse Elimination Adjustment	(1,258,941)
RB-8	Chad Unrein	Electric Vehicle Charging Stations	(4,251)
RB-9	Chad Unrein	Construction Work in Progress	(21,412,967)
IS-1	Darren Prince	Weather Normalization	2,848,827
IS-2	Justin Prentiss	Customer Annualization	8,954,522
IS-3	Justin Prentiss	Rate Annualization	(1,112,848)
IS-4	Justin Grady	Western Plains Removal	(20,611,366)
IS-5	Justin Grady	Western Plains Levelized Amount	(24,432,631)
IS-6	Kristina Luke Fry	Pension Expense to April 30, 2015	(2,417,184)
IS-7	Kristina Luke Fry	Pension & Postretirement Benefit Tracker	(821,219)
IS-8	Kristina Luke Fry	Analog Meter Retirements	1,440,899
IS-9	Kristina Luke Fry	Property Tax Surcharge Revenue	(379,069)
IS-10	Kristina Luke Fry	Wind Generation Royalty Payments	(661,161)
IS-11	Kristina Luke Fry	RSU Expense Adjustment	4,609,954
IS-12	Kristina Luke Fry	Distribution Generation Docket Amort.	234,964
IS-13	Brad Hutton	Customer Deposits	21,994
IS-14	Brad Hutton	Rate Case Expense	324,162
IS-15	Brad Hutton	Bad Debt Expense (Step 1)	(22,651)
		Bad Debt Expense (Step 2)	(54,295)
IS-16	Brad Hutton	Donations	118,554
IS-17	Brad Hutton	Advertising	61,564
IS-18	Brad Hutton	Dues	424,745
IS-19	Brad Hutton	SmartStar	85,029
IS-20	Brad Hutton	Insurance Premium	1,011,694
IS-21	Brad Hutton	Credit Card Expense	(66,744)

Adj. No.	Witness	Description	Effect on Rate Base or Operating Income
IS-22	Chad Unrein	Wolf Creek Outage Costs	2,989,312
IS-23	Chad Unrein	IT Service Agreement	248,951
IS-24	Chad Unrein	Knock & Collect	(218,215)
IS-25	Chad Unrein	Reg. Asset Prepay Program	49,723
IS-26	Chad Unrein	Reg. Asset Grid Security	196,116
IS-27	Chad Unrein	Depreciation	23,504,827
IS-28	Katie Figgs	State Line Regulatory Liability Amort.	(1,202,316)
IS-29	Katie Figgs	Payroll to March 31, 2018	5,447,234
IS-30	Katie Figgs	Benefits to March 31, 2018	(67,856)
IS-31	Katie Figgs	Merger Savings	6,726,984
IS-32	Katie Figgs	Wolf Creek Settlement	556,351
IS-33	Katie Figgs	Occidental Revenue Loss	313,281
IS-34	Justin Grady	JEC Lease Expense (Step 1)	0
		JEC Lease Expense (Step 2)	8,330,916
IS-35	Kristina Luke Fry	Wind Farm PTCs (Step 1)	0
		Wind Farm PTCs (Step 2)	(9,770,859)
IS-36	Kristina Luke Fry	Income Taxes (Step 1)	181,879
		Income Taxes (Step 2)	2,385,594

Styles of Ratemaking

DSC/TIER

- Debt Service Coverage (DSC) & Times Interest Earned Ratio (TIER)
- Primarily used for Co-ops and Southern Pioneer
- Although most Co-op rates are deregulated, transmission services are not. The KCC currently regulates Local Access Charges for transmission service over 34.5 kV system.
- Under DSC & TIER, revenue requirement equals the total of:
 - O&M + A&G + Depreciation
 - Debt Service Requirements (TIER uses interest only while DSC uses principal and interest)
 - “Coverage” allowance in excess of the actual debt service payments required

KCC Staff Review of a Rate Case

- Evaluate and analyze utility rate case applications for adherence to accepted regulatory theory.
 - Eliminations, normalizations, annualizations, amortizations
- Accumulate and evaluate evidence obtained from the utility (formal discovery process).
- Determine differences between utility's application and established policies and ratemaking concepts.
- There are few issues that are straightforward, non controversial.
- Provide pre-filed testimony to Commissioners presenting evidence in support of Staff's position
- The Goal is a Revenue Requirement (and ultimately rates) that allows the utility to meet its financial obligations and provide reliable service, while at the same time protecting captive ratepayers from overpaying for a service that is essential to modern day life.

CCOS / Rate Design

Rate Design is the development of prices customers will pay for retail service. There are two stages:

- Allocate the Revenue Requirement among the different classes of customers. This determines how much revenue needs to be collected from each class. The process to determine this allocation is called a “class cost of service” study.
- Calculate customer rates for each class and sub-class that generates the required class revenue
- This phase of a proceeding is often very contentious amongst larger customers in different classes.