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2023 Special Committee on Energy and Utilities, November 6, 2023--Overview of Evergy Rate Case, Docket No. 23-EKCE-775-RTS

- Filed April 25, 2023, with separate revenue requirements, cost of service, and rate design for Evergy Kansas Central (EKC) and Evergy Kansas Metro (EKM).
- First rate case post-merger, and post five-year base rate moratorium.
 - EKC request—\$279 million increase in base rates. Offset by \$74.8 million reduction in RECA and PTS, net increase of \$204.2 million, or 9.77%.
 - EKM request—\$25.1 million, offset by \$10.9 million reduction in PTS, net increase of \$14.2 million, or 1.95%.
- 24 intervenors, including CURB representing residential and small commercial consumer interests, KIC representing large industrial customer interests, two different Kansas natural gas utilities, the United States Department of Defense, municipal streetlight interests, Kansas Chamber of Commerce, Wichita Regional Chamber of Commerce, several school districts and a community college, two Kansas oil refineries, and two different environmental interest groups.
- 240-day schedule pursuant to K.S.A. 66-117. Staff and Intervenors filed testimony on August 29, 2023. The following tables represent the filed positions of the parties in this Docket:

<u>EKC:</u>		<u>EKM:</u>	
Staff	\$109.5M (net \$34.7M)	Staff	(\$42.3M) (net (\$53.3M))
CURB	\$166.3M (net \$91.5M)	CURB	(\$23.9M) (net (\$34.8M))
KIC Direct	\$199.2M (net \$124.4M)	KIC Direct	(\$9.0M) (net (\$19.9M))
KIC Cross Ans.	\$160.4M (net \$85.6M)	KIC Cross Ans.	(\$18.5M) (net (\$29.4M))
DOD	\$234.1M (net \$159.3M)	DOD	\$6.4M (net (\$4.5M))

- 3 public hearings were held:
 - Topeka, on July 11, 2023, <https://www.youtube.com/watch?v=13EqioegOtQ>
 - Overland Park on July 13, 2023, <https://www.youtube.com/watch?v=xWM3416BLAM>; and
 - Wichita on July 27, 2023, <https://www.youtube.com/watch?v=4ugn2x0aqDo>
- On September 29, 2023, all Parties to the Docket filed a Unanimous Settlement Agreement. A few non-signatories, but no party was opposed.
- The Commission conducted an evidentiary hearing on October 9, 2023, to examine witnesses about the Settlement. <https://www.youtube.com/watch?v=Df69k2-0a64>
- A Commission decision to accept, reject, or modify the Agreement is due on December 21, 2023.
- Key Terms of the Agreement are as follows:

For EKC:

- EKC's base revenue requirement increase is agreed to be \$148.8 million, or \$74 million net once the PTS and RECA are updated.
- Staff's recommended depreciation rates are adopted.

- The agreed upon revenue requirement includes the inclusion of a levelized revenue requirement for Persimmon Creek, a 199 MW operating wind farm in NW Oklahoma. The revenue requirement for this asset is fixed for the first 20 years of operating life, at a levelized cost of energy of \$21.37/MWh. The asset will be depreciated over 25-years.
- The agreed-upon revenue requirement includes inclusion of the 8% portion (176 MW) of Jeffrey Energy Center in Rate Base, which was previously held as a non-regulated merchant interest of Evergy.
- The Parties agree that Evergy's Company Owned Life Insurance (COLI) rate credit program can permanently expire on January 1, 2027, after returning an additional \$96.5 million in benefits to EKC customers, at the rate of \$32.17 million per year.
- While no explicit rate of return is adopted in the Agreement, a Weighted Average Cost of Capital (WACC) of 6.8923% is adopted for regulatory accounting purposes. A Return on Equity (ROE) of 9.4% is used for the recently revised Transmission Delivery Charge (TDC) legislation K.S.A. 66-1237.
- EKC's Storm Reserve is revised to have a targeted cap of \$10 million, with excess amounts over the cap being returned to customers over three years.
- EKC allowed to continue its Critical Infrastructure Protection Standards (CIPS)/Cyber Security Tracker.
- EKC's Customer Charge is reduced to \$14.25 from \$14.50.
- EKC will be allowed to file an abbreviated rate case pursuant to K.A.R. 82-1-231(b)(3). Areas to be included in the abbreviated rate case are Panasonic related distribution investment, Wolf Creek Decommissioning Trust adjustments, and a new renewable generating resource as supported by Evergy's 2024-2026 Integrated Resource Plan (IRP).
- Voluntary Time of Use (TOU) rates adopted.
- Several tariff revisions to align tariffs for EKC and EKM, positioning the companies for potential eventual rate consolidation.

For EKM:

- EKM's base revenue requirement *decrease* will be \$22 million, or \$32.9 million once the PTS is rebased.
- Staff's recommended depreciation rates are adopted.
- EKM's WACC for regulatory accounting purposes will be 6.8881%, with an ROE of 9.4% for the TDC update filed pursuant to K.S.A. 66-1237.
- Generation related plant will be allocated between MO and KS based on an average between 12 Coincident Peaks (12CP) and 4 Coincident Peaks (4CP). Wolf Creek will continue to be allocated at 12 CP, as well as Transmission Plant not recovered under the TDC.
- Storm Damages and Injuries and Damages reserves are established for EKM, similar to the existing reserves for EKC.
- EKM allowed to continue its CIPS/Cyber Security Tracker.
- EKM Residential Customer charge shall be continued at \$14.25.
- Voluntary TOU rates adopted.
- Several tariff revisions to align tariffs for EKC and EKM, positioning the companies for potential eventual rate consolidation.