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Proponent Oral Testimony for HB 2225

For the Senate Committee on Utilities

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Thank you, Mr. Chairman and members of the committee for the opportunity to comment on HB 2225. Regulatory issues are complex, and changing established rules for investing in the electric infrastructure in Kansas has real impacts on Evergy's customers, electric reliability and our company. While we did not support the original bill as filed, we now support the compromise bill as passed out of the Kansas House of Representatives.

Why was the TDC originally implemented, and what does it do? Importantly, the TDC legislation was adopted years ago to address concerns in Kansas about the lack of new investment in transmission as well as the reliability of the transmission system. Those investments have benefited the state of Kansas by enabling the development of a major new multi-billion-dollar industry in wind generation and to begin the refresh of the aging backbone of Kansas' electric grid, some of which has been in place and serving Kansans since World War II. More directly, customers throughout Kansas have benefited from not only better reliability, but investments that have made it possible for large businesses, universities and residential customers to benefit from Kansas wind. A reliable transmission system can unlock long-term fuel price stability, has helped our customers meet their goals and helped attract new economic development projects to Kansas.

The TDC charge encompasses the changes from the Transmission Formula Rate (TFR), which is the mechanism FERC (Federal Energy Regulatory Commission) uses to review and approve Evergy's investment prudence when rates are updated annually. The TDC is the Kansas mechanism we use to pass along savings or costs to retail customers on an annual basis, consistent with the FERC TFR process.

This type of mechanism is not unique to Kansas. Although other states use different acronyms for their mechanisms, every state that borders Kansas has mechanisms that support transmission and/or distribution investments. Arkansas, Colorado, Illinois, Minnesota, South Dakota, North Dakota and Texas have similar types of transmission adjustments that are made annually and outside

of a rate case. Such mechanisms recognize the substantial financial implication to utilities of transmission investments due to the scale of the projects. These mechanisms are utilized to appropriately balance the financial health of the incumbent utility and the states' customers while unlocking the benefits of supporting a reliable and robust transmission system in their state. In the states in the same region as Kansas, more than half of the utilities in each state, and as much as 90% of the utilities in those states, utilize adjustment mechanisms similar to the TDC for transmission and distribution investments.

This compromise:

- Preserves the TDC as an important tool that facilitates investments in a reliable electric grid in Kansas;
- Adds state regulatory oversight to transmission investments and will continue to advance regionally competitive electric rates; and
- Mitigates most of the significant financial concerns Evergy had with the original bill—namely credit rating downgrades and cost of capital.

Since Evergy became a company in 2018, we have cut our annual operating costs by hundreds of millions of dollars. As of the end of March our all-in rates will be down nearly 1% in Kansas Central and more than 7% in Kansas Metro, which is a nearly \$92 million reduction in the Kansas Central rate jurisdiction and a \$103 million reduction in the Kansas Metro jurisdiction. This is currently a better track record on rates than every other state adjacent to Kansas.

Though we support this compromise, we want to state on the record that this legislation only impacts Evergy and represents the legislature taking direct action negatively impacting a Kansas company that has nearly 5,000 employees and thousands of Kansas shareholders. This bill will lower our earnings, including retroactively on transmission investments that were made many years ago.

That said, Evergy's support of this compromise bill and our significant progress on regional rate competitiveness over the past five years demonstrate our ongoing commitment to affordable energy costs in Kansas.

About Evergy, Inc.

Evergy, Inc. (NASDAQ: EVRG), serves 1.7 million customers in Kansas and Missouri. Our focus remains on producing, transmitting and delivering reliable, affordable, and sustainable energy for the benefit of our stakeholders. Today, about half of Evergy's power comes from carbon-free sources, creating more reliable energy with less impact to the environment. We value innovation and adaptability to give our customers better ways to manage their energy use, to create a safe, diverse and inclusive workplace for our employees, and to add value for our investors. Headquartered in Kansas City, our employees are active members of the communities we serve throughout Kansas and Missouri.