



# Sustainability Transformation Plan

*Work Study Session*

*5.24.2021*





# Evergy's Sustainability Transformation Plan (STP)





# Stakeholder Support Goals

<b>Broad Engagement</b>	Invite participation from diverse stakeholders
<b>Encourage Transparency</b>	Share plan objectives, methodology, analysis and planning process with stakeholders to build understanding and enable informed participation
<b>Expand and Enrich Analysis</b>	Encourage input from a variety of viewpoints to evaluate in alternative analyses (e.g., the level and timing future investments)
<b>Discuss and Balance Trade-Offs</b>	Understand and balance trade-offs among different desirable outcomes (reliability, value/affordability, safety, flexibility, environmental stewardship)
<b>Work Together to Implement</b>	Pursue legislation/regulatory enablers, maintain open dialogue



# Stakeholder Support Strategy

*Stakeholder engagement has been phased and sequenced to allow us to build on each set of insights gathered from diverse stakeholder groups*

Fall 2020	Most of 2020 and early 2021	Fall 2020 – Ongoing
<ul style="list-style-type: none"><li>• Participate in KCC and MPSC dockets that include commissioners, staff, customer representatives, advocacy groups and other intervenors to build an understanding of STP and supporting data / process</li><li>• Complete additional business customer research</li></ul>	<ul style="list-style-type: none"><li>• Work with broader stakeholder group to define generation transition plan through IRP process and ensure infrastructure investments are balancing safety, reliability, affordability and sustainability for diverse stakeholder interests</li><li>• Complete additional residential research</li></ul>	<ul style="list-style-type: none"><li>• Extend further engagement to implement policy enablers (legislative and regulatory mechanisms)</li><li>• Use typical communications channels (website, social media, direct customer contact) to share how we're focusing on stakeholder benefits</li></ul>



# Outreach to date

## KCC Work Study Sessions

- Three work studies complete, today is the fourth
- More than 10 parties representing thousands of constituents participating

## Evergy Primary Research

- More than 1,000 residential customers
- Nearly 400 commercial and industrial customers

## Evergy Customer Advisory Panel

- More than 2,400 customers

## Third Party Research

- About 1,500 people in the past six months

## Integrated Resource Plan Docket

- Multiple stakeholder meetings
- More than 10 parties representing thousands of constituents participated

## Legislative dialogue

- Securitization legislation passed in Kansas



# STP Comment Themes

- Evergy’s STP is a “balanced and reasonable plan that has the potential to improve Evergy’s regional rate competitiveness and service reliability.”
- Appreciate the collaborative nature of docket and of the workshops
- The STP does not violate “the merger conditions approved by the Commission in the merger agreement”
- All parties agree that reasonable grid modernization is a critical function of all electric utilities
- The STP is purely an informational proceeding...and the KCC will neither accept or reject the STP in this proceeding



## STP Comment Themes (Cont.)

- Several constructive suggestions were made by parties.
  - Reduce or eliminate the disparity of projected rate impacts to Evergy Kansas Central and Evergy Kansas Metro.
  - Consider phasing Evergy Kansas Central transmission investment over a longer timeframe or consider shifting toward additional distribution investment.
  - Consider shifting investments to distribution projects
  - Consider requiring the reporting of board and senior management KPIs
  - Consider requiring Evergy and stakeholders to collaborate on reliability metrics
  - Important for the KCC to ensure that an effort to reduce costs do not result in deterioration of utility service
- KIC continued to express its views on regional rate competitiveness



# Discussion Today

- 1 **Customer Research:** Share findings from Evergy primary research, advisory panel and third-party findings
- 2 **STP:** Review key elements of the plan and how key plans meet customer needs
- 3 **Regional Rate Competitiveness**

# Customer Research





# Sample of Customer Insights

## Primary Research

### Research that Evergy conducts

- **Customer Advisory Panel:** ad hoc online surveys to residential customers
- **Quarterly Tracker:** telephone survey of 600 residential customers
- **Additional as needed**
  - Qualitative: focus groups, 1:1 in-depth interviews
  - Quantitative: online, telephone, hybrid

## Secondary Research

### Research that other people conduct, and we review

- **Syndicated Research**
  - Cogent: quarterly
  - JD Power: quarterly
- **Published Research**
  - SECC, Chartwell, Quirks, etc.

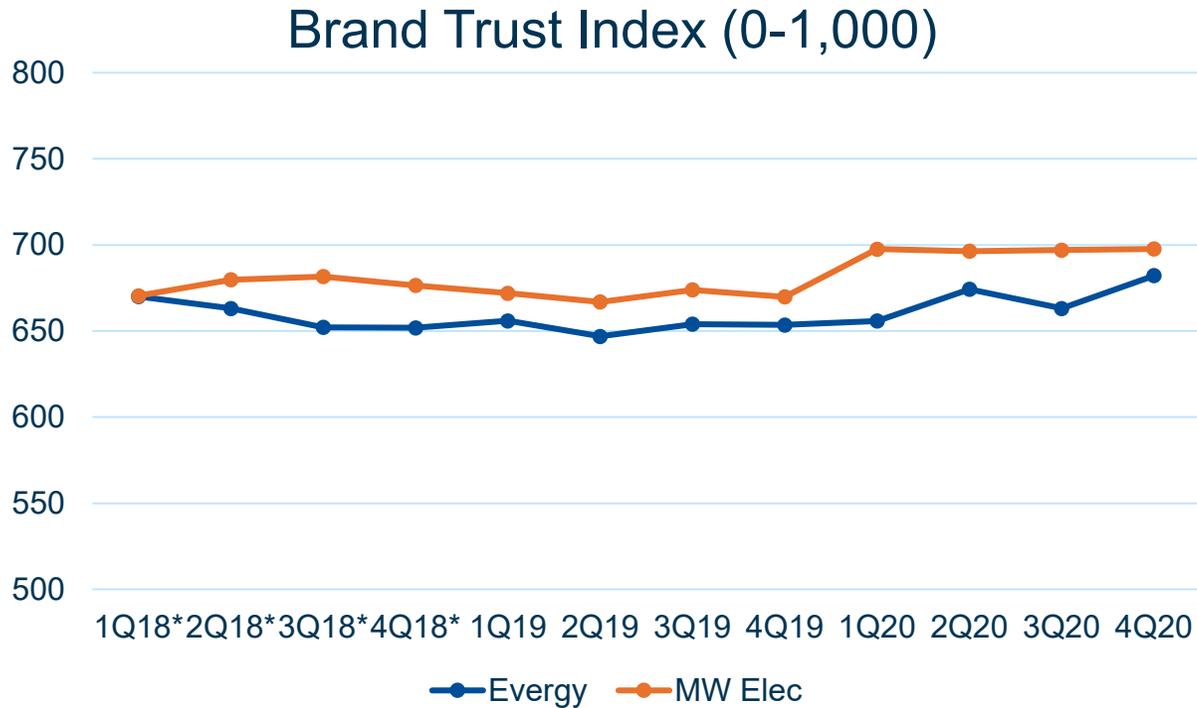
## Industry Insights

- E-Source
- Shelton Report
- Utility Dive, etc.
- Peer utility news/information

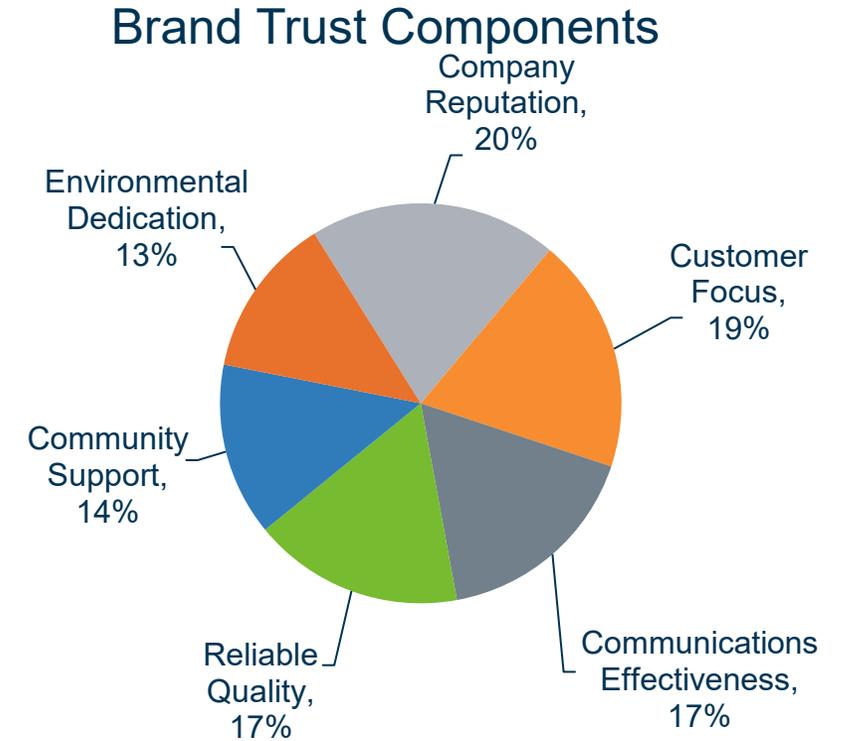


# Customer Trust in Evergy is Improving

*Evergy has historically lagged slightly behind its peer group\*, but the gap is narrowing*



\* Midwest Electric utilities  
Cogent Residential 2020 Utility Trusted Brand & Customer Engagement Study



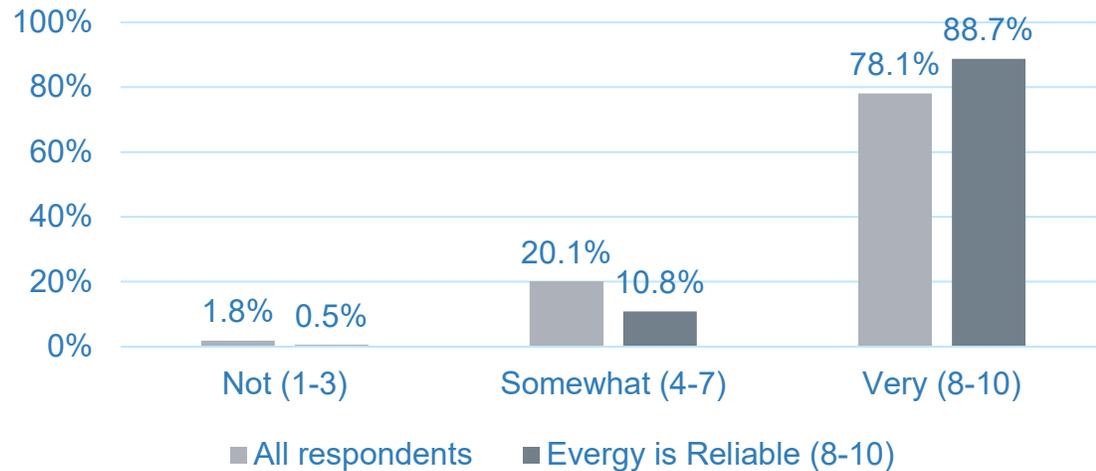


# Residential Customers

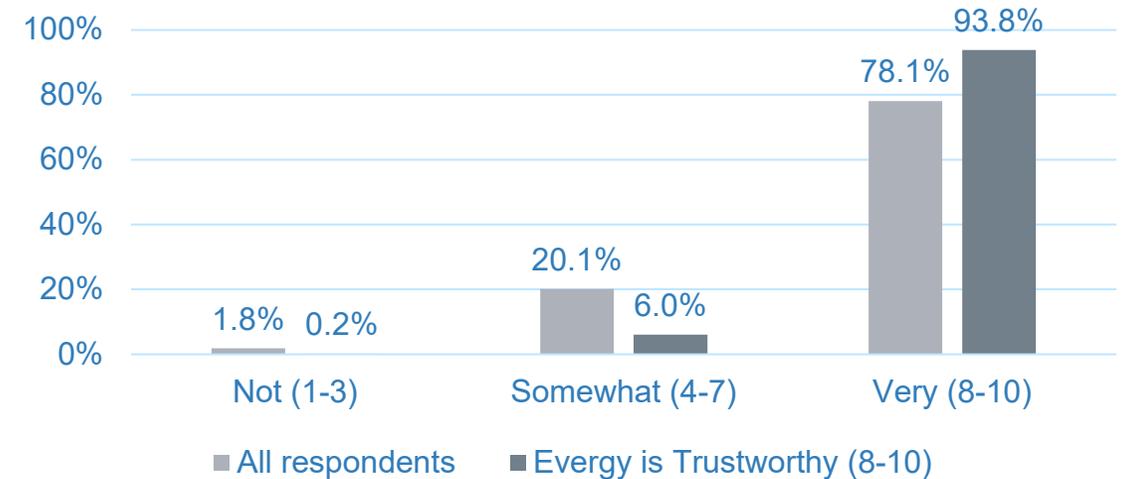
## Customer Advisory Panel

*Satisfaction is higher when service is reliable and Evergy is a company they can trust*

### Overall Satisfaction and High Reliability



### Overall Satisfaction and High Trust





# Residential Customers

*Primary research*

When asked their preference about how Evergy generates power, customers preferred cleaner forms of energy over simply cheapest cost

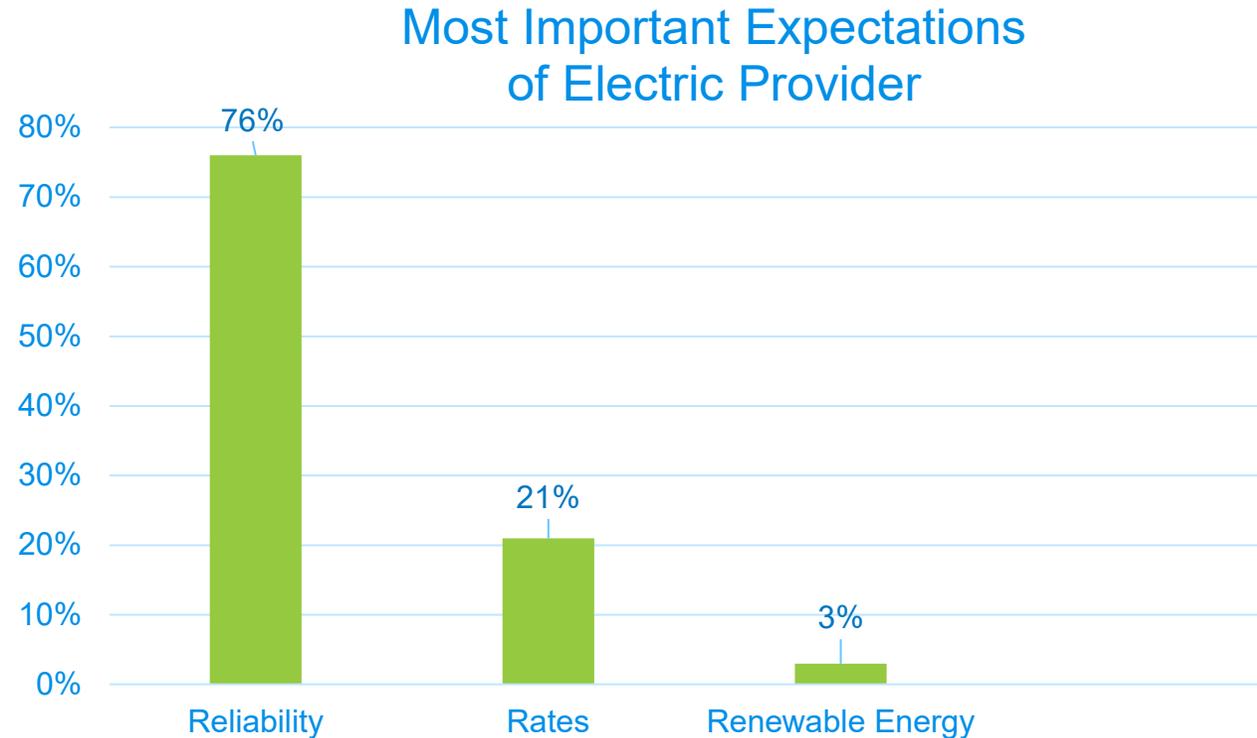
Most customers support Evergy's investment of nearly \$3 billion in additional renewable generation

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



# Commercial and industrial customers

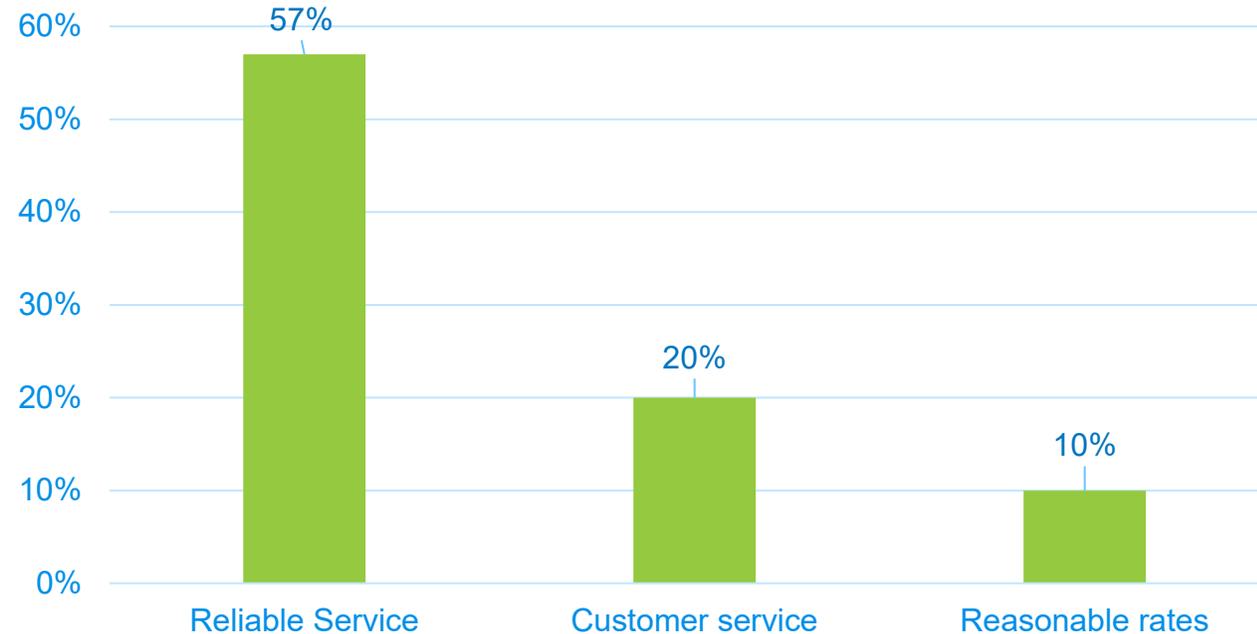


- For commercial and industrial customers, **76 percent ranked reliability as their first priority**, while only 21 percent ranked rates as their top priority.



# Commercial and industrial customers

Most Satisfying Part of Service from Evergy

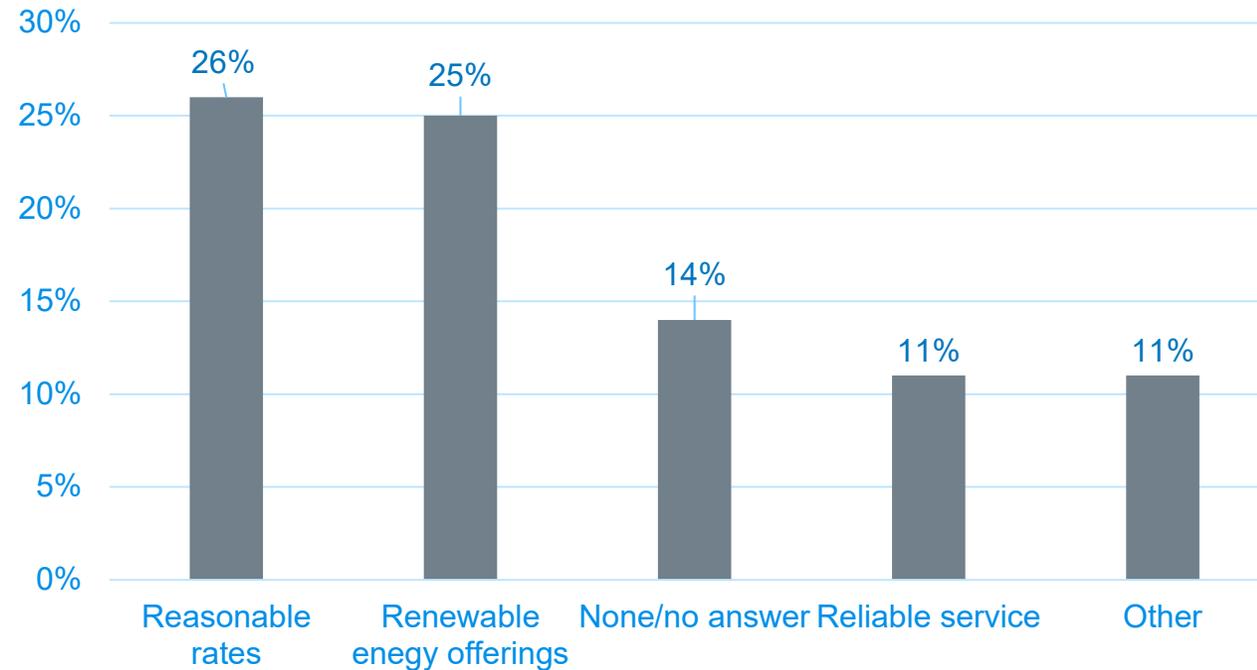


- **57 percent** of commercial and industrial customers identified **reliable service** as the **most satisfying** part of their electrical service from Evergy.



# Commercial and industrial customers

Least Satisfying Part of 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.



# Additional opportunities based on research findings

## *Commercial & Industrial*

- Understanding your bill
  - About 40% of C&I customers have a good understanding of the components of their electric bills and how operations impact total costs
  - Greatest opportunity exists with providing additional education with our small business customers to better understand their electric costs and opportunities to manage their usage/costs
- Partnerships toward sustainability goals
  - About one-third of our C&I customers have sustainability goals
  - Greatest opportunity exists with potential partnerships with large customers toward sustainability goals and additional education with our small business customers toward managing energy use
    - For those with sustainability goals, the highest interest appears to be in behind-the-meter generation owned by the utility or in a specific tariff or program that allows selecting a range of renewable energy

# Sustainability Transformation Plan





# Key Areas of STP

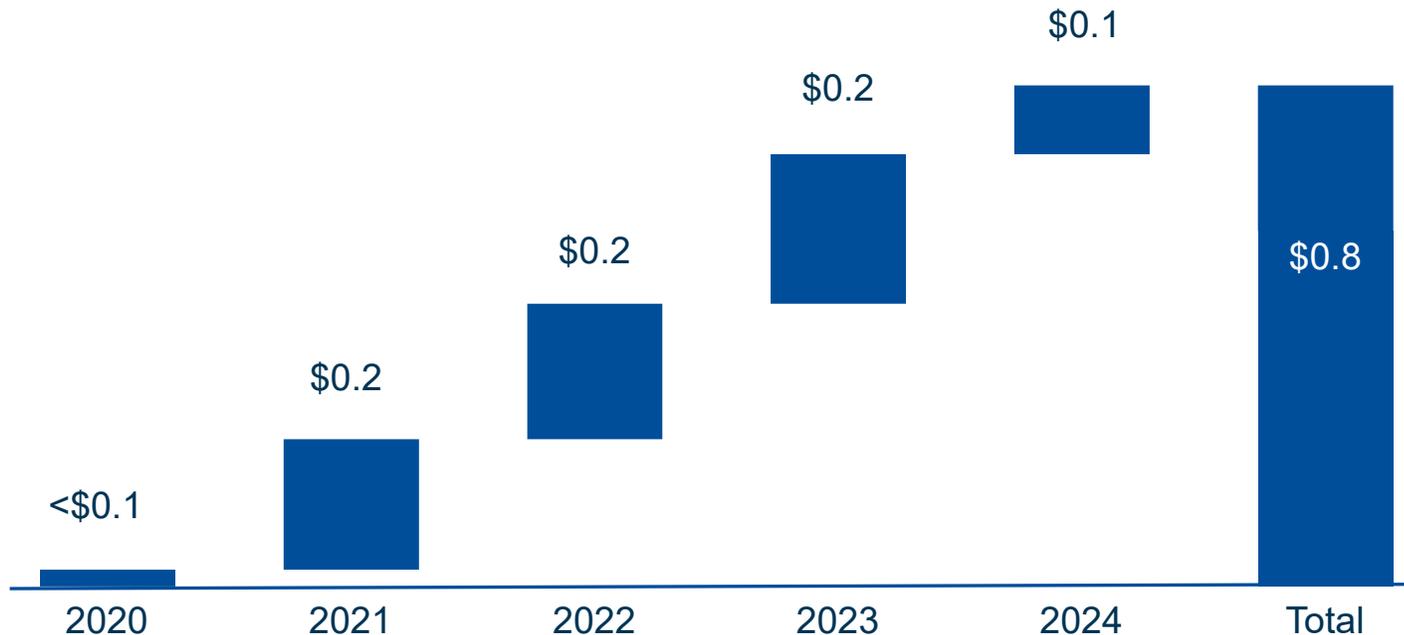
- 1 Grid Modernization/Capital Investment:** Modernize the grid to enhance capabilities, ensure reliability, and improve resiliency
- 2 Cost Efficiencies:** Improve efficiency and reduce costs to customers through a comprehensive approach to achieve fuel and purchased power and O&M savings
- 3 Customer Experience:** Enhance the customer experience and customer options through the deployment of new technology and programs
- 4 Generation Transition:** Map out the transition of the generation fleet through an Integrated Resource Plan (IRP) which balances the needs of stakeholders and advances the objectives of affordability, reliability, and sustainability

# Planned Infrastructure Investment

*\$0.8B of incremental Grid Mod in the STP (2020- 2024)*

## Incremental Kansas Grid Mod Capital Spend

*\$B*



*\$3.5B in Total Kansas Grid Mod Investment (2020-2024)*

## Investment Highlights

Coordinating grid modernization across T&D and IT to ensure alignment of field upgrades and supporting system / comms infrastructure

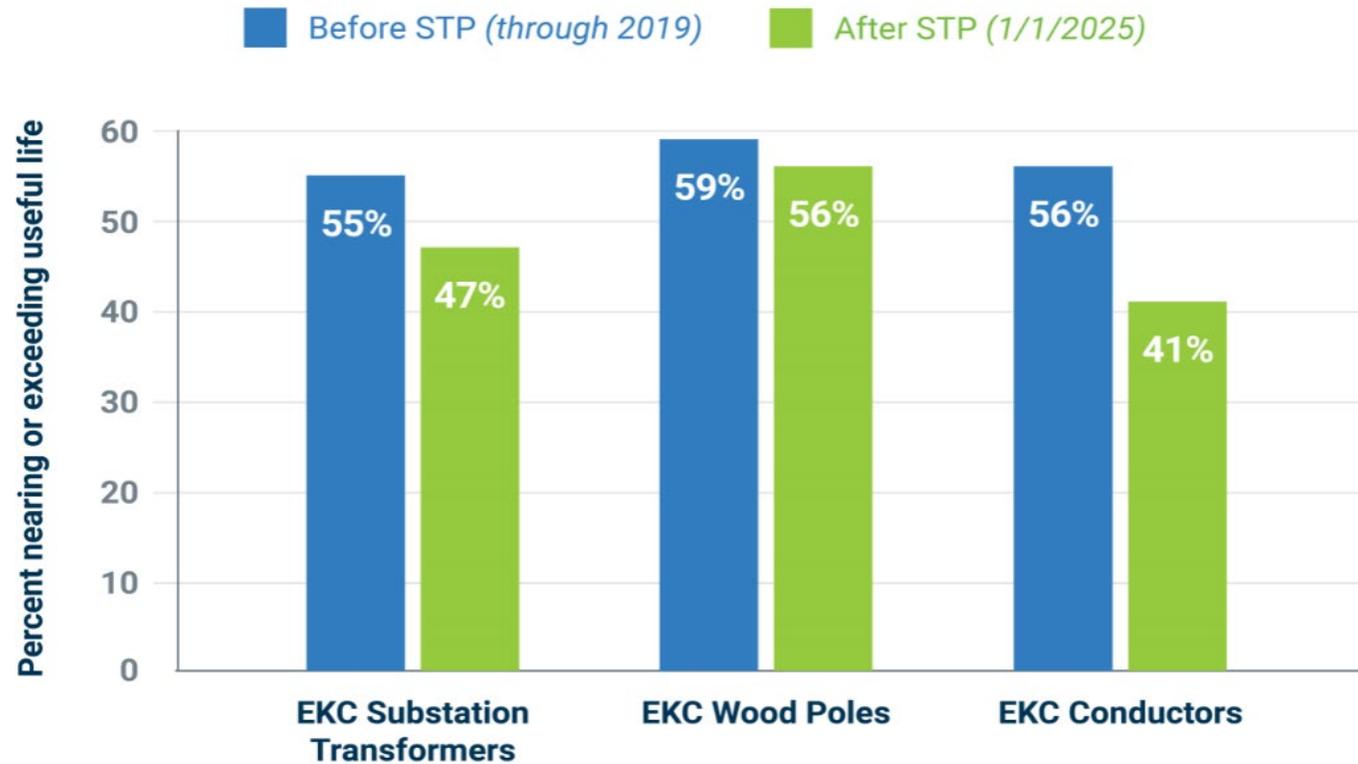
Through detailed planning process (upcoming slides), working to select specific projects which best support grid modernization goals

Remaining KS investment is spread across generation and other general facilities



# Planned Infrastructure Investment

## Aging Transmission Infrastructure Requires Investment to Ensure Reliability



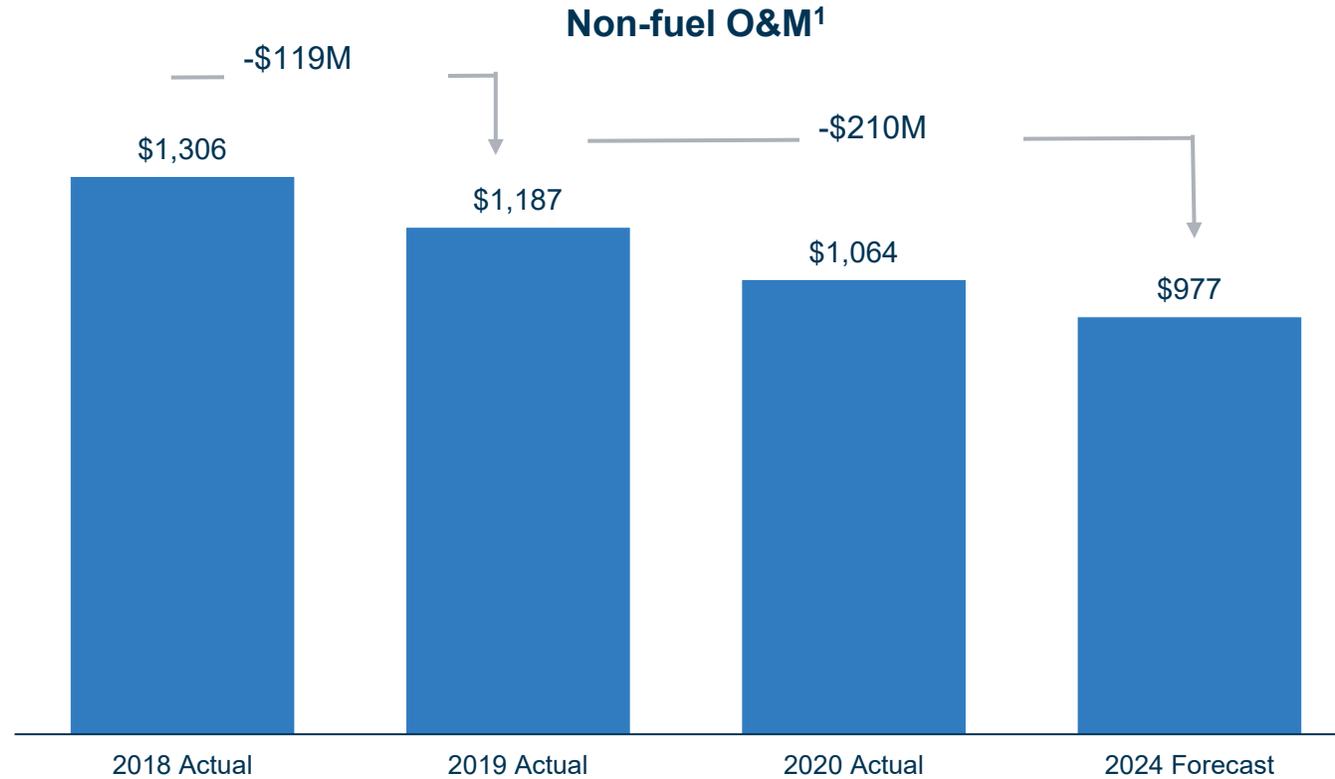


# STP Operational Efficiency Summary

*Detailed cost initiatives identified, build on merger execution track record*

## Evergy STP Operating Expenditures Plan

\$ in millions



<sup>1</sup>Represents adjusted NFOM (non-GAAP measure); 2024 forecast represents the mid-point of \$966M-\$988M forecast range.



# STP Operational Efficiency Summary



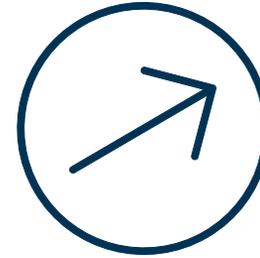
## STEADY IMPROVEMENT IN CUSTOMER EXPERIENCE

- Create a true omni-channel customer service and interaction
- An increasing focus on both digital self-service and value-added human interactions
- A five-year roadmap with one-year executable increments.
- Non-industry benchmarking with outcome-based KPI's and metrics
- A collaborative roadmap for needed policy changes



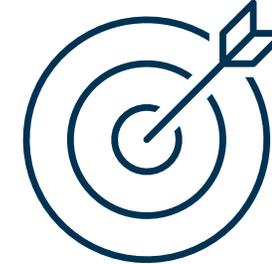
## O&M REDUCTIONS BEYOND EXISTING SYNERGIES

- Hard cost reductions over a five-year period achieved through:
  - Increasing automation
  - Increasing digital external and internal functionality
  - Universal customer service
  - Streamlining dependent processes
- Using a portion of the incremental O&M savings to fund or offset rate impacts of investment in customer experience improvement strategy



## BENEFICIAL REVENUE GROWTH

- Increasing traditional regulated revenue through:
  - Expanded economic development efforts
  - Beneficial electrification
  - Modernized rate structure
- Increasing non-traditional or performance-based revenue, such as energy efficiency programs



## TARGETED CAPITAL INVESTMENT

- Maximize utilization of core platform investments like AMI and customer information systems
- Create an IT and capex roadmap that reduces bolt-on projects
- Create an agile project team to work on continuously updating customer interface enhancements on a 4-to-8-week cycle
- Fund and improve data analytics and digital process automation



# Integrated Resource Plan (IRP)

- Extensive stakeholder process to develop long-term plan for delivering energy to our customers
- Balance safety, reliability, affordability, and sustainability to meet the diverse energy needs of our customers and communities

## *Four Key Principles in Developing IRP:*

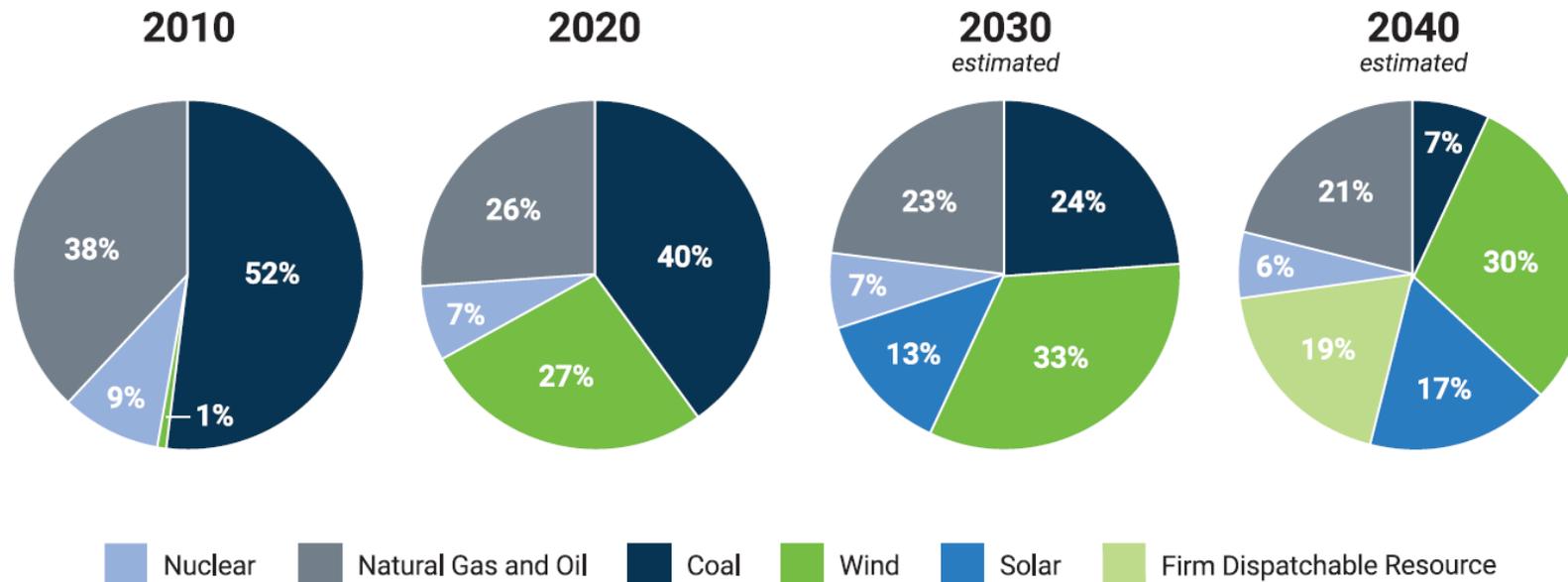
1. Unwavering commitment to safety and customer affordability.
2. Uncompromising fidelity to high standards of environmental stewardship and progress toward a zero-carbon future.
3. Technology-enabled transition of aging fossil generation fleet to more sustainable and cost-competitive generation technologies.
4. Prudent use of existing fossil resources through end-of-life.



# Integrated Resource Plan (IRP) Portfolio Transition

- Evergy's goal is a balanced, diversified mix of generation sources that does not rely too heavily on any single fuel type.

**Generation Capacity by Fuel Type (year end)**



*Our goal is to achieve net-zero carbon emissions by 2045.*

# Integrated Resource Plan Highlights and Next Steps

## Implementation Period

## Post Implementation Period



\*Construction of 350 MW of solar will begin prior to filing of next triennial IRP, with in-service date likely later in 2024.

- Filed Missouri IRP on April 30 and plan to file in Kansas on May 28
  - Kansas filing will align with Kansas IRP rules and will include modeling over 15-year timeframe in addition to 20-year timeframe modeled for Missouri
  - Will include Kansas Central and Metro utility-level modeling

# Regional Rate Competitiveness





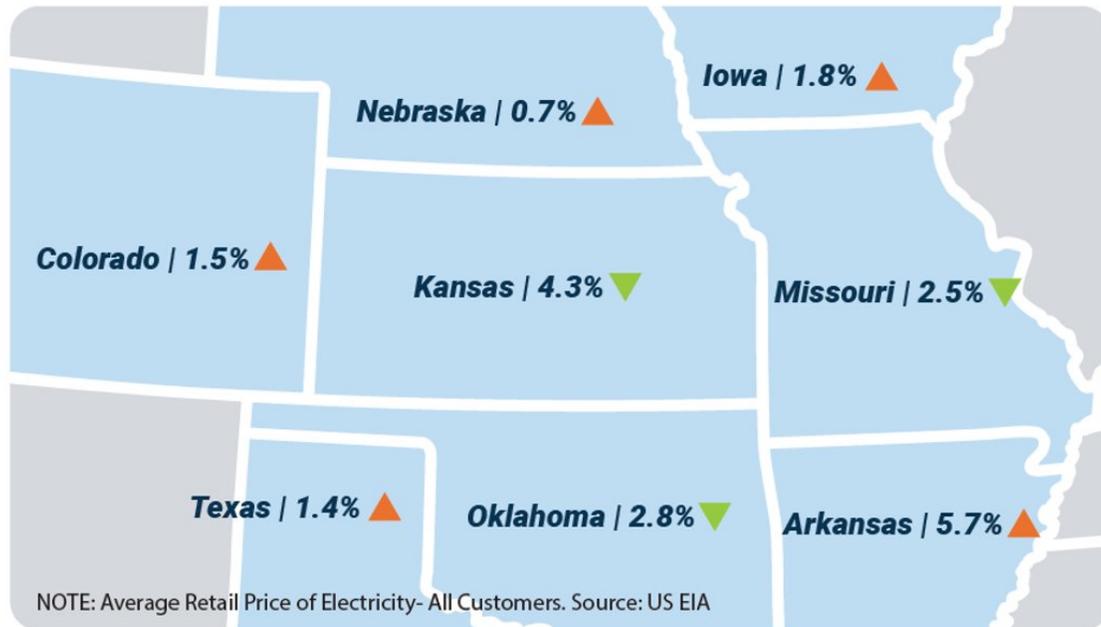
# STP is Focused on Improving Regional Rate Competitiveness

Improving regional rate competitiveness is a cornerstone objective of Evergy's strategy. **The STP accelerates regional rate competitiveness by decreasing overall customer costs by approximately \$132 million versus Evergy's base plan.** Contrary to some stakeholder assertions, Evergy's rates and customer bills are not the highest in the region and have steadily improved over recent years.

- Evergy Kansas Metro (EKM)g has not had an increase in base rates since 2015. In 2016 and in 2018, EKM had decreases in base rates.
- Evergy Kansas Central (EKC) has not had an increase in base rates since 2017. In 2018, EKC had a decrease in base rates.
- Since the merger, rate adjustments outside of rate cases have decreased Kansas customer rates by approximately \$275 million.
- In 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.
- In February of this year, KCC Staff reported to the Senate Utilities Committee:
  - “There is sometimes a misconception that Evergy has the highest rates in the region. That is not the case.”
  - “More work needs to be done, but Evergy's rates are far from the highest in the region.”
- Based on 2019 regional rate information, Evergy's Kansas average monthly bills and average retail rates are in the middle third of 60 utilities in the region.

# Regional Rate Competitiveness is Steadily Improving

## Average Retail Price Change 2018-2019



\*2020 EIA data has not been made final.

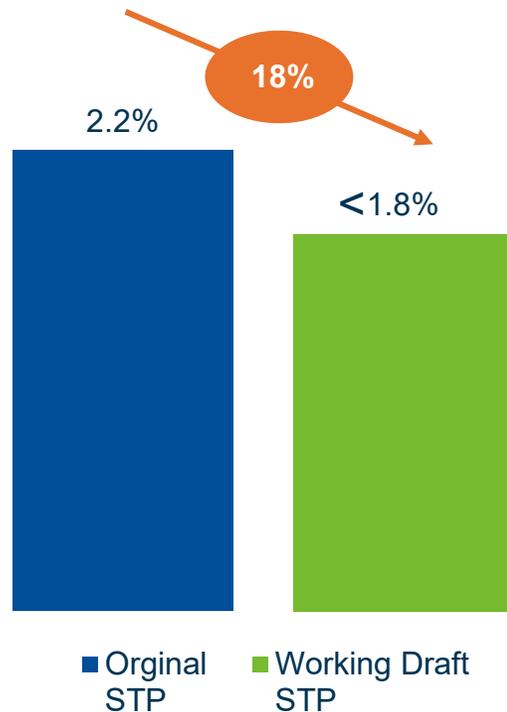
## Average Price Change By Customer Class 2018-2019

	Residential Prices	Commercial Prices	Industrial Prices
<b>KS</b>	<b>-6.5%</b>	<b>-3.3%</b>	<b>-2.8%</b>
<b>Region</b>	<b>+2.0%</b>	<b>-1.2%</b>	<b>+1.1%</b>

# Actively Addressing the Rate Impact Differentials

As a result of constructive feedback received regarding rate impact differential between EKC and EKM, we are actively working to mitigate that difference:

## Evergy KS Central 2020-2024 Retail Rate CAGR

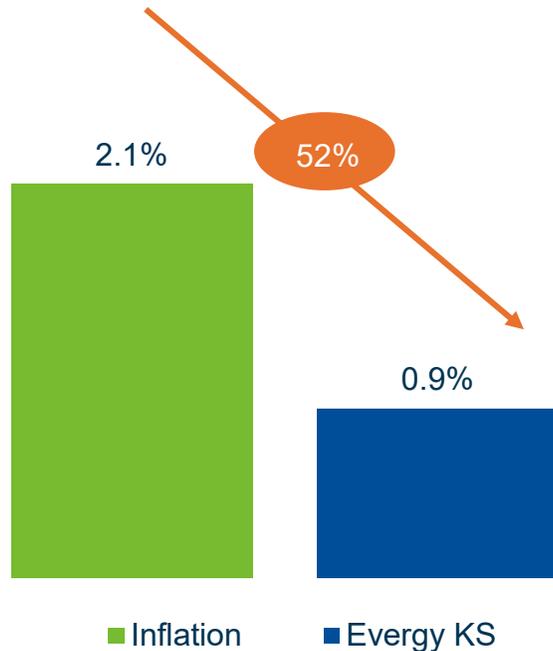


- Largely influenced by stakeholder feedback from the first three STP study sessions, we made modifications to the STP which will reduce the estimated rate increase CAGR in EKC from 2.2% to under 1.8% from 2020-2024—more than a 18% decrease.
- We will continue to actively consider stakeholder feedback as we evaluate our 5-year strategic, financial plan as part of an ongoing review process, with updates publicly disclosed on an annual basis. Examples of changes under review include:
  - Redirecting reliability-focused investments from EKC to EKM; and,
  - Redirecting transmission investment to distribution or other required investments.
- EKC's rates (10.00¢ / kWh) are currently approximately 12.5% lower than EKM's rates (11.53¢ / kWh).
- Under the STP, EKC customers will still enjoy overall rates lower than EKM.

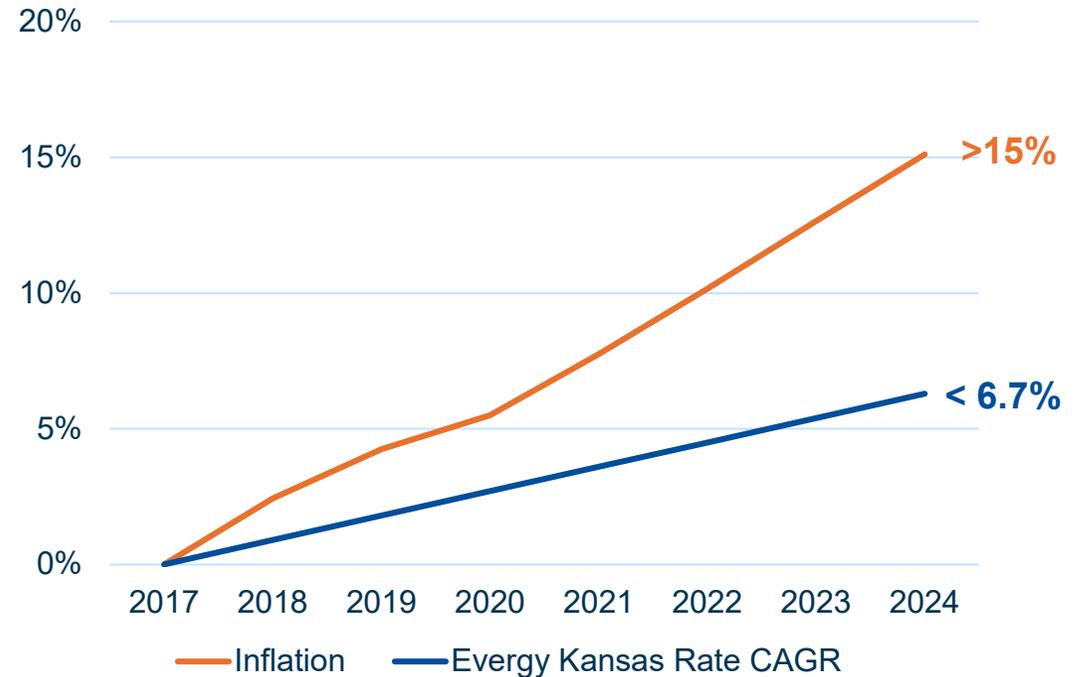


# Regional Rate Competitiveness Has Been Improving Since 2017

## Total Evergy Kansas 2017-2024 Retail Rate CAGR



## Evergy KS Inflation vs. Rate Increase Comparison (2017-2024)



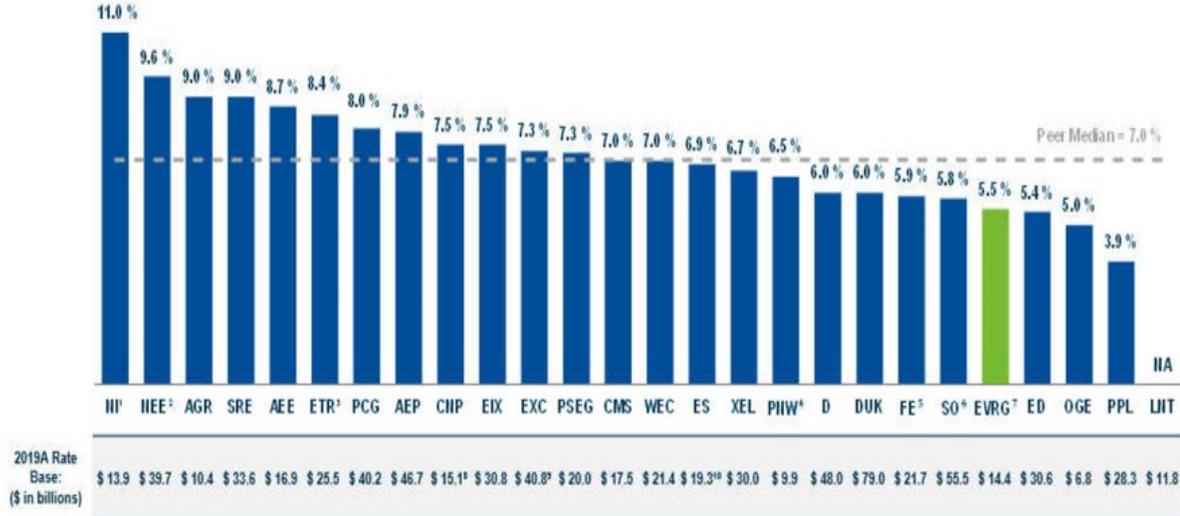
<sup>1</sup>U.S. Department of Labor, Bureau of Labor Statistics, Projected Annual Inflation Rate in the United States from 2010 to 2026

**From 2017 - 2024, Evergy Kansas rates are anticipated to increase at a rate that is well less than half that of inflation over the same time period.**



# Capex Under the STP Will Increase Regional Rate Competitiveness

## Evergy vs. Peers: Rate Base CAGR's Based on Management Guidance



- Evergy’s capital investment plan under the STP is significantly below national and regional average investment plans for electric utilities. This will continue to improve Evergy’s regional rate competitiveness.
- Evergy is below the mean CAGR of rate base growth for peer utilities. Evergy’s rate base CAGR over the STP is approximately 5.5%. The mean CAGR for peer utilities over the same period is 7%.
- Comparing utility net plant growth as a percentage of existing plant from 2021-2023:
  - Evergy ranks 26<sup>th</sup> lowest out of 34 utilities in net plant growth; and
  - Evergy ranks 9<sup>th</sup> lowest out of 11 regional utilities in net plant growth.

# Conclusion



## What's next

STP docket has provided an expansive view into the company's planning process for educational purposes. Regulatory action related to plan execution will come through typical channels on our existing timelines:

- Continued review of stakeholder input for adoption
- Predetermination of LEC planned retirement and solar additions consistent with the IRP preferred plan
- Sharing of refined business plan in late Q3 with stakeholders through planned analyst day activities and public disclosures



# In Conclusion: Key Elements of the STP

1

**Grid Modernization/Capital Investment:** Modernize the grid to enhance capabilities, ensure reliability, and improve resiliency

2

**Cost Efficiencies:** Improve efficiency and reduce costs to customers through a comprehensive approach to achieve fuel and purchased power and O&M savings

3

**Customer Experience:** Enhance the customer experience and customer options through the deployment of new technology and programs

4

**Generation Transition:** Map out the transition of the generation fleet through an Integrated Resource Plan (IRP) which balances the needs of stakeholders and advances the objectives of affordability, reliability, and sustainability

Thank You

