

Another Evergy rate increase

Current regulatory scheme preventing regionally competitive electric rates: a possible path forward

February 2022

The Kansas retail electric rates for Evergy remain the highest in our mid-continent region – far higher than some of our neighboring states. Please see the attached chart of comparable rates.

Regionally competitive electric rates have been the state policy of Kansas since 2018. Two independent studies commissioned in 2019 by the Kansas Legislature confirmed that Evergy’s electric rates are not competitive with Kansas’ neighboring states. The Governor and the Legislature have (1) established Kansas state policy for regionally competitive electric rates, but also (b) eliminated the state corporate income tax on utilities – thus directly reducing Evergy retail electric rates for all Kansas ratepayers of Evergy by about \$30 million per year.

Every Kansas ratepayer owes a debt of gratitude to the leadership of our state for championing reasonable electric rates. However, there is more work for the Governor and the Legislature if Kansas ratepayers are to have regionally competitive electric rates.

The Kansas Senate directed the Kansas Corporation Commission (KCC) in 2018 to take action to make our electric rates regionally competitive. Four years later, Evergy electric rates have not been reduced or moderated. In fact, they continue to climb higher and higher, year after year. To date, the KCC has not provided the Legislature with any plan to bring Evergy electric rates to levels that are comparable to electric rates in neighboring states.

KCC Fails to Control Rates

Since 2018, based on increases in its Transmission Delivery Charge (TDC), Evergy has increased retail electric rates by the following amounts:

TDC Adjustments		
Date	Increase	Decrease
April 2018	\$31,456,832	
April 2019		\$7,697,765*
April 2020	\$3,478,797	
April 2021	\$38,091,942	
April 2022 -- proposed	\$20,400,559	
Net Increase = \$85,730,365		

**2019 decrease impacted by federal tax cuts*

The KCC has not provided needed leadership to the Legislature to address Kansas’ high electric rates. Instead, the KCC has opposed efforts at the Legislature to moderate increases in electric rates, while providing no course of action to address high electric rates.

In February 2021, the KCC actively opposed legislative changes to the TDC that would have shielded Kansas ratepayers from annual TDC rate increases. On April 1, 2021, the

KCC permitted Evergy to increase its retail rates by an annual amount of \$38 million to recover TDC costs.

In February 2022, the KCC actively opposed at the Kansas Legislature a “cap” on rate increases that would give Kansas electric ratepayers relief from the relentless annual increases in Evergy electric rates. A few days later, **Evergy filed to increase TDC rates \$20.4M** annually.

Status Quo Not Working – Possible Options to Study

The Kansas system for regulation of electric rates is not effectively operating to provide Kansas consumers with electric rates that are comparable to electric rates in neighboring states. It must be changed for the benefit of all Kansans. Alternatives to the current structure of the KCC and the way electric rates are established must be carefully reviewed and enacted as may be appropriate. The status quo of retail electric rates that are not regionally competitive is not acceptable. Options to review:

- **Deregulation** – Evergy stated to the Kansas Senate Utilities Committee, that it would consider deregulation of electric utilities, as has been the case in several states. This alternative should be carefully reviewed.
- **Break Current Ratemaking Scheme** – Right now, the more a utility invests, the more earnings and rates go up. Performance-based ratemaking is an alternative that would increase the profit of Evergy as electric rates in Kansas become more regionally competitive. This is a reasonable combination of current monopoly and free-market performance incentives. This alternative should be carefully reviewed.
- **KCC Reforms** – Also, to be considered is the structure and operation of the KCC. Eleven states, including Oklahoma and Nebraska, permit voters to elect the Commissioners of the state public service commission – finding direct accountability to ratepayers to be the preferred structure. Or perhaps a broader review of the KCC charter is necessary.

We're committed to being active stakeholders, and catalysts where needed, to bring competitive electric rates to Kansas. Economic development and quality of life in Kansas require it. We look forward to discussion and progress.

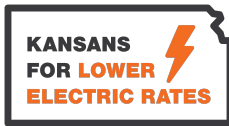
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Regional Electric Rate Comparison

2020/2021 -- Sorted by Residential

Municipal Utilities	State	Residential (¢/kWh)	Commercial (¢/kWh)	Industrial (¢/kWh)
McPherson BPU	KS	7.35	6.22	4.66
City of Russell	KS	10.17	9.42	7.25
Omaha Public Power District	NE	13.07	9.83	7.9
Kansas City BPU	KS	14.57	11.78	8.4
Independence Power & Light	MO	15.14	13.42	9.88
Investor Owned Utilities (IOU)				
OG&E Electric Services	OK	8.91	6.5	3.94
Public Service Company of OK	OK	9.33	5.94	3.83
Ameren Missouri	MO	10	7.71	5.76
Southwestern Electric Power	AR	10.35	7.82	5.61
MidAmerican Energy	IA	10.77	7.34	5.58
Public Service Company of CO	CO	11.41	10.11	6.22
Evergy Missouri West	MO	11.46	8.36	6.12
Evergy Kansas Central	KS	12.44	10.5	7.55
Evergy Kansas Metro	KS	12.86	10.74	8.19
Evergy Missouri Metro	MO	13.09	10.78	7.5
Notes:				
<i>Municipal rates include charges for the PILOT and are calculated using current rates and the same billing determinants as IOU rates</i>				
<i>IOU rates are weighted averages of 4 months summer and 8 months of winter Edison Electric Institute rates and does not include any special contract rates.</i>				