Evergy Testimony: HB 2527 - Proponent

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Public

Key Takeaways

1) The merger between Westar and KCP&L that created Evergy has significantly benefitted customers and Kansas:

- Significant improvement regional rate competitiveness since 2017;
- Record economic development;
- Significantly reduced overall operating costs; and
- Improved electrical reliability

1) Additional generation capacity and grid investment is needed :

- To supply enough electricity and build the electrical system infrastructure necessary to serve a generational opportunity in potential economic development and investment in Kansas—creating thousands of jobs; and
- To maintain electrical grid reliability, particularly in extreme weather conditions

3) State policy changes are needed to attract capital investment in Kansas

- As a result of depreciation that causes regulatory lag, investing capital in Kansas makes it nearly impossible to earn what the KCC views is a fair and reasonable return—it creates a disincentive to invest
- Imputing hypothetical capital structure is nearly unique across the country and penalizes investors—not for actual financial structures, but for made-up financial structures

Kansas Regulatory Environment and Rate Competitiveness

evergy

2018-2023: Promises Made, Promises Kept

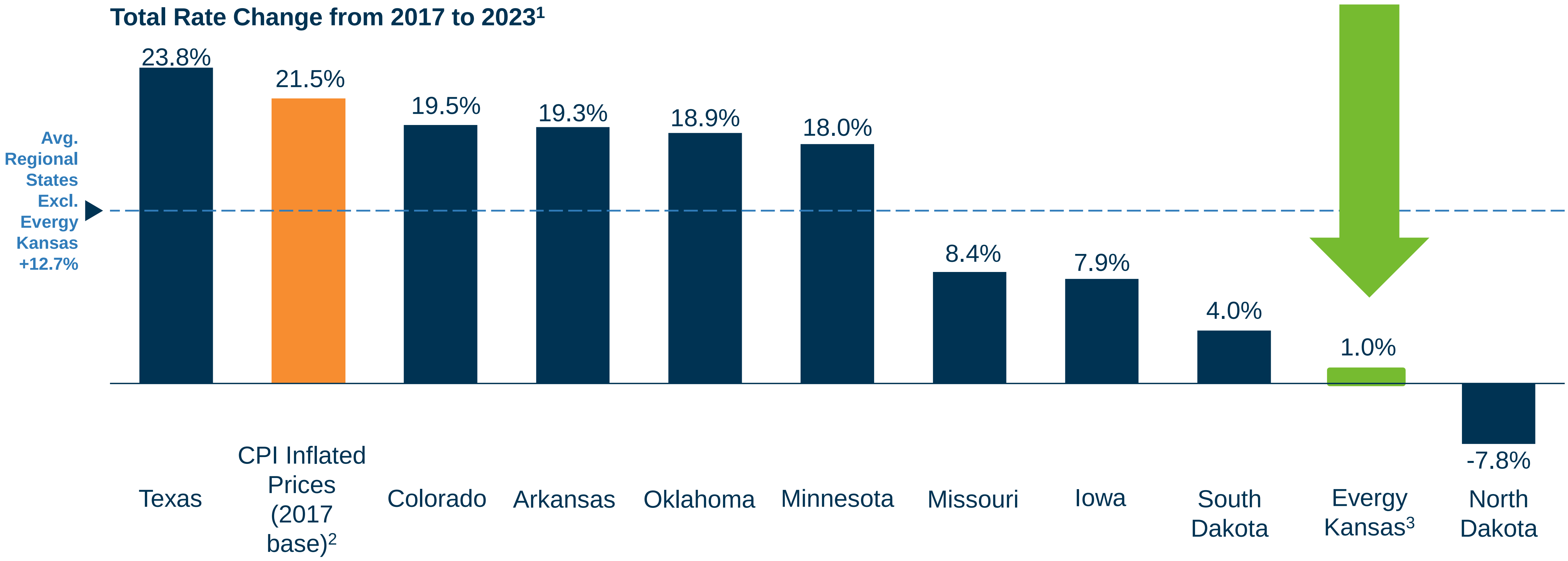
- Reducing operating costs by more than 25% since the merger creating Evergy
- Mitigating fuel and purchased power volatility by investing in a diverse generation fleet

- Targeting transmission and distribution infrastructure investment to support reliability, flexibility, public safety, and resiliency
- Deploying new technology to improve preventive maintenance and customer restoration times

- Maintained headquarters in Missouri and Kansas
- Increased overall support for economic development
- Increased overall community support
- Achieved savings without major employee layoffs

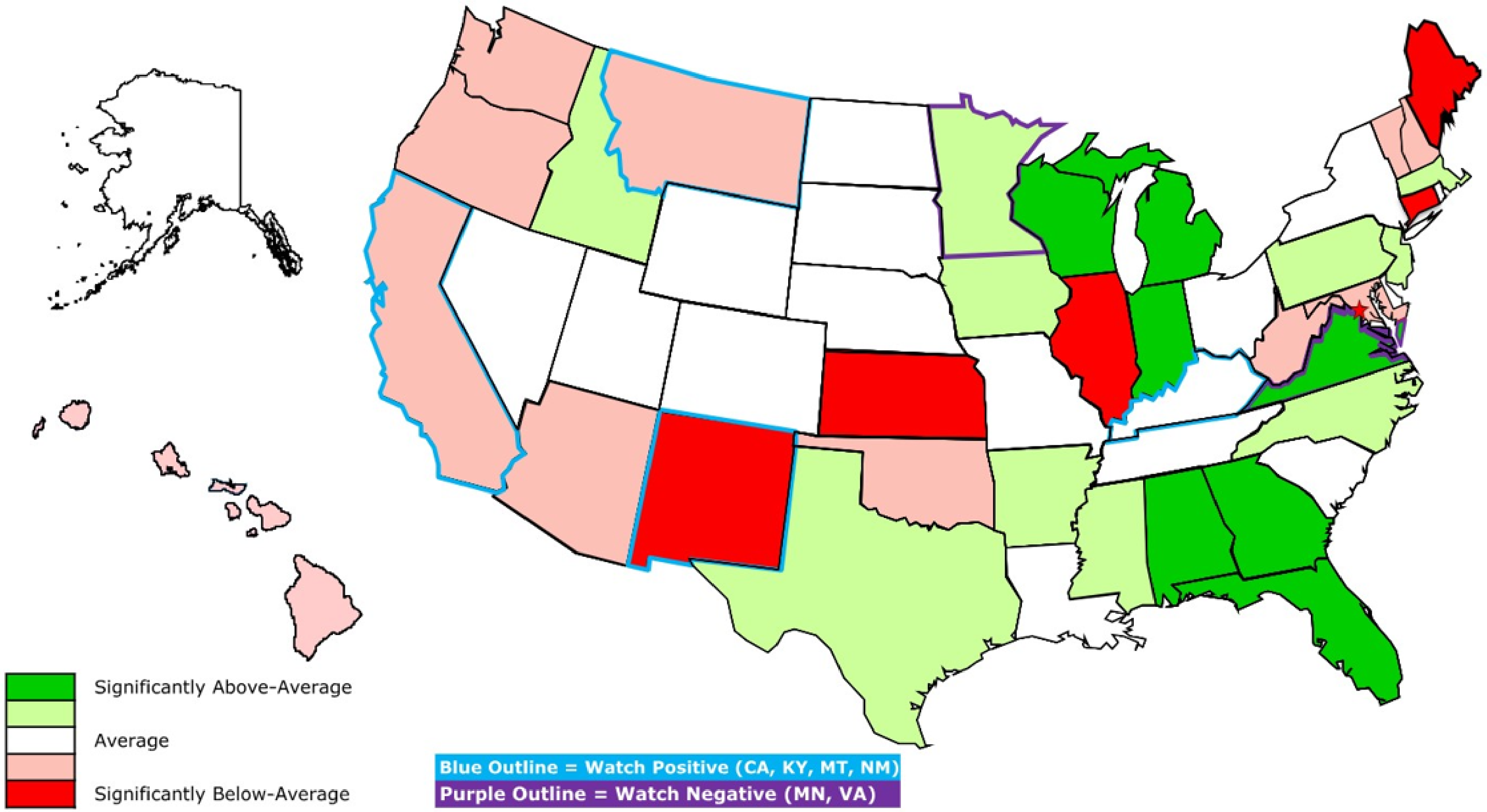
Since 2017, Evergy Kansas Total Rates Increased About 1% While Regional Rates Rose About 13% And Inflation Was Nearly 22%

Total Rate Change from 2017 to 2023[1]



1) Regional state data is sourced from EIA and is comprised of revenues and sales for all sectors, with 2023 data uses rolling twelve-month average of total revenues and sales ending July 2023. EIA data is preliminary that is subject to change; full state 2022 annual data expected to be finalized by EIA in October 2023 and 2023 data to be finalized in October 2024. 2) Source: US Bureau of Labor Statistics for historic CPI-U and uses rolling twelve-month average ending July 2023. 3) Evergy pro forma data uses rolling twelve-month average of total revenues and sales ending March 2023 and includes adjustments for the annualized impacts of: ACA/RECA (implemented April 1, 2023). TDC (implemented May 1, 2023); Kansas Income Tax reductions; and Property Tax Surcharge update; outcomes of rate case settlement in docket 23-EKCE-775-RTS. Evergy data is sourced from FERC Form 1 pg. 304 and general ledger and inclusive of customer bill credits. The corresponding change in total rates for Evergy KS Central and Evergy KS Metro were 4.9% and -9.5%, respectively.

January 2024 Wells Fargo Research State Regulatory Ratings



- Ratings are based on the **constructiveness** and **consistency** of regulatory outcomes, particularly for electric utilities

- Kansas now ranks in the **bottom 5 state regulatory jurisdictions in the U.S. for capital investment**—rated the same as Illinois, Maine, Connecticut and Washington, D.C.

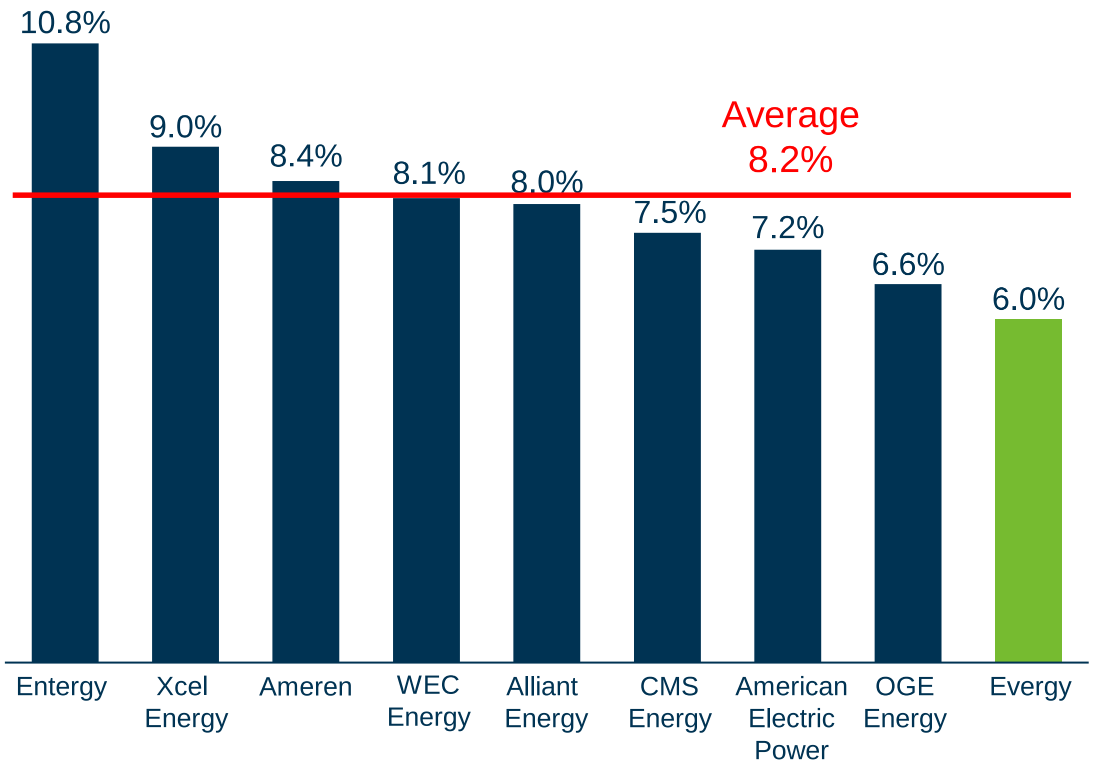
- The states with most economic development growth all have much higher regulatory ratings: Texas, Florida, South Carolina, Arizona and Alabama

- This also rates the constructiveness of the political environment towards utility infrastructure investment

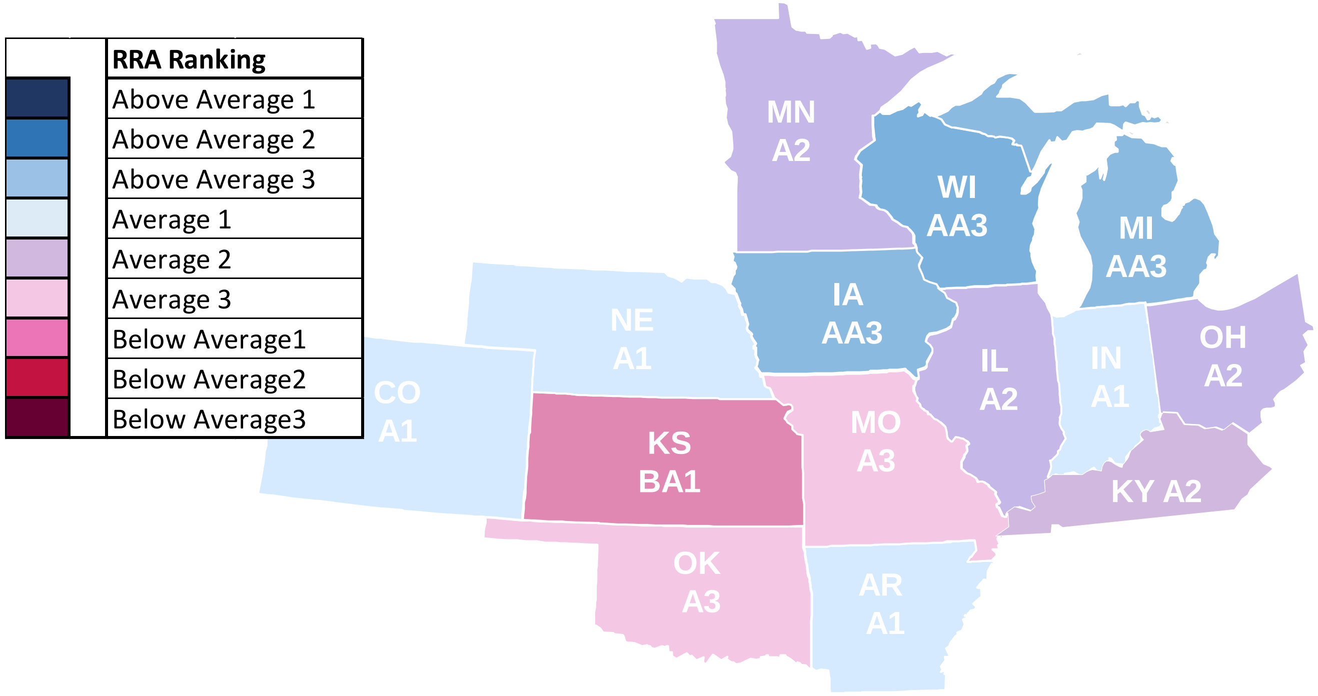
Regulatory environments that encourage capital investment have higher growth rates than Kansas, better economic development success and lower electric rates

Two Challenges vs Neighboring States: Capital Investment And Comparative Regulatory Rankings

Company Rate Base Growth Estimates



State Regulatory Rankings, 2023*



** Source: Regulatory Research Associates ("RRA") State Regulatory Evaluations as of December 2023. RRA is a group within S&P Global Commodity Insights*

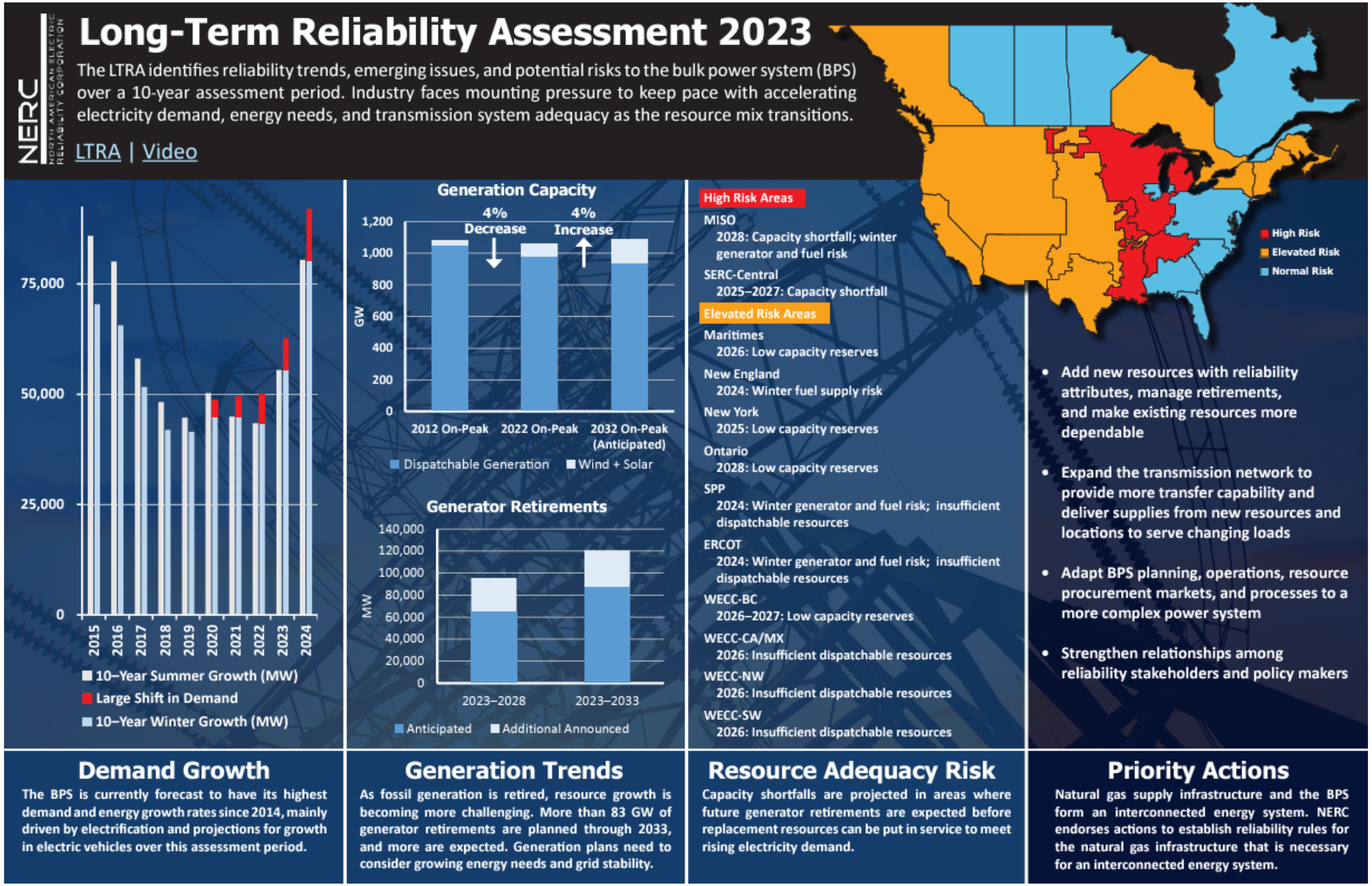
Perceived regulatory risk and lack of competitive regulatory mechanisms, leads to lower projected capital investment (impacting relative reliability and grid performance over time)

Recent Utility Investor Analyst Comments On Kansas

Downgrading to NEUTRAL from Buy: We are downgrading EVRG to NEUTRAL from BUY on the back of the environment in Kansas and the uncertainty regarding pathways forward to improve the jurisdiction despite shares showing a noticeable valuation discount and our constructive stance around management/the EVRG core story which remains a solid regulated utility in both KS and MO – this is a call against Kansas, not EVRG hence why KS is in the negative category in our regulatory analysis section earlier on in this report. In our view, Kansas' actions last year were some of the most draconian in the space, with the prospects for double leverage questions to reappear in the next case, absent a legislative solution this winter which can prolong the issue. Given legislation is such a jump ball for utility policy, we believe it is prudent to step to the sidelines at this time – if the company is not successful legislatively, clarity on double leverage may have to wait until the next case, creating a yearlong structural overhang in the interim (dead money). However, we note that legislative traction in Kansas this winter could be a catalyst to revert our thesis ***– put differently, this could be a short-term call for us given the Committee turnaround deadline is 2/23, and we would potentially look to revisit if the data points heading into floor voting was positive.*** Importantly, we stress that we remain positive on management and Missouri as a jurisdiction. We believe management did a good job last fall ripping the band aid off post-KCC and resetting growth expectations in the NT – we simply remain skeptical in the NT that the state of KS can yield a sensible legislative outcome that would warrant multiple compression… this downgrade is more geared towards the deteriorated backdrop in KS vs. any negative perceptions around EVRG. ***– Guggenheim, January 22, 2024***

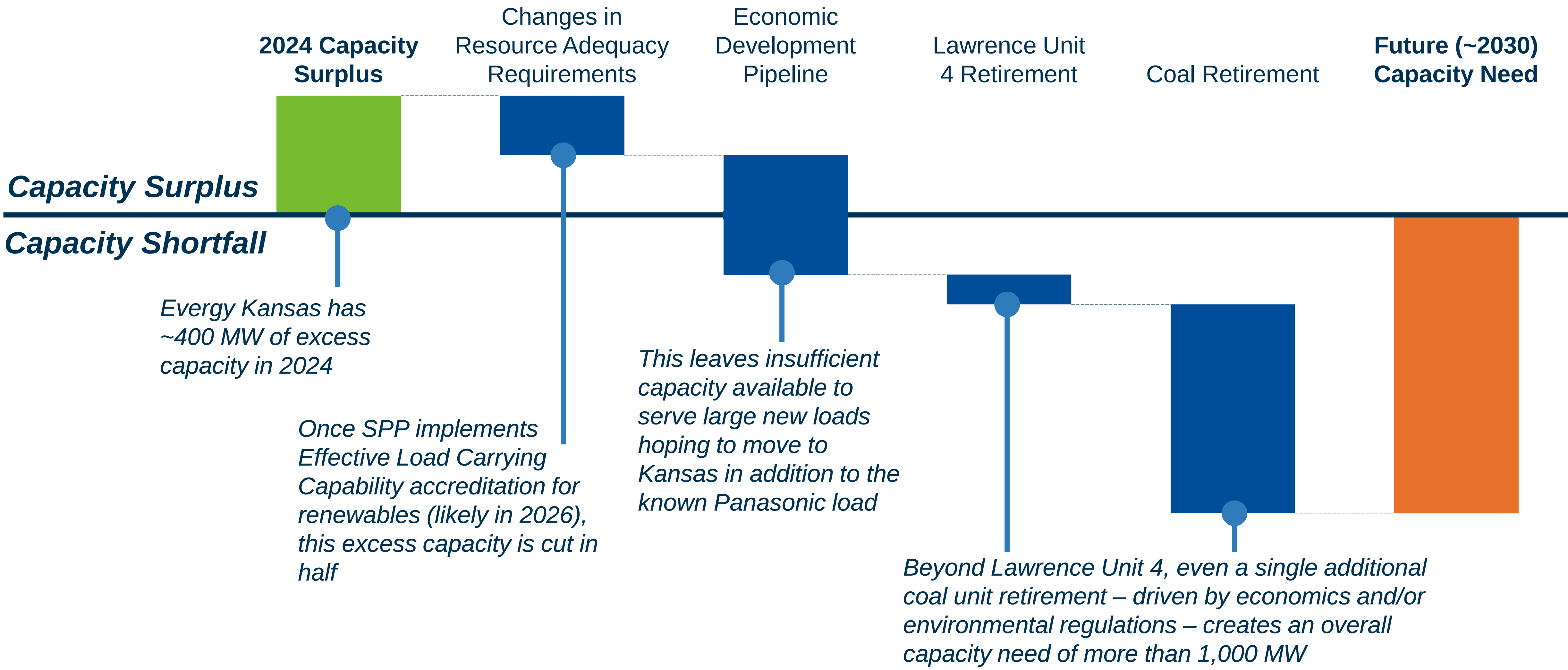
Need for Generation and Grid Investment in Kansas

2023 NERC Long-Term Reliability Assessment



The SPP is identified for lacking sufficient dispatchable generation and fuel risk

Kansas: Future Capacity Needs



Historic Opportunities and Barriers

Opportunity

Evergy's current economic development pipeline exceeds more than **$13.5 billion of capital investment** and more than **1,200 megawatts (MW) of electricity**. The greatest opportunities lie in bio and health science, mobility, aerospace, advanced manufacturing, logistics and technology/data.

Barriers

- Time to serve a project has increased significantly to 3-4 years in some cases.
- The number of circuits with available capacity has significantly decreased.
- We have increasingly less surplus electrical generation and dispatchable generation (capacity).
- State regulatory and energy policies actively disincentivize needed capital investment in the electrical grid:
  - Unlike neighboring states, in Kansas depreciation prevents full recovery of capital investments.
  - Neighboring states actively encourage electrical grid investment for economic development.
  - Kansas policy has the effect of discouraging capital investment in favor of the lowest possible electric rates.
  - More constructive regulatory policies have NOT led to higher rates in neighboring states.

Key Components of House Bill 2527

HB2527 Unlocks Opportunity And Value For Kansas

1) **Increased investment in the electrical grid in high-growth areas**
   - Work with the KCC, local and state economic development entities, developers and municipalities to identify areas of high growth and build additional capacity ahead of demand
   - Reduce the time it takes to extend electrical service to companies considering locating in Kansas
2) **Ensure enough power generation to supply economic development and growth in Kansas**
   - Build a hydrogen compatible, combined-cycle natural gas plant in Kansas
   - Enable continued investment in Kansas wind and solar
3) **Lower the overall cost of building large power plants**
   - Reduce the overall amount of interest on large multi-year power plant construction projects
4) **Competitive economic development pricing on electricity with neighboring states**
   - Enhance economic development rates to have parity with Missouri for large electrical customers
5) **Electric rate stability in Kansas**
   - The London Economics International 2019 study on retail rates and electric utilities in Kansas noted that economic development and growth is one of the best ways to stabilize and lower rates over the long-term

HB2527: Five Key Provisions

1) Plant-in-service Accounting (PISA)

- Similar to a provision in Missouri, it allows full recovery of capital invested in utility infrastructure in KS
- It applies to generation, distribution, IT and other non-transmission capital investments

2) Use Actual Utility Operating Company Capital Structure

- Requires the actual capital structure of investment-grade utility companies to be used in setting rates

3) Construction Work in Progress (CWIP)

- Allows interest on multi-year power plant investments to be paid as the project is built

4) Return on Equity (ROE) Standards

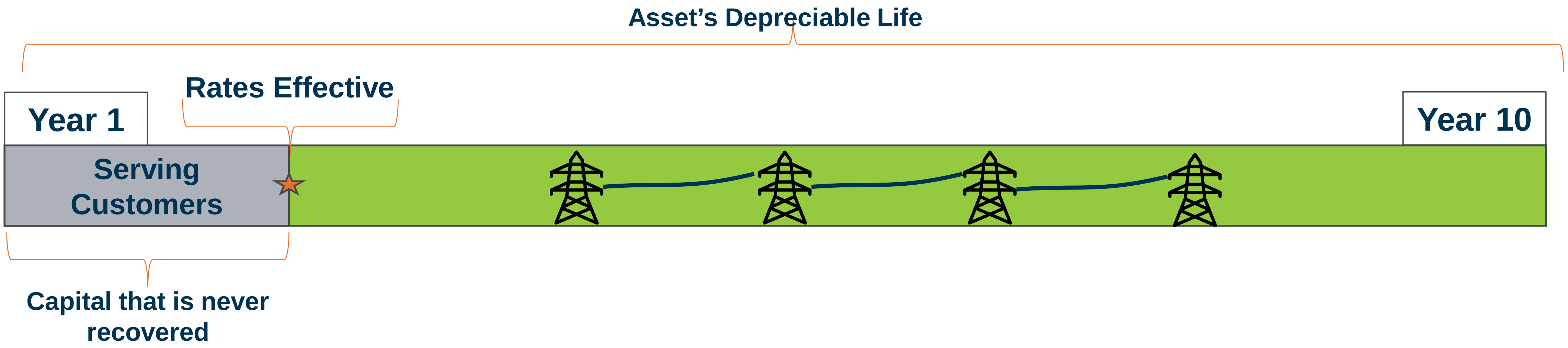
- Uses the average ROE awarded across the U.S. as the starting place for ROE used in KS rate cases

5) Economic Development Rate/Rider (EDR) Enhancements

- Changes large customer economic development rate to be competitive and consistent with Missouri

Evergy commits to working with stakeholders to address concerns with the bill as currently drafted and work towards compromise language that achieves the goals of the legislation while improving its operation for all

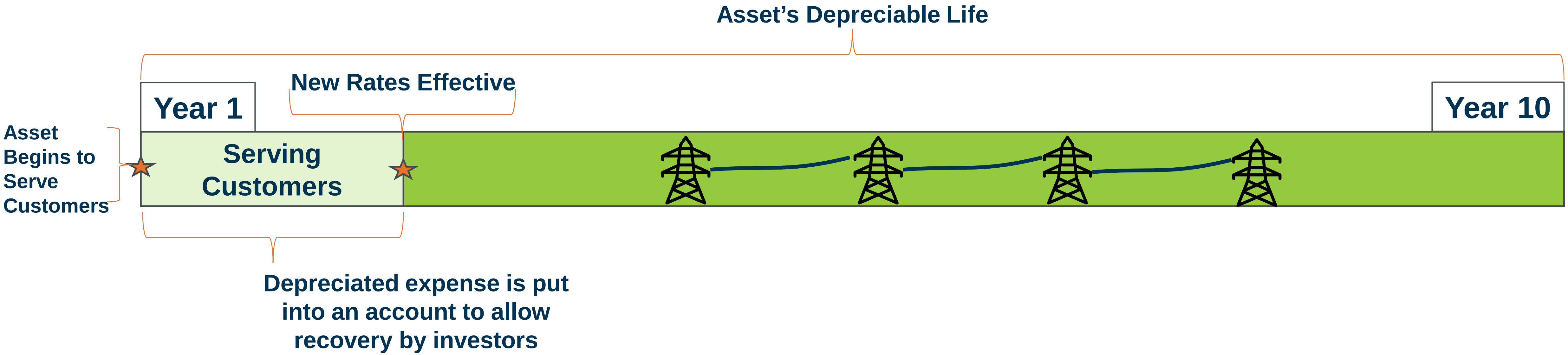
Current Regulatory Law In Kansas



- Assume a $100,000 investment in electrical grid
- Assume a 10-year depreciable life [for IT investments it is closer to five years, technology on grid is 5-10 and wires, poles, etc. are closer to 20-40 years of depreciable life]
- Assume the investment is in-service and used by customers for ten months before the company files a rate case and rate case usually takes around 8-10 months
- So, assume there is 18 months of depreciation that occurs between the time the asset is serving customers and it can begin to be recovered in rates
- **All of the depreciation between in-service date and new rates is lost. In this example, $15,000 of a $100,000 investment is never recovered by investors. 15% of the principal investment is lost**

HB2527: Plant In-Service Accounting

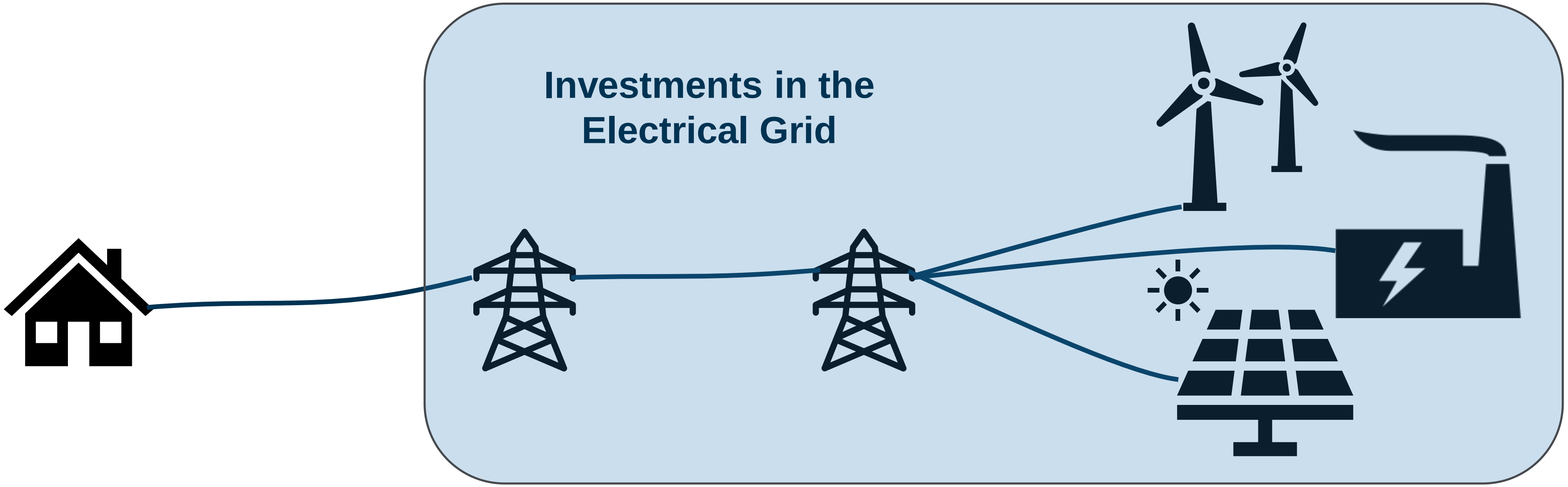
Plant In-Service Accounting (PISA): Accounting procedure to allow full recovery of investments and prevent losing depreciation on electrical grid, generation and IT investments



- $100,000 investment in electrical grid, 10-year depreciation and 18 months between in-service and new rates from a rate case
- **WITHOUT PISA:** All of the depreciation between in-service date and new rates is lost. In this example, $15,000 of a $100,000 investment is never recovered by investors. 15% of the principal investment is lost
- **WITH PISA:** depreciation still occurs (as required by GAAP and to calculate state and federal tax laws). However, all of the depreciation is put into an account on the company books and allowed to be recovered. In this example, investors recover the full amount of their investment

Evergy is not asking for special treatment. These mechanisms are available or in practice in neighboring states. This represents competitive or equitable regulatory treatment and will encourage investment to encourage economic development and generation adequacy

How Capital Structure Works Across The U.S.



- Utilities use two types of capital to invest in maintaining and improving the electrical grid:
  - **Debt:** short-term borrowing, credit lines and bonds
  - **Equity:** stock or the equivalent in the operating utilities for each service territory
- Utilities only earn a return on equity. Debt is a cost that is passed on to customers at no return or mark-up
- Utilities across the country keep their long-term (LT) debt-to-equity financing in a zone of reasonableness around 50% LT debt and 50% equity…or a 50/50 LT debt to equity ratio

How Capital Structure Is Supposed To Work

KS Metro: $1 million
52% Equity
48% LT Debt
Used to invest in the grid and run the utility

KS Central: $1 million
52% Equity
48% LT Debt
Used to invest in the grid and run the utility

Evergy Holding Company
$ Billions of debt to finance merger between Westar and Evergy, used to buy back stock and other holding company (non-utility) purposes

KS Metro: $1 million
52% Equity=$520,000
48% LT Debt=$480,000

$520,000 x 9.3% =
$48,360

KS Central: $1 million
52% Equity=$520,000
48% LT Debt=$480,000

$520,000 x 9.3% =
$48,360

Return on Equity:
$96,720

HB2527: Capital Structure (Debt/Equity Ratio) Fix

KS Metro: $1 million
52% Equity
48% LT Debt
Used to invest in the grid and run the utility

KS Central: $1 million
52% Equity
48% LT Debt
Used to invest in the grid and run the utility

Evergy Holding Company
$ Billions of debt to finance merger between Westar and Evergy, used to buy back stock and other holding company (non-utility) purposed

Kansas regulators hypothetically applied holding company debt, not used to invest in utility operations or the electrical grid and arbitrarily lowered the operating utilities' equity percentage.

KS Metro: $1 million
48% Equity=$480,000
52% LT Debt=$520,000

$480,000 x 9.3% =
$44,640

KS Central: $1 million
48% Equity=$480,000
52% LT Debt=$520,000

$480,000 x 9.3% =
$44,640

Appropriate ROE based on actual capital structure of operating utilities:
$96,720

Revised Return on Equity:
$89,280

- Utilities are only allowed to earn a return on investments financed with equity. In this example, of the $1 million investment the 52% that is equity at the utility operating companies should have Evergy's authorized 9.3% return applied.
- **WITHOUT CAPITAL STRUCTURE FIX:** Operating utility equity is hypothetically reduced by holding company debt lowering effectively lowering investor's returns underneath the fair and appropriate authorized return on equity.
- **WITH CAPITAL STRUCTURE FIX:** depreciation still occurs (as required by GAAP and to calculate state and federal tax laws). However, all of the depreciation is put into an account on the company books and allowed to be recovered. In this example, investors recover the full amount of their investment

Capital Structure In Last Kansas Rate Cases

Important Notes:

- **Almost every jurisdiction in the United States uses the** actual utility operating company capital structure to set rates. Nearly all other states in the U.S. use operating company capital structure to set rates and do not hypothetically impute holding company debt to a utility's balance sheet.

- **Missouri does not use hypothetical, imputed or consolidated capital structure.** Oklahoma, Texas, Iowa, Arkansas and Colorado do not use hypothetical or imputed capital strucutures unless the holding company does not have an investment grade credit rating.

- **A hypothetical or consolidated capital structure was not used in the settlement approving the merger between Westar and KCP&L.**

- Evergy agreed to a settlement in its 2023 rate case that would not force the Kansas Corporation Commission (KCC) to decide this issue and risk setting bad regulatory precedent in Kansas.

- **The proposed fix in HB2527 retains KCC discretion** to use a hypothetical or consolidated capital structure if a utility operating company or holding company does not retain an investment grade credit rating.

Evergy is not asking for special treatment. The fix is to put into state statute that the actual utility capital structure will be used to set recovery of investment and rates, unless the utility or holding company is not investment grade

Current Law: Allowance For Funds Used During Construction (AFUDC)

Allowance for Funds Used During Construction (AFUDC): Under **current law** interest or carrying costs to be added to the total investment for recovery in rates once the project is completed, online and determined prudent. Interest / carrying costs build and accumulate over the duration of construction.

Carried Till In Rates	Recovered				
$100 Interest $1,000 Invested	$210 Interest $1,000 Invested $1,100 Carried Fwd.	$331 Interest $1,000 Invested $2,310 Carried Fwd.	$464 Interest $1,000 Invested $3,641 Carried Fwd.	$610 Interest $,1000 Invested $5,105 Carried Fwd.	**$6,715 Recovered in Rates**
Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5: Online**	**In Rates**

- Build a combined cycle natural gas plant over five years at a total budgeted cost of $5,000 of invested capital
- Each year interest / carrying costs is added to the principal to be collected when the plant goes into rates (example assumes 10% annual interest / carrying costs)
- Each year the carried cost of the interest adds to the principal and interest accrues on the interest from the previous year—much like how a credit card works
- Once the plant comes online and goes into service the accumulated interest / carrying costs and the undepreciated principal are recovered over the depreciable life of the plant / asset and the utility is allowed to earn its authorized return on the total amount put into rates
- $6,715 put into rates and recovered over time at utility's authorized return; $215 more in interest / carrying costs over 5-year build

AFUDC allows principal and interest to be recovered once the power plant is put into rates. No dollars are recovered prior to a rate case, but the total cost and amount put into rates is increased by accumulated interest over the time to build the plant

HB2527: Construction Work In Progress (CWIP)

Construction Work In Progress (CWIP): Proposal in HB2527 that would allow interest / carrying costs to be recovered through a bill adjustment / rider, reducing overall interest / carrying costs on the project.

Carried Till In Rates	Recovered

$100 Interest Recovered	$200 Interest Recovered	$300 Interest Recovered	$400 Interest Recovered	$500 Interest Recovered	**$5,000 Recovered in Rates**
$1,000 Invested	$1,000 Invested $1,000 Carried Fwd.	$1,000 Invested $2,000 Carried Fwd.	$1,000 Invested $3,000 Carried Fwd.	$1,000 Invested $4,000 Carried Fwd.	
Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5: Online**	**In Rates**

- Build a combined cycle natural gas plant over five years at a total budgeted cost of $5,000 of invested capital (example assumes 10% annual interest / carrying costs)
- Each year interest / carrying costs is recovered through an adjustment or rider to customer bills
- Through CWIP interest / carrying costs do not accumulate on the invested capital
- Once the plant comes online and goes into service the principal is recovered over the depreciable life of the plant / asset and the utility is allowed to earn its authorized return on the undepreciated capital over that time period
- $5,000 put into rates and recovered over time at utility’s authorized return; $1,500 in interest / carrying costs already recovered

CWIP reduces the overall amount put into rates by recovering the interest / carrying costs while the power plant is being built. It also improves the utility’s credit metrics by providing cash while the plant is being built

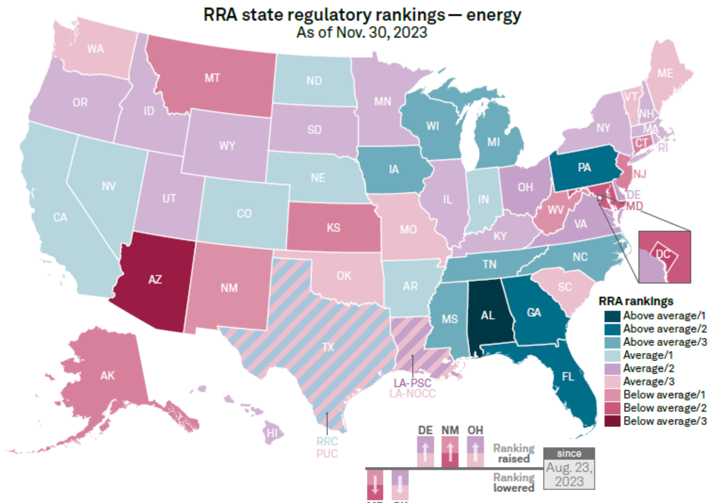
Compare: AFUDC vs. CWIP

AFUDC	CWIP
Accumulate Interest As You Build	**Pay Interest As You Build**
• $**6,715** Investment and accumulated interest recovered in rates, after a rate case determining prudency • Authorized ROE earned on $**6,715** investment and interest over depreciable life of the plant • $**1,715** Interest accumulated and added to principal the power plant is being built • Higher overall cost for customer and lower credit metrics for utility	• **$5,000** Investment recovered in rates, after a rate case determining prudency • Authorized ROE earned on **$5,000** investment over depreciable life of the plant • **$1,500** Interest recovered through a rider while the power plant is being built • Lower overall cost for customer and better credit metrics for utility

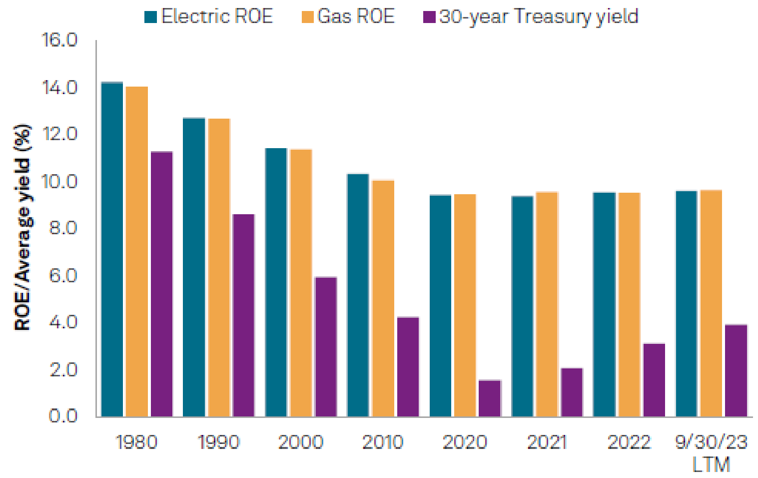
CWIP reduces the overall cost of a project by recovering the interest / carrying costs while the power plant is being built. Additional consumer protections can be added to CWIP, like a claw back provision and limiting CWIP to original budget for the plant

HB2527: Return On Equity (ROE)

Return on Equity (ROE): Set in a fully litigated rate case, an ROE is the return deemed fair and appropriate for an electric utility to earn on the equity portion of its rate base (undepreciated assets on its books). It is not a guaranteed return, but the level of return used to set rates and create the opportunity to earn up that level of return on invested equity.



Data compiled Nov. 30, 2023.



Data compiled Nov. 30, 2023.

- 2017-2023 Evergy Kansas jurisdictions had an authorized ROE of 9.3%
- After the 2023 rate cases, the settlement implied and authorized ROE of 9.4-9.5%. The average ROE in the U.S. in 2023 for investor-owned electric utilities was 9.74% in 2023 and 9.75%
- HB2527 allows a utility to choose to use the average ROE for electric utilities in the U.S. as its authorized ROE in a rate case, while allowing the KCC to retain discretion to adjust that ROE up or down by 25 basis points based on market conditions, customer service or other reasons

Evergy's cost of capital has increased by more than 400 basis points over the last five years as interest rates have risen. ROE's in Kansas have not kept pace with interest or the rest of the U.S. Currently, Kansas has some of the lowest ROE's in the nation for investor-owned electric utilities.

HB 2527: Economic Development Rider Addition

Current KS EDRs

- Must have state and local incentives to qualify.
- **Standard Rider**: 20% discount annually for 5 years. Minimum load- 200kv and 55% load factor.
- **Limited Large**: 40% discount annually for 5 years. Minimum load- 300kv and 55% load factor.
- Defers discount amount to next rate case to be collected.

Proposed

- Keep the Standard and Limited Large for projects that size.
- Adds a new 10-year EDR for projects 25 MW or larger.
- **Changes all 3 EDRs so that the discounted revenue is simply not collected.**
- Matches Missouri which has a 10-year EDR.

The bill would keep the current Kansas EDRs and add a large one to match Missouri. EDRs help attract load and Kansas is currently at a disadvantage to Missouri. It would also match the Missouri language for not reallocating the discount to other customers.

Appendix:

Peer Company Capital Structures
Evergy Earnings Last 6 Years
Investor Perspective on Kansas
Peer Utility Earnings / Evergy's Relative Performance

Peer Company Capital Structure

		Operating Company				Consolidated		
Holding Company	**Operating Company**	**Rates Authorized***	**Allowed ROE**	**Test Year**	**Equity Capitalization**	**Balance Sheet Date****	**Equity Capitalization*****	**Differential**
Ameren Corp.	Union Electric Co. (Ameren Missouri)	Jun 2023 (S)	n.a.	Mar 2022	n.a.	Mar 2022	43.8%	n.a.
Alliant Energy Corp.	Wisconsin Power & Light Co.	Nov 2021 (S)	10.00%	Dec 2023	52.5%	Jun 2023	44.1%	(8.4%)
WEC Energy Group	Wisconsin Electric Power Co.	Dec 2022 (L)	9.80%	Dec 2023	58.2%	Jun 2023	42.8%	(15.4%)
WEC Energy Group	Wisconsin Public Service Corp.	Dec 2022 (L)	9.80%	Dec 2023	53.4%	Jun 2023	42.8%	(10.6%)
OGE Energy Corp.	Oklahoma Gas & Electric Co.	Sep 2022 (S)	9.50%	Sep 2021	53.4%	Sep 2021	45.9%	(7.5%)
AEP, Inc.	Public Service Co. of Oklahoma	Dec 2021 (S)	9.40%	Dec 2020	n.a.	Dec 2020	41.5%	n.a.
Xcel Energy Inc.	Northern States Power Co.	Jun 2023 (L)	9.25%	Dec 2024	52.5%	Jun 2023	41.3%	(11.2%)
Xcel Energy Inc.	Public Service Co. of Colorado	Mar 2022 (S)	9.30%	Dec 2021	55.7%	Dec 2021	41.8%	(13.9%)
						Average Differential		**(11.2%)**

		Operating Company				Consolidated (Gatewood Direct, pg 24; KCC-372)		
Holding Company	**Operating Company**	**Rates Authorized***	**Requested ROE**	**True-up Date**	**Equity Capitalization**	**True-up Date**	**Equity Capitalization**	**Differential**
Evergy, Inc.	Evergy Kansas Central, Inc.	Dec 2023	10.25%	Jun 2023	52.3%	Jun 2023	48.6%	**(3.7%)**
Evergy, Inc.	Evergy Metro, Inc. (Kansas)	Dec 2023	10.25%	Jun 2023	52.7%	Jun 2023	48.6%	**(4.1%)**

** S = Settled rate case; L = Fully Litigated rate case*

*** Consolidated Balance Sheet Date is closest date to Operating Company Test Year for which financial data is available*

**** Equity Capitalization per Form 10-Q/10-K filings consistent with the corresponding Consolidated Balance Sheet Date calculated based on consolidated long-term debt (excl. current maturities) and common equity*

Evergy has a capital structure consistent with our peer companies in neighboring states. Capital investors in those states are not penalized by consolidating capital structures

Evaluation Of Total Shareholder Return

	Trailing 5 Years (12/6/2018)	Following Announcement of Sustainability Transformation Plan (8/5/2020)	Following New CEO Announcement (12/8/20)	Following Initial Missouri West Rate Order (11/9/2022)	Trailing 1 Year (12/6/2022)
Evergy	2.6%	8.6%	5.1%	-11.1%	-7.1%
UTY	34.1%	15.2%	9.6%	-5.8%	-9.0%
S&P 500	84.5%	43.8%	29.3%	17.6%	17.8%
EEI Peer Average[1]	27.3%	14.3%	9.0%	-5.0%	-8.5%
Quartile Rank vs. EEI Peers	**3rd**	**3rd**	**3rd**	**4th**	**3rd**

As Of 12/6/2023

[1]*Weighted by market capitalization*

UTY: Philadelphia Utility Index
EEI: Edison Electric Institute (membership is U.S. investor-owned utilities

Recent Utility Investor Analyst Comments On Kansas

The data points out of Kansas in [the second half of 2023] were almost universally negative, in our view, with Staff's double leverage/HoldCo look-through in the Kansas cases all but sealing our negative stance on the state.

While our baseline expectation was already skewed towards a tough process in Kansas, KCC Staff took it a step further in their direct testimony, driving a strategic settlement and ultimately helping precipitate EVRG's EPS growth stepdown. While the case was settled, the **question of Staff's leverage look-through remains open for either a legislative fix or full litigation in the next case**. We remain of the view that Staff almost seemed to be solving for a bill impact versus specific disallowances. **Absent legislative changes or direct commentary from the commissioners themselves on some of the most recent case disagreements, we see little reason to lift our negative designation in the NT [near term].**

That said, we note that the legislative session is now open, and we expect there will be an effort in the early days of the session by stakeholders to bring up potential reforms for consideration (e.g., cap structure legislation, test years, etc.).

The KCC ranks alongside PURA [Public Utilities Regulatory Authority in Connecticut] and the ICC [Illinois Commerce Commission as one of the most challenging commissions [in the United States]

– Guggenheim, January 22, 2024

Recent Utility Investor Analyst Comments On Kansas

We continue to share investor concern around the Kansas baseline and the potential for theKCC to remain sympathetic to Staff's surprising leverage arguments. ***– Guggenheim, September 2023***

The global settlement removes the immediate overhang of a protracted case process that, in our view, could have seen the Commission finishing not far removed from Staff's draconian opening mark. By not fighting Staff's earlier surprise double leverage look-through, the issue seems to remain open for another day, a prospect that we believe will remain an overhang … ***– Guggenheim, October 2023***

Loss of confidence in Kansas regulatory environment.

We thought EVRG took all the right steps into the Kansas case – keeping rates flat for 5 years amidst rampant inflation and rising regional peer rates, regularly reviewing the capex plan with the KCC, agreeing to lower transmission ROEs, and even declining to sell the company back when Elliott was involved. But that seemed to go unappreciated with KCC Staff testimony at the end of August. This saw a recommended **rate decrease** and an equity ratio that imputed parent debt unlike most other states (and Kansas itself when EVRGwas over-equitized coming out of the GXP/WR merger).

Execution on cost control has been strong and we like the mgmt. team… EVRG has seemingly done all the right things in Kansas – keeping rates flat and aligning with stakeholders on a variety of issues. But if rates can't be raised and ROEs/equity ratios are weaker than peers, we struggle to see investor sponsorship for the jurisdiction. ***– Wolfe Research, September 10, 2023***

Kansas good for customers, bad for shareholders

The state is clearly very sensitive to rates and imputing parent debt into equity ratios remains unresolved. EVRG is talking to a legislative strategy to improve cost of capital and capital structure in KS, with a tie to economic development / infrastructure investment, but it's early days and broad stakeholder support is TBD. ***– Wolfe Research, November 7, 2023***

Evergy Shareholder Returns (TSR) Have Lagged Peers in Neighboring States And The Industry Nationally

EEI Peer Group TSR (12/2023)

Tier	Rank	Company	TSR	Rank	Company	TSR	Tier
Tier 1	1	OTTER TAIL CORP	34.4%	21	MDU RESOURCES GROUP INC	-5.9%	Tier 3
	2	EDISON INTERNATIONAL	9.1%	22	WEC ENERGY GROUP INC	-6.2%	
	3	MGE ENERGY INC	8.2%	23	DTE ENERGY CO	-6.3%	
	4	PUBLIC SERVICE ENTERPRISE GROUP	6.1%	24	FIRSTENERGY CORP	-6.9%	
	5	PG&E CORP	6.0%	25	PPL CORP	-7.4%	
	6	SOUTHERN CO	5.3%	26	AMEREN CORP	-9.0%	
	7	PINNACLE WEST CAPITAL CORP	4.8%	27	XCEL ENERGY INC	-9.4%	
	8	UNITIL CORP	1.5%	28	PORTLAND GENERAL ELECTRIC	-9.5%	
	9	ALLETE INC	0.1%	29	NORTHWESTERN CORP	-9.6%	
	10	NISOURCE INC	-0.1%	30	PNM RESOURCES INC	-9.9%	
Tier 2	11	CONSOLIDATED EDISON INC	-0.4%	31	AMERICAN ELECTRIC POWER CO	-11.9%	Tier 4
	12	CENTERPOINT ENERGY INC	-1.4%	32	**EVERGY INC**	**-13.7%**	
	13	SEMPRA ENERGY	-2.3%	33	AVISTA CORP	-16.6%	
	14	ALLIANT ENERGY CORP	-2.3%	34	DOMINION ENERGY INC	-18.7%	
	15	IDACORP INC	-3.9%	35	BLACK HILLS CORP	-20.1%	
	16	DUKE ENERGY CORP	-4.8%	36	AVANGRID	-20.8%	
	17	EXELON CORP	-5.6%	37	EVERSOURCE ENERGY	-25.6%	
	18	CMS ENERGY CORP	-5.6%	38	NEXTERA ENERGY INC	-26.0%	
	19	OGE ENERGY CORP	-5.7%	39	HAWAIIAN ELECTRIC INDUSTRIES INC	-66.7%	
	20	ENTERGY CORP	-5.7%				

**Green* font indicates Proxy Peers*

EEI Peer Group TSR (1/1/21 through 12/2023)

Tier	Rank	Company	TSR	Rank	Company	TSR	Tier
Tier 1	1	OTTER TAIL CORP	96.0%	21	PORTLAND GENERAL ELECTRIC	11.3%	Tier 3
	2	EXELON CORP	44.7%	22	ALLIANT ENERGY CORP	11.0%	
	3	CENTERPOINT ENERGY INC	43.6%	23	AMEREN CORP	9.3%	
	4	CONSOLIDATED EDISON INC	41.7%	24	PINNACLE WEST CAPITAL CORP	9.3%	
	5	FIRSTENERGY CORP	38.4%	25	AMERICAN ELECTRIC POWER CO	7.6%	
	6	PG&E CORP	38.4%	26	**EVERGY INC**	**5.0%**	
	7	SOUTHERN CO	32.6%	27	PPL CORP	4.9%	
	8	OGE ENERGY CORP	28.4%	28	CMS ENERGY CORP	3.7%	
	9	NISOURCE INC	27.9%	29	WEC ENERGY GROUP INC	1.4%	
	10	SEMPRA ENERGY	26.2%	30	XCEL ENERGY INC	0.7%	
Tier 2	11	UNITIL CORP	25.3%	31	NORTHWESTERN CORP	0.2%	Tier 4
	12	EDISON INTERNATIONAL	20.7%	32	AVISTA CORP	0.1%	
	13	PUBLIC SERVICE ENTERPRISE GROUP	19.2%	33	BLACK HILLS CORP	-2.1%	
	14	DUKE ENERGY CORP	15.7%	34	PNM RESOURCES INC	-4.2%	
	15	MDU RESOURCES GROUP INC	14.9%	35	NEXTERA ENERGY INC	-16.5%	
	16	ENTERGY CORP	14.3%	36	AVANGRID	-19.4%	
	17	IDACORP INC	14.3%	37	EVERSOURCE ENERGY	-23.6%	
	18	MGE ENERGY INC	13.5%	38	DOMINION ENERGY INC	-28.9%	
	19	DTE ENERGY CO	13.4%	39	HAWAIIAN ELECTRIC INDUSTRIES INC	-57.9%	
	20	ALLETE INC	12.8%				

**Green* font indicates Proxy Peers*

Evergy ranks Tier 4 in 2023 total shareholder return as of December of 2023 and is in Tier 3 for the period between January of 2021 through the end of 2023