**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

| | | |
|---|---|---|
| In the Matter of an Agreement Between Evergy, Inc., and Elliott Management, Inc. | ) ) ) | File No. EO-2021-0032 |

**<u>EVERGY NOTICE OF FILING SUSTAINABILITY TRANSFORMATION PLAN</u>**

COME NOW Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Missouri Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy Missouri West")(collectively the "Company" or "Evergy"), and state as follows:

## I. <u>INTRODUCTION</u>

1. On August 12, 2020 the Commission issued an *Order Opening a General Investigation* ("Order") into an agreement ("Agreement") between the Board of Directors ("Board") of the Company and Elliott Associates, L.P., Elliott International, L.P., and affiliates (collectively "Elliott Management" or "Elliott") to consider either an enhanced long-term standalone operation plan and strategy (i.e., the "Modified Standalone Plan") or a potential strategic combination (i.e., a "Merger Transaction").

2. On July 23, 2020 Evergy's Board unanimously determined that, of the alternatives evaluated, pursuing a Modified Standalone Plan created the best risk-adjusted opportunity to enhance value for Evergy's stakeholders.

## II. <u>BACKGROUND</u>

3. In January 2020, Elliott, an investment firm with a significant economic interest in Evergy,[1] sent a public letter to Evergy's Board that discussed, among other things, discussion between Elliott and Evergy management about ways to maximize value for all of Evergy's key

[1] Economic interest equivalent to 11.3 million shares of Evergy equating to approximately $760 million in current market value. PR Newswire, Elliot Management Send Letter to Board of Directors of Evergy, Inc., January 21, 2020.

stakeholders. On February 28, 2020, Evergy entered into the Agreement with Elliott, which resulted in, among other things, the following: 1) the addition to the Evergy Board of two new independent directors; 2) Evergy's commitment to nominate these two new independent directors for election by Evergy shareholders at the 2020 Annual Shareholder Meeting; 3) the retirement of four directors concurrent with the 2020 Annual Shareholders Meeting, which would result in a Board size of 13 members; 4) reducing the Board size to 12 at the 2021 Annual Shareholder Meeting; and 5) the creation of the Strategic Review and Operations Committee ("SROC").[2]

4. As mandated in the Agreement, the SROC was to: 1) oversee the development of and evaluate a Modified Standalone Plan that, among other things, would address operational and cost optimization and excellence initiatives and include opportunities to invest in grid reliability and resiliency, cleaner energy and improvements for customers; and 2) evaluate opportunities for a potential strategic combination. Evergy management, with SROC oversight and the assistance of external advisors, pursued these dual mandates from March 2020 until the end of July 2020. Based on this work, and on the unanimous recommendation of the SROC, on July 23, 2020, the Evergy Board unanimously determined that, of the alternatives evaluated, pursuing a Modified Standalone Plan created the best risk-adjusted opportunity to enhance value for Evergy's stakeholders, including customers and shareholders.

## III. INFORMATION REGARDING THE STP

5. Attached as **Exhibit A** is Evergy's report providing detailed information regarding the STP.

6. In response to Staff's request for assurances that Evergy will meet all of its merger commitments in the course of adopting and implementing the STP, attached as **Exhibit B** is a

[2] Agreement by and among Elliot Investment Management, L.P., Elliot Associates, L.P. and Elliot International L.P. and Energy, Inc., February 28, 2020.

matrix showing merger commitments and conditions set forth in the Commission's order approving the Great Plains Energy-Westar merger which closed in June 2018 and an assessment of the impact of the STP on each commitment. As can be seen by reviewing Exhibit B, the STP continues to support all of those merger commitments and conditions to the extent that such commitments had not already been completed prior to the creation of the STP. In addition, the Company has reviewed the conditions imposed by the Commission in the KCP&L-Aquila merger case (Case No. EM-2007-0374; July 1, 2008 Report and Order) and does not believe any of those conditions are impacted by the STP. Finally, the Company has given thought to the concern raised by Staff that the STP could hamper the Company's ability to meet regulatory obligations beyond merger-specific requirements (such as the commitments set forth in the stipulations and agreements that resolved Evergy's last rate cases, Docket Nos. ER-2018-0145 and -0146, and that were approved by the Commission on October 31, 2018) and states that it does not believe the STP will have any such effect.

WHEREFORE, the Company respectfully submits this Notice to the Commission for its consideration.

Respectfully submitted,

*/s/ Roger W. Steiner*

Robert J. Hack, MBN 36496
Phone: (816) 556-2791
E-mail: rob.hack@evergy.com
Roger W. Steiner, MBN 39586
Phone: (816) 556-2314
E-mail: roger.steiner@evergy.com
Evergy, Inc.
1200 Main – 16th Floor
Kansas City, Missouri 64105
Fax: (816) 556-2787

**Attorney for Evergy Missouri Metro and Evergy Missouri West**

## CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand delivered, emailed or mailed, postage prepaid, this 26th day of August 2020, to all parties of record.

*/s/ Roger W. Steiner*

Roger W. Steiner

# SUSTAINABILITY TRANSFORMATION PLAN

## AUGUST 13TH, 2020

EVERGY.COM

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## SECTION 1:
# EXECUTIVE SUMMARY

The Sustainability Transformation Plan ("STP") is a five-year strategic and operating plan designed to build upon a solid foundation established by the merger which created Evergy in 2018. We have spent the last several years focused on executing our merger plan. While we have clearly created value and delivered merger benefits, our stakeholders have challenged us and we continue to challenge ourselves to incrementally improve our performance, unlock additional benefits for our stakeholders and enhance our value proposition. The STP is the result of an intensive and comprehensive strategic assessment of ways to further increase long-term value, serve the best interests of our customers, and benefit all Evergy stakeholders. The STP builds upon the March 2020 capital plan which was submitted to our regulatory commissions in Kansas and Missouri. The STP is part of Evergy's long-term energy plan and aligns with our 20-year Integrated Resource Plan ("IRP") and provides a nearer term view of the actions Evergy will take to continue our work to create a forward-thinking, sustainable energy company.

**Key Considerations**

- Continue to deliver on our prior merger commitments
- Improve regional rate competitiveness and enhance customer experience
- Enhance key stakeholder collaboration
- Maintain a strong credit profile
- Maximize long-term shareholder value

Covering the period 2020 through 2024, the STP focuses on opportunities to deliver cost savings and reliability benefits to customers and additional investments to accelerate the transition to cleaner energy and a more modern electrical grid. The STP continues the cost conscious, financially strong and "People First" culture fundamentals that are core to Evergy's foundation. The STP will create meaningful stakeholder benefits including more sustainable, reliable energy for our customers, improved regional competitiveness of our service, new jobs, economic growth and, through reduced carbon emissions, improved overall public health and quality of life in our communities and enhanced earnings growth and competitive long-term value for our shareholders.

To support the goal of creating benefits for all stakeholders, including a sustained lower cost structure both before and after 2024, the STP calls for additional capital investment as compared to our March 2020 capital plan. We have identified an additional $1.4 billion of capital investment through 2024. These capital projects include investments in long-lived assets that replace and update aging infrastructure, creating reliability, resiliency, additional and enhanced customer programs and other benefits and enabling savings which begin to accrue in 2020 as investments are completed.

***Table 1: Highlights of STP Capital Investment Plan***

| Investment Categories | Description | Customer Benefits |
|---|---|---|
| Distribution Grid Resiliency | Upgrade and replace distribution assets including conductors, poles, circuit breakers, transformers, reclosers to address asset conditions, ops efficiencies, build contingency strength and resiliency | Higher reliability and grid safety through reduced outages frequency and duration; Lower O&M costs and failure capex; Improved operational capabilities; Higher community safety & local jobs |
| Transmission Grid Resiliency | Maintain and prevent asset degradation to last beyond service life with higher operating standards & performance; Fix adversely performing circuits, breakers, transformers, and other key assets to improve network performance | Improved reliability of Transmission Grid; Achieve integration of diverse and distributed sources across footprint; Lower costs of energy for our customers through interconnects, and lower losses; Grid hardening reduces operational costs |
| Critical Asset Hardening & Contingency | Harden, replace and strengthen critical assets (Substations, Overhead and, Underground wires, Poles, etc.,); Achieve higher operating standards & contingency for critical transformers and feeders | Improved reliability & safety due to reduced outages; Multiplier effects in increase performance and reduced costs by targeting critical circuits; High level of customer incident reduction with new back-ups and contingency plans |
| Distribution Automation & Technology | Advanced system investments across T&D in operational informational Technology (e.g., ADMS,GIS, EAM, WFM, Analytics, DER/EV integration, Automation, IoT); Digitize operations, achieve visibility on the grid ops and enable customer choice | Operational excellence and reduced costs through digitization and enhanced operational data visibility; Reduced energy consumption & increased safety for customers & the community; Customer options through DER integration |
| Generation Renewables | Investments in 700 MW of utility-scale owned solar projects to de-carbonize portfolio | Greener portfolio reduces $CO_2$ emissions and offers improved ESG profile |

### *Delivers Cost Savings*

Since closing the merger in 2018, Evergy has achieved more than $250 million of cumulative net merger savings, well ahead of our original target. This strong execution to-date demonstrates an ability to execute continued cost saving initiatives and achieve a 25%

reduction in annual non-fuel operating and maintenance ("NFOM") costs in 2024 as compared to 2018 levels.[1] By 2024, we estimate that we will have in place an overall lower cost structure which will yield $330 million in annual, sustainable savings as compared to 2018 NFOM costs using the midpoint of the projected 2024 NFOM expense range.[2] These savings are expected to keep rate increases low and improve our regional rate competitiveness.

***Increases Investments in Critical Utility Infrastructure***

Over the next five years, Evergy expects to invest approximately $5 billion in upgrades to transmission and distribution assets and customer-facing platforms to improve reliability, build long-term grid resiliency and lower operating costs. This will enhance the customer experience and provide further access to renewable energy such as solar, wind and energy storage. It will also ensure that our grid is ready to power the growth of electric vehicles in Kansas and Missouri, along with other forms of beneficial electrification that expand decarbonization benefits economy-wide.

***Creates a Stronger Grid for the Future***

The STP contemplates approximately $500 million of investments in asset hardening, distribution automation and technology through 2024 to expedite the evolution to a smarter, more reliable and more efficient grid. These investments will upgrade electric infrastructure and implement numerous advanced technologies to support digitization, automation, and optimization of our transmission and distribution system.

[1] NFOM reduction targets based on 2018 adjusted NFOM of $1.306 billion. Adjusted NFOM (non-GAAP) is a financial measure that is not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly named measures or more useful than the GAAP information.

[2] The STP projects NFOM expense between $966 million and $988 million in 2024.

***Accelerates the Transition to Cleaner Energy***

The STP includes the potential retirement of approximately 500 megawatts ("MW") of coal generation in 2024 and the development of 700 MW and purchases of an additional 200 MW of renewable energy through 2024. These actions continue a transition to a lower cost and more sustainable generation portfolio over the past fifteen years. Since 2005, Evergy has retired more than 2,400 MW of fossil generation and added or contracted for over 4,600 MW of renewables. Moreover, with constructive regulatory support, there are additional opportunities identified related to decarbonization and renewables deployment which offer the potential to reduce $CO_2$ emissions by up to 85% from 2005 levels by 2030. While this potential exists, the pace of decarbonization will ultimately be determined in collaboration with the Company's stakeholders as part of the IRP process, other regulatory processes (e.g., rate cases) and legislative initiatives.

***Creates Financial Benefits***

The STP adds approximately $1.4 billion in additional capital investment to our prior plan, resulting in $8.9 billion in projected capital expenditures from 2020 through 2024. Increased capital investment will provide long-term benefits to both customers and shareholders. Customers will benefit through a more reliable and resilient grid, lower cost and more sustainable generation mix, while maintaining resulting rate impacts below the expected level of inflation. Shareholders will benefit from growth in earnings per share ("EPS"). Evergy is targeting EPS compounded annual growth of 6% to 8% through 2024. The benefits of the STP will all be delivered while maintaining Evergy's strong, investment grade credit profile.

***Invites Broad Stakeholder Engagement***

We believe that stakeholder engagement leads to better long-term planning. Engagement with stakeholders is an integral component of Evergy's STP and long-term IRP. The stakeholder process will inform the final plan balancing the pace of decarbonization against other desired outcomes, including rate impacts that reflect associated changes in investments and total operating expenses. Our approach to collaboration will consist of ongoing engagement with a broad group of stakeholders around the STP and the long-term IRP and will include customers, government officials, environmental groups, consumer advocates and community organizations. The IRP portion of the stakeholder engagement process is more formal and usually includes stakeholders that have experience with resource planning activities. The STP encompasses not only resource planning, but cost efficiency and infrastructure investment across the entirety of Evergy. Therefore, the STP stakeholder process will include a broader group of interested parties as well as broader community input and customer research.

## SECTION 2:
# INTRODUCTION

## I. Introduction

Since the formation of Evergy in June 2018, we have focused on executing the strategy underpinning the merger that created our company and creating long-term benefits for our customers, employees, communities and shareholders. Since closing the merger, we have achieved more than $250 million of cumulative net merger savings, well ahead of our original target. While we have clearly created value and delivered merger benefits, we continue to challenge ourselves to incrementally improve our performance, unlock additional benefits for our stakeholders and enhance our value proposition.

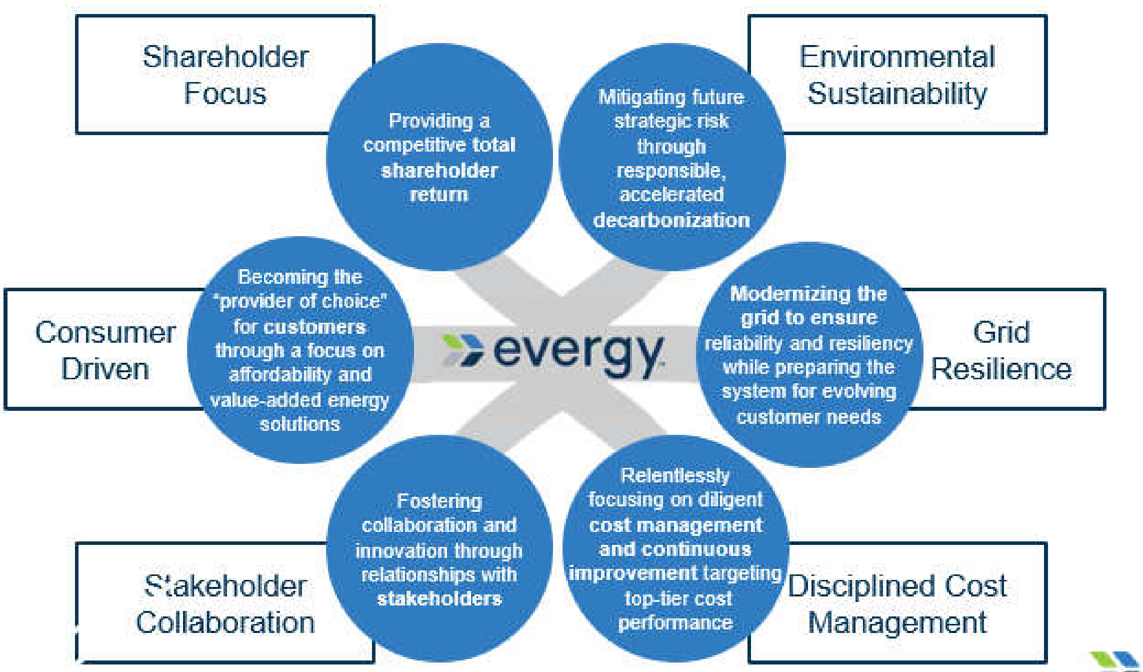
Over the past several months, we have expanded our process of periodically reviewing our plans. We created the Strategic Review and Operations Committee ("SROC") whose mandate was to: 1) oversee the development of and evaluate a Modified Standalone Plan that, among other things, would address operational and cost optimization and excellence initiatives and include opportunities to invest in grid reliability and resiliency, cleaner energy and improvements for customers; and 2) evaluate opportunities for a potential strategic combination. Evergy management, with SROC oversight and the assistance of external advisors, pursued these dual mandates from March 2020 until the end of July 2020.

We critically evaluated our operating plan, including our investment priorities, how and where we allocate capital and opportunities for cost savings and operating efficiencies to identify ways we can improve. We supplemented our internal team with the expertise and experience from outside experts to advise us in these efforts. An important part of this outside advice was a 12-week intensive review with Boston Consulting Group ("BCG"). BCG developed an independent assessment of Evergy's operating performance and plans. The result of this intensive and comprehensive assessment is the STP.

The STP is a comprehensive five-year plan which builds upon our solid foundation to further deliver long-term value, serve the best interests of customers, and benefit all Evergy stakeholders.[3]

***Figure 1: Sustainability Transformation Plan Overview.***

**Balance Long-Term Values**




The STP aligns with our long-term energy plan, including Evergy's IRP. The IRP is a 20-year plan that explores how we will meet the long-term energy, service and reliability needs of our customers. The IRP encapsulates our resource planning process and its supporting assumptions according to the rules of each of the states in which Evergy operates. Ultimately, the result of the IRP is the designation of Evergy's preferred resource plan. The STP is designed to balance the interests of all stakeholders, supports the IRP and provides a clear direction for the next five years.

[3] The STP updates the information provided in the March 2020 capital plan.

With the STP, Evergy will produce cost and reliability benefits to customers and accelerate our transition to a lower cost and more sustainable generation profile. We will optimize capital allocation to create a smarter, more flexible, and more efficient grid that will better allow the integration of distributed energy resources at the grid edge, and power the electrification of transportation, heating and cooling, and industrial processes. These outcomes will create benefits for all stakeholders, increase long-term value and help spur economic activity and create new jobs in our communities.

Based on this work, and on the unanimous recommendation of the SROC the Evergy Board unanimously determined that, of the alternatives evaluated, pursuing a Modified Standalone Plan created the best risk-adjusted opportunity to enhance value for Evergy's stakeholders, including customers, communities and shareholders.[4] On August 5, 2020, Evergy introduced the Modified Standalone Plan, which was named the STP, in a presentation to investors. That presentation is provided as Attachment 1.

[4] The discussion of the STP contains forward-looking statements and actual results may differ. Please see Evergy's filings with the Securities and Exchange Commission for a discussion of risks and uncertainties that could cause actual results to differ from projected results.

## SECTION 3:
# COST REDUCTIONS AND REGIONALLY COMPETITIVE RATES

## I. Introduction

The STP identifies additional operating cost efficiencies in both NFOM and fuel and purchase power costs ("FPPC"). With the STP, we have now achieved or identified NFOM savings that will result in 2024 NFOM levels $330 million below 2018 levels which represents a 25% reduction using the midpoint of the projected 2024 NFOM expense range.[5] In addition, FPPC are forecasted to be $145 million lower in 2024 as compared to 2019 levels.

The reductions in NFOM and FPPC will keep rate increases low and are expected to improve the regional position of our customers' rates. The STP will build on the progress we have made in 2018 and 2019 during which we saw our residential and industrial rates in Kansas decrease while the regional average increased and our commercial rates in Kansas decrease more rapidly than the regional average. [6] From 2017 to 2019, our residential and industrial rates decreased 6.4% and 1.4%, respectively, while the regional average increased by 2.8% and 1.3% respectively. For the same period, our commercial rates decreased by 3.1% while the regional average decreased at a slower pace of 2.0%. The STP savings are expected to continue these rate trends in the future.

## II. Savings Initiatives

To support the goal of improved operations and a sustained lower cost structure both before and after 2024, the STP calls for additional capital investment as compared to our March 2020 capital plan. We have identified an additional $1.4 billion of capital investment through 2024, resulting in $8.9 billion in projected capital expenditures from 2020 through 2024. However, even at these levels of investment, Evergy's capex[7]-to-depreciation-and-amortization (Capex/D&A) ratio will remain below the median (Capex/D&A) ratio of its

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5 The STP projects NFOM expense between $966 million and $988 million in 2024.

6 AECOM (2020), Study of Consequential Issues Materially Affecting Kansas Electricity Rates. Filed as second part of the study of electric rates ordered in Substitute for Senate Bill No. 69 in Docket No. 20-GIME-068-GIE.

7 Capex or CapEx refer to capital expenditures.

Midwest peers and by 2022 Evergy's (Capex/D&A) ratio is forecasted to be 1.8x versus the peer group median of 2.1x.[8] Collectively these investments enable and support a lower cost structure that optimizes the workforce across each function consistent with our merger commitments and our "People First" culture.

These capital projects include investments in long-lived assets that replace and update infrastructure, creating reliability, resiliency and other benefits and enabling savings which begin to accrue in 2020 as investments are completed. The benefits of these investments will then be realized both during the five years of the STP and well beyond this planning period, consistent with the useful life of the investments.

Specific capital investments are staged during the five-year STP period to ensure rate stability in the near term, while improving operating infrastructure and creating an overall lower cost structure which better insulates customers from changes in volatile fuel prices and unanticipated maintenance expenses. Savings from FPPC flow directly to customers through current regulatory mechanisms and additional cost reductions in NFOM flow to customers through general rate cases.

Savings in generation will result from optimizing staffing, lowering operations costs by extending maintenance intervals consistent with lower coal generation output, more flexible operations, improved predictive maintenance and condition monitoring through the Remote Operations, Monitoring and Diagnostics center. These initiatives will maintain coal generation availability, reduce unscheduled outages and facilitate shorter power plant run cycles. The STP also continues the transition away from coal and toward greater use of renewables. These renewables investments will be combined with fossil generation retirements and more flexible fossil plant operations to reduce FPPC and capture the benefits of lower cost renewable energy technologies. The determination of specific investments and retirements and the associated timing of these actions will consider the

8 The Evergy peer group includes Alliant Energy Corp., Ameren Corp., CMS Energy Corp., WEC Energy Group Inc. and Xcel Energy, Inc.

economics of various supply portfolios and will be evaluated in collaboration with our stakeholders as part of the IRP process.

Transmission and distribution investments in grid resiliency and asset hardening will reduce the cost impact of storm damage and shift spending toward more cost-effective planned capital investments. Investments in information systems and advanced operational capabilities will allow Evergy to increase worker productivity and manage infrastructure more efficiently in a number of ways, including the optimization of equipment inspection and maintenance. Additional details regarding these transmission and distribution capital investments are provided in Section 4.

Savings in information technology and customer and community solutions include a comprehensive digital transformation and the completion of numerous streamlining initiatives. The comprehensive customer digital transformation will significantly improve the customer experience by creating a true omni-channel customer engagement platform which increases customer self-service and lowers NFOM. The digital transformation will also automate the five core customer touchpoints including: account opening or account transfer, bill payment, bill inquiry, outage management, and usage management, allowing customers to interact with the Company in a more personalized and customized way. This transformation will enable new and tailored rate structures for residential and small commercial customers and provide easier integration of distributed generation and other customer-owned grid edge technologies.

## III. Competitive Rates

The NFOM and FPPC savings and the investments identified in the STP will create a sustainable and lower cost structure which is expected to control customers' rate impacts and improve our regional rate position through 2024 and beyond. Part 2 of the recent Kansas Rate Study shows that the rates for Kansas are already improving compared to our regional neighbors.[9] Evergy's residential and industrial rates in Kansas decreased from 2018 to 2019, while the regional average rate trended upward. Our commercial rates in Kansas also decreased faster than the regional average during this period. These trends demonstrate that the Company is successfully achieving its objective of operating efficiently and reducing costs since the closing of the merger in 2018. This trend is expected to continue, aided by both the STP and our commitment to no base rate increases through 2023 in Kansas.

Our disciplined approach to cost reductions, operating efficiencies and customer-focused investments envisioned under the STP is expected to maintain this momentum and will translate into revenue requirements and rates for customers that are lower than they otherwise would be. The STP, thus, is expected to increase affordability and improve our regional rate position. Under the STP, the overall rate compound annual growth rate ("CAGR") from 2020 to 2024 on a dollar per kWh basis is expected to be 1.6% across all of our utility customers, which is below the expected rate of inflation and below rate caps established in Missouri through legislation enacted in 2018[10] through actions developed to provide benefits that will be realized both during the five years of the STP and well-beyond this planning period, consistent with the useful life of the investments.

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9 AECOM (2020), Study of Consequential Issues Materially Affecting Kansas Electricity Rates. Filed as second part of the study of electric rates ordered in Substitute for Senate Bill No. 69 in Docket No. 20-GIME-068-GIE.

10 Section 393.1655 RSMo.

## SECTION 4:
# GRID ENHANCEMENT AND TECHNOLOGY PLAN

## I. Introduction

The United States Department of Energy[11] says that a modern grid must have:

- Greater RESILIENCE to hazards of all types;
- Improved RELIABILITY for everyday operations;
- Enhanced SECURITY from an increasing and evolving number of threats;
- Additional AFFORDABILITY to maintain our economic prosperity;
- Superior FLEXIBILITY to respond to the variability and uncertainty of conditions at one or more timescales, including a range of energy futures; and
- Increased SUSTAINABILITY through energy-efficient and renewable resources.

Neil Chatterjee, Chairman of the Federal Energy Regulatory Commission, recently said that "it's clear to me that we need to move toward a grid of the future that is reliable and flexible enough to withstand our rapidly changing energy landscape."[12]

Utilities across the United States have been developing and implementing grid modernization programs for the past several years. These programs typically focus in two areas. First, make sure the electrical infrastructure is in good condition, and can deliver electricity to customers safely, reliably, and efficiently. This means replacing aging equipment, poles and wires that are reaching end of life and are more prone to failure. Second, add new technologies that help the electrical infrastructure serve the needs of customers who demand reliability, convenience, broader service offerings, and cleaner energy. These new technologies include digital sensors, meters, automation, communications, and control systems that help utilities deliver greater value from the underlying infrastructure.

11 About the Grid Modernization Initiative, United States Department of Energy, https://www.energy.gov/grid-modernization-initiative-0/about-grid-modernization-initiative.
12 "FERC's Chatterjee: Grid buildout is key even as pandemic drags energy demand," Jasmin Melvin, S&P Global Platts, July 31, 2020.

Evergy's transmission and distribution infrastructure enables our core responsibility of providing safe, reliable efficient and sufficient service to our customers at just and reasonable rates. Investing in our grid ensures that we can deliver the service that our customers need now, with greater capabilities to provide cleaner energy, more advanced rates and programs, and beneficial electrification in the future.

A significant portion of our distribution infrastructure is nearing end of life and will become less reliable, expensive to repair, and more expensive to maintain. Large portions of our substation transformers, circuit breakers, distribution poles, and other grid infrastructure are more than 30 years old, with some equipment nearing or reaching maximum design capacity during on-peak times.

At the same time, smart grid technologies have become mainstream in our industry, and we can build advanced capabilities with confidence. Consistent with legislation enacted in Missouri in 2018 that emphasizes investment in grid modernization by electric utilities, the STP places substantial focus on modernizing Evergy's infrastructure.[13] Evergy has gained valuable experience through our Electric Distribution Grid Resiliency ("EDGR") pilot in Kansas. The EDGR pilot was limited in scope and the result of a broad rate case settlement in 2015. However, the EDGR pilot followed a systematic approach to equipment replacement, application of advanced technology and system maintenance. EDGR has demonstrated our ability to make our distribution system more resistant to extreme weather, respond to outages more quickly, reduce electrical line losses, and address developing problems before they interrupt service to our customers. As a specific example, the EDGR pilot included the comprehensive rebuild of the Quinton Heights circuit in Topeka. This rebuild replaced hundreds of poles and distribution transformers, as well as overhead and underground primary, and secondary service cable. The result was a dramatic reduction of outage events on the circuit, dropping from over 50 outages per year on average from 2010 through 2015 to fewer than 7 outages per year on average for the last three years

[13] Section 393.1400.4 RSMo.

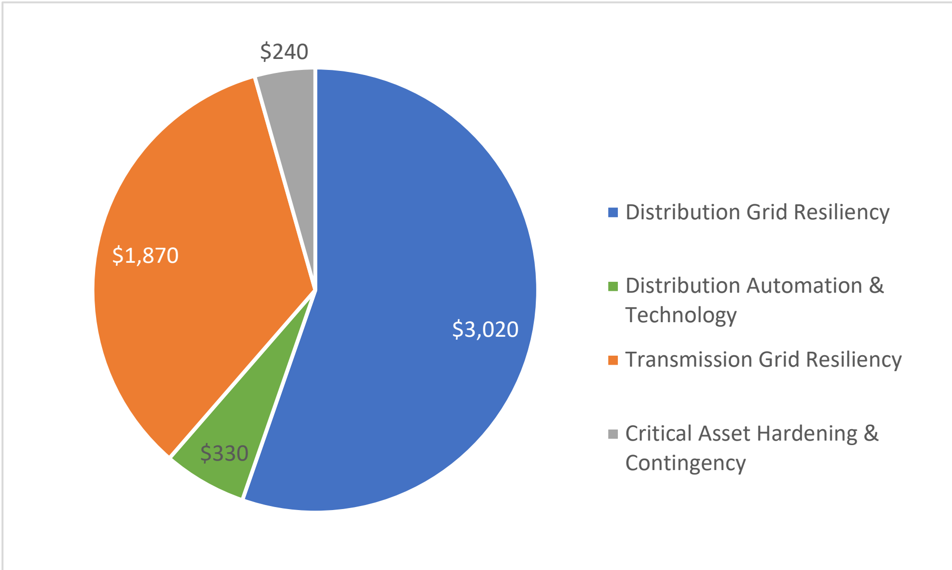
(2017-2019). At the same time advanced sensors and controls have helped our engineers and technicians reduce circuit energy losses by 30%, saving over 170,000 kWh of wasted energy each year. Through the STP, Evergy will continue to leverage advancements in technology and anticipates improvements in operational performance.

We developed our Grid Enhancement and Technology Plan informed by BCG's industry-wide experience and perspective particularly as it pertains to the quantification of benefits. Our plan, including cost and benefit assessments, will necessarily evolve over the five-year STP plan horizon and beyond to ensure that we are making the best value-added investment choices to strengthen and modernize our grid.

## II. Grid Enhancement and Technology Plan

Over the next five years Evergy plans to invest more than $5 billion to strengthen grid resilience, harden assets, and apply advanced digital technologies to increase visibility, enhance control, and enable automation. Our plan will ensure high reliability with transmission and distribution infrastructure replacement and automation technology that will have a lower overall capital and NFOM cost over the life of the assets. High-level planning focuses investments in four main categories: Distribution Grid Resiliency, Distribution Automation & Technology, Transmission Grid Resiliency, and Asset Hardening & Contingency.

***Figure 2: Grid Enhancement and Technology Capital Investment Summary, 2020-2024***



***Distribution Grid Resiliency***

In a report published in 2013 by the President's Council of Economic Advisers and the U.S. Department of Energy's Office, "A more resilient grid is one that is better able to sustain and recover from adverse events like severe weather – a more reliable grid is one with fewer and shorter power interruptions. Methods for improving the resilience and reliability of the grid include both high and low-tech solutions." [14] Evergy will upgrade and replace distribution line assets including conductor, poles, and many other assets. Robust distribution infrastructure means a greater ability to withstand severe storms. We will also replace distribution transformers, circuit breakers and reclosers, many of which are nearing end-of-life (and/or experience periodic overload conditions). This will reduce the likelihood of outages due to equipment failure and reduce maintenance cost. Finally, we will replace aging voltage regulators and capacitors that we use to keep voltage within limits for our customers, improving power quality.

Upgrading our distribution equipment will have important benefits beyond improving reliability. Modern equipment will be ready for automation and advanced control (see Distribution Automation and Technology below). Purchasing new equipment with integrated electronic intelligence can be less expensive and more reliable than trying to retrofit non-standard, outdated equipment. Grid resilience has many additional societal benefits that go beyond customer outage reduction. Power outages can hinder the ability of emergency personnel from providing services that would be much needed during extreme weather events. A large commercial or industrial customer may be harmed, and supply chains disrupted by an outage.

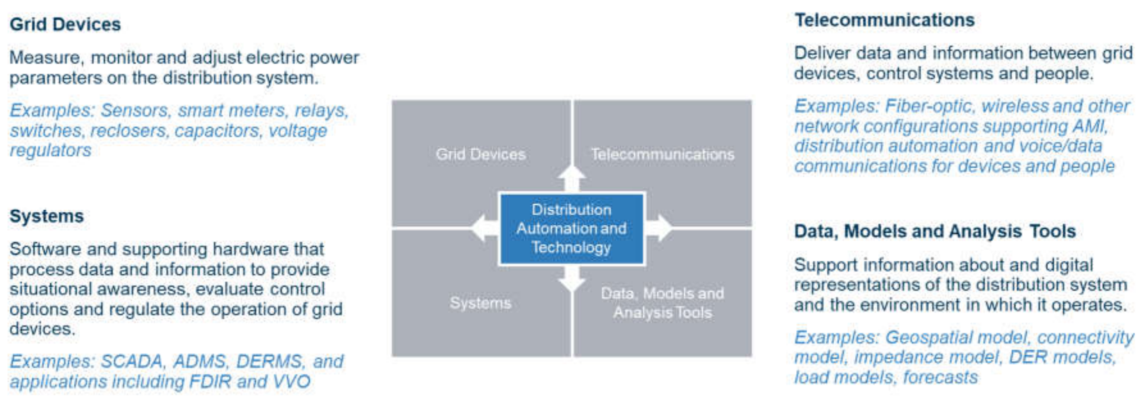
***Distribution Automation and Technology***

A key aspect of modernizing our grid is the application of advanced technologies that support digitization, automation, and optimization of our infrastructure. Evergy will expand our use

[14] https://www.energy.gov/sites/prod/files/2013/08/f2/Grid%20Resiliency%20Report_FINAL.pdf

of these advanced technologies to improve operational performance, reduce cost, and enable the integration of clean distributed energy resources (such as solar and energy storage) and beneficial electrification. Figure 3 summarizes some of the advanced technologies we plan to deploy.

***Figure 3: Distribution Automation and Technology***




### *Transmission Grid Resiliency*

Like the upgrades of distribution infrastructure, Evergy will target aging transmission infrastructure for replacement and rehabilitation. This will include station transformers, circuit breakers, and other equipment. We will invest in technologies that will support critical cyber and physical security to protect the bulk electric system. Transmission assets often serve distribution substations which, in turn, serve very large numbers of customers. The transmission system also plays a critical role in maintaining the stability, security, and overall performance of the power system. Newer, healthy assets will mean lower risk of equipment failure, higher improved reliability for customers, and lower maintenance costs. In addition, a robust and flexible transmission system will enable better power import/export capabilities to optimize customer fuels costs by reducing congestion, helping Evergy integrate more renewable energy, and facilitating the transition to a cleaner, greener energy supply mix.

***Asset Hardening & Contingency***

Some assets are essential to continued reliability of large portions of the power system. Loss of such assets, a large station transformer or transmission line, can cause large scale disruptions to the power system and/or our customers. Our engineers work to mitigate the risk of losing such assets by building redundancy into the system and developing backup plans (i.e., contingencies). For some assets, we apply hardening to increase physical strength and prevent damage from wind, ice, heat, wildlife, or flooding. Evergy will invest in hardening, replacement, or reconfiguration of those assets to increase operating standards and support contingency availability. In addition to preventing outages, asset hardening will also avoid emergency repair and replacement costs that can be very expensive compared to planned capital improvements.

## III. Benefits of the Grid Enhancement and Technology Plan

The benefits from the grid enhancement and technology capital plan are substantial and are derived from increasing our operational capabilities in several important areas. Leveraging industry benchmarks and the experience of BCG, the potential economic value of the benefits from the capital plan investments discussed above is between $2.0 billion and $3.0 billion (20-year PV). These benefits are grouped within five main categories.

***Table 2: Summary of Estimated Economic Benefits of the Grid Enhancement and Technology Capital Plan***

| Benefit Category | Range of Economic Value (20-yr PV) |
|---|---|
| Reduce bills through energy efficiencies | $270M to $680M |
| Reduce base rates through reduction in capital equipment replacement | Up to $120M |
| Reduce operations expense and customer bills | $40M to $70M |
| Reduce carbon emissions with a greener grid | $840M to $1.4B |
| Improve reliability and customer experience | Up to $770M |
| **Total estimated economic value of benefits** | **$2.0B to $3.0B** |

Source: Boston Consulting Group

### *Reduce Bills Through Energy Efficiencies*

The digital information and advanced operational capabilities supported by our distribution automation and advanced technology deployments will help Evergy reduce energy losses and will help our customers use less electricity. These technologies will also support the development of modern pricing programs and rate structures that will help our customers better manage their energy usage and increase the value of electricity. Benefits will be achieved in five areas:

- Reduced electricity consumption with advanced metering data;
- Theft reduction;
- Volt/VAR optimization;
- Reduced line losses; and
- Reduced peak capacity.

Over twenty years, the present value of these benefits is estimated to be between $270 million and $680 million.

### *Reduce Base Rates Through Reduction in Capital Equipment Replacement*

Repairing and replacing equipment due to failure and storm damage is costly. Restoration costs, overtime labor, backup equipment, and premium prices on emergency equipment purchases make it much more expensive than planned capital investments. The resiliency investments included in Evergy's capital plan will reduce emergency replacement costs and reduce the cost of electricity for our customers. Benefits will be achieved in two areas:

- Failure capital expenditure reduction; and
- Storm capital expenditure reduction.

Over twenty years, the present value of these benefits is estimated to be up to $120 million.

***Reduce Operations Expense and Customer Bills***

Better information, combined with advanced operational capability, will help Evergy increase worker productivity, and allow us to manage our infrastructure more efficiently. The visibility and automation enabled by our capital investments will mean fewer trips into the field to inspect and maintain equipment. Better information for our customers, combined with enhanced self-service options will reduce the demand on our call centers, and allow us to be more responsive to our customers. Significant benefits will be achieved in four areas:

- Fewer truck rolls;
- Reduced call center volumes;
- Reduced meter service and replacements costs; and
- Workforce productivity.

Over twenty years, the present value of these benefits is estimated to be between $40 million and $70 million.

***Reduce Carbon Emissions with a Greener Grid***

Improving energy efficiencies means lower carbon emissions from fossil generation. In addition, enabling and supporting beneficial electrification will help transition more of society's energy usage to carbon free resources. The advanced capabilities we are building into our grid will allow us to reduce carbon emissions. Benefits will be achieved in two main areas:

- Emissions reductions from energy efficiencies; and

- Emissions reductions from enabling and supporting increased adoption of electric vehicles and other sources of beneficial electrification.

Based on EPA estimates for the social cost of carbon, over twenty years, the present value of these benefits is estimated to be between $840 million and $1.4 billion.

***Improve Reliability and Customer Experience***

Power outages are disruptive and costly for our customers and society. Grid reliability affects daily life, economic output, and public safety. Evergy's investments in improving reliability and resiliency will yield significant benefits based on the value of electricity service. Over twenty years, the present value economic benefit of reducing customer outages is estimated to be up to $770 million.

Improvements in safety, customer experience and power quality also deliver important benefits to our customers and society. These benefits are integral to utility operations, but are, however, more difficult to quantify.

***Create Jobs by Building and Operating a Modern Grid***

Deploying the infrastructure, equipment and technology over the next five years will be a major investment and will result in job growth for our economy. The transformation to a modern digital grid and the advanced energy technologies it supports will increase demand for a highly skilled workforce.

## SECTION 5:
## ACCELERATE TRANSITION TO CLEANER ENERGY

### I. Introduction

The five-year STP continues our transition to a cleaner resource portfolio and results in lower operating costs. This cleaner portfolio, consisting of changing the mix of supply-side and increasing demand-side resources, is more sustainable and mitigates the risks faced by Evergy and our customers of future environmental regulation. This section addresses the transition of the resource portfolio through our Kansas and Missouri IRP processes, complemented by other actions in our long-term energy plan to facilitate the interconnection of clean distributed resources and add transmission that supports clean energy within our service areas and across the region.

### II. STP Portfolio Actions

The STP includes the potential retirement of approximately 500 MW (of coal generation in 2024 and the development of 700 MW and purchases of an additional 200 MW of renewable energy through 2024. These actions are estimated to require approximately $675 million of investment which, when combined with other cost-saving initiatives, will contribute to FPPC in 2024 being approximately $145 million lower than 2019 costs. These FPPC savings will flow directly to customers through our fuel adjustment clauses in Kansas and Missouri.

These resource portfolio actions continue our transition to become a clean energy provider which began over fifteen years ago. Since 2005, Evergy has retired more than 2,400 MW of fossil generation and added or contracted for over 4,600 MW of renewables, making Kansas #2 in the nation for wind generation as a percentage of total generation. Our current renewable resources are predominately Evergy-owned or contracted for wind resources. Nearly half the power to homes and businesses we serve already comes from carbon-free sources. Our most recent 2020 annual IRP update already included a planned addition of 500 MW of solar across the Evergy utilities, which is reflected in the STP. The process to develop the 2021 Triennial IRP will reflect a continued transition from coal to utility-scale wind, solar, and solar+storage resources. Expansion of our energy efficiency programs, and other demand-side resources will also contribute to meeting our sustainable energy goals, while lowering long-term energy costs.

Evergy is currently targeting an 80% reduction in $CO_2$ emissions by 2050 relative to 2005 levels. However, there are opportunities related to decarbonization and renewables deployment that are not currently included in our five-year STP which could support additional investment and offer the potential to reduce $CO_2$ emissions by up to 85% by 2030. The pace of decarbonization will ultimately be defined in collaboration with our stakeholders during the IRP process and as part of our engagement with a broader group of stakeholders with respect to the STP.

As noted above, our STP resource plan includes a mix of owned and contracted renewable resources. We understand the importance of engaging with regulators and other stakeholders regarding the value of maintaining a mix of resources, and the particular attributes of owned-renewables that provide a degree of control over the assets as well as a hedge against price volatility that may be associated with power purchase agreements.

Evergy may be able to lower the costs to customers of coal plant retirements through accelerated depreciation or securitization of remaining plant balances at the time of retirement. Securitization is a ratepayer-backed debt financing mechanism that could facilitate earlier retirement of less efficient and less cost-effective coal generation and allow us to more quickly deploy new renewable generation in our portfolio by lowering the cost of financing undepreciated asset balances to be recovered over a future period. It would require carefully drafted legislation in Kansas and Missouri to balance cost, environmental, community and shareholder interests but it has been used in other jurisdictions to address similar circumstances in which a desired policy action (in this case, an accelerated transition to clean energy) requires financing of coal plants' remaining asset balances.[15] If stakeholders

[15] Various U.S. states approved nearly $55 billion (USD) in securitization bonds between December 1997 and August 2019. Source: Sidak, J. Gregory, Transition Bonds for Stranded Costs, The Criterion Journal on Innovation, Vol. 4, 2019.

agree with Evergy's plan to accelerate coal plant retirements and thereby increase the pace of decarbonization, we will ask them to support enabling legislation.

As discussed in Section 8, engagement with stakeholders is an integral component of Evergy's STP and longer-term IRP. The STP serves as a starting point for engaging stakeholders, particularly as it relates to investments in grid modernization and resource portfolio decarbonization transition actions that are planned for 2020-2024. The IRP analysis and stakeholder engagement processes will determine the final plans, balancing the pace of decarbonization with other desired outcomes, including rate impacts that reflect associated changes in investments as well as reduced FPPC and NFOM expenses.

## SECTION 6:
# FINANCIAL RESULTS

## I. Introduction

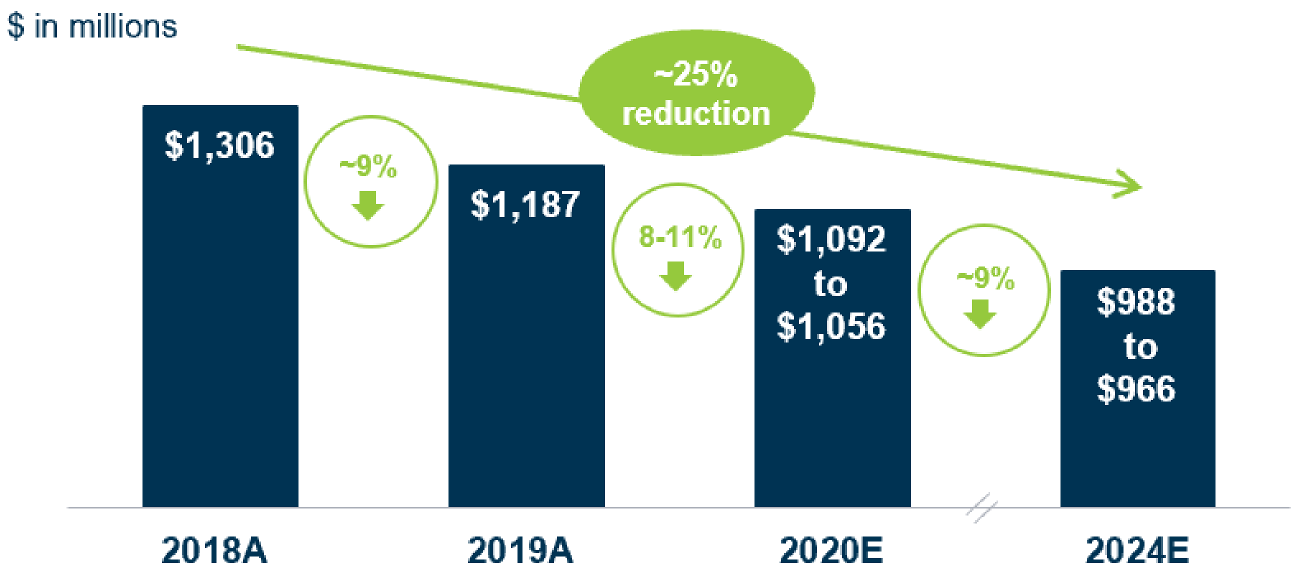
From a financial results perspective, the STP is focused on optimizing and enhancing value creation for shareholders, customers, communities and employees, with impacts in five key areas: (1) operational efficiencies and cost reductions; (2) customer-focused capital expenditures; (3) increased affordability and regionally competitive rates; (4) maintaining our strong credit profile; and (5) earnings.

## II. Operational Efficiencies and Cost Reductions

The STP supports continued execution on merger efficiencies and realization of incremental savings in both NFOM and FFPC, as discussed in Section 3. These savings are expected to keep rate increases low and improve our regional rate competitiveness. By 2024, Evergy estimates that it will have in place an overall lower cost structure that will yield NFOM expense $330 million lower than in 2018 using the midpoint of the projected 2024 NFOM expense range. NFOM savings supported by the STP grow consistently through 2024 at which point annual NFOM will be 25% below 2018 NFOM.

The Figure 4 shows the impact of the targeted NFOM reductions described earlier in this report.

*Figure 4: Targeted O&M Reductions, 2018 - 2024*[16]




The STP also provides for significant FPPC savings. FPPC are projected to be approximately $145 million lower in 2024 as compared to 2019. STP savings from FPPC grow consistently through 2024.

The drivers of NFOM and FPPC savings over the five-year STP are further described in Section 3 of this report. These operational efficiencies will be brought about in part by investment in the transition to cleaner energy and a more modern electrical grid, as discussed below.

## III. Capital Expenditures

As discussed in more detail earlier in this report, the STP incorporates customer-focused infrastructure and grid modernization investments and an accelerated transition to cleaner energy. Collectively these investments enable and support a lower cost structure and create significant stakeholder benefits. Investments in renewables will accelerate our transition to

[16] A reconciliation of adjusted NFOM (non-GAAP) to NFOM (GAAP) is included in the appendix to the Company's August 5, 2020 Sustainability Transformation Plan and Second Quarter 2020 Results presentation.

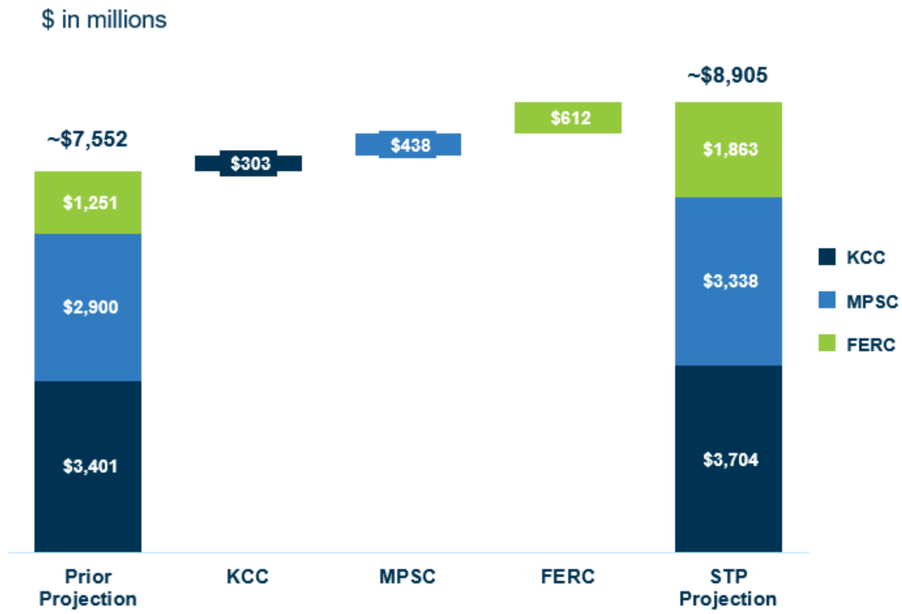
a more sustainable generation profile and will be evaluated and finalized through the IRP stakeholder process. The STP will also yield a more modern, reliable grid through distribution grid resiliency investments, asset hardening and contingency investments and distribution automation and technology investments. Capital expenditures are expected to be made throughout the course of the five-year STP plan horizon.

***Table 3: CapEx Forecast, 2020 – 2024***

| STP Accrued Capital Expenditures<br>In millions | Projected<br>2020 | Projected<br>2021 | Projected<br>2022 | Projected<br>2023 | Projected<br>2024 | Projected<br>2020-2024 |
|---|---|---|---|---|---|---|
| Generating Facilities: New Renewables | - | - | 425 | 200 | 50 | 675 |
| Generating Facilities: Other | 453 | 280 | 342 | 294 | 212 | 1,581 |
| Transmission & Distribution Facilities: FERC | 240 | 350 | 386 | 505 | 382 | 1,863 |
| Transmission & Distribution Facilities: Other | 653 | 964 | 950 | 747 | 749 | 4,063 |
| General Facilities & Other | 240 | 132 | 137 | 106 | 108 | 723 |
| Total | 1,586 | 1,726 | 2,240 | 1,852 | 1,501 | 8,905 |

These capital expenditures will contribute to enabling long-term and sustainable cost savings of approximately 25% reduction in NFOM by 2024 and tens of millions of dollars of FPPC savings, which are expected to result in modest rate increases consistent with Evergy's desire to further improve our regional rate position. The benefits of these investments will then be realized both during the five years of the STP and well beyond this planning period, consistent with the useful life of the investments.

*Figure 5: Change in Five Year Capital Plan Ending 2024*



The following figures provide breakdowns of CapEx and rate base by jurisdiction. The proportionally greater allocation of CapEx to Missouri reflects the influence of legislation enacted in Missouri in 2018 which mitigates earnings erosion by deferring to a regulatory asset 85 percent of depreciation and return associated with certain rate base additions thereby facilitating infrastructure investment in Missouri.[17]

***Figure 6: Breakdown of CapEx by Jurisdiction, 2020 – 2024***

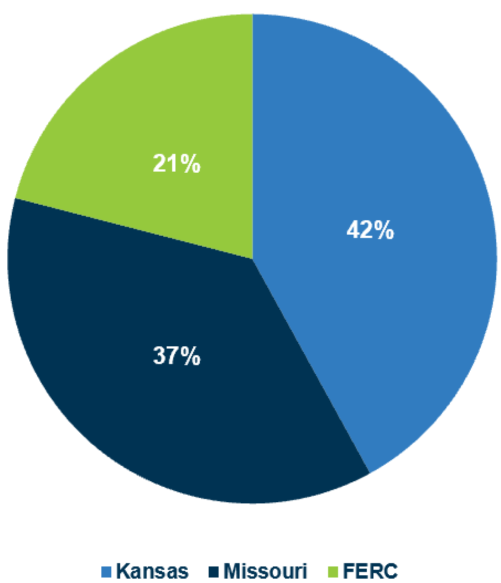
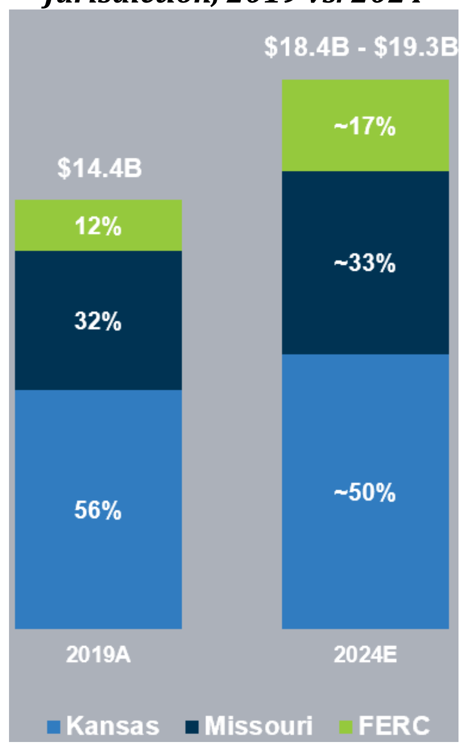



***Figure 7: Rate Base by Jurisdiction, 2019 vs. 2024***

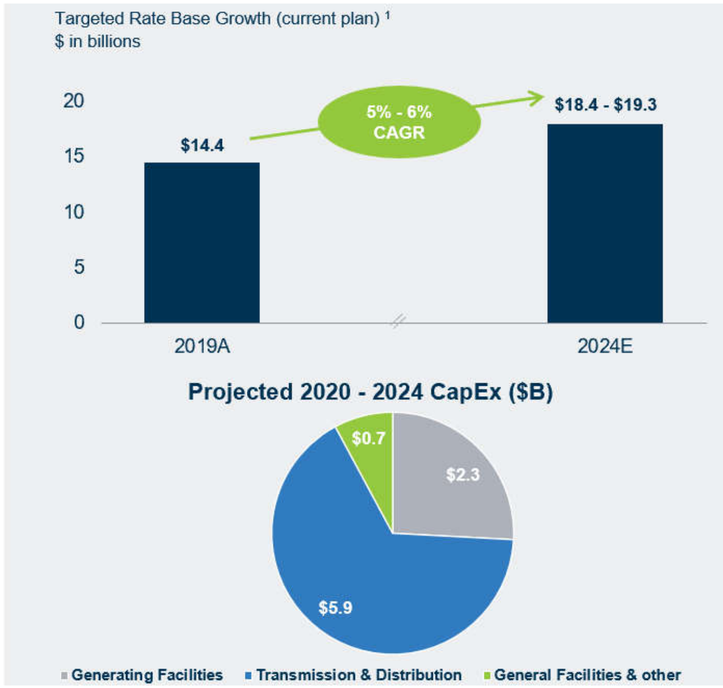



As shown below, our capital investment plan will result in an approximately 5% - 6% compound annual growth rate in rate base over the five-year STP period.

[17] Section 393.1400.2 RSMo.

*Figure 8: Change in Rate Base, 2019 - 2024*

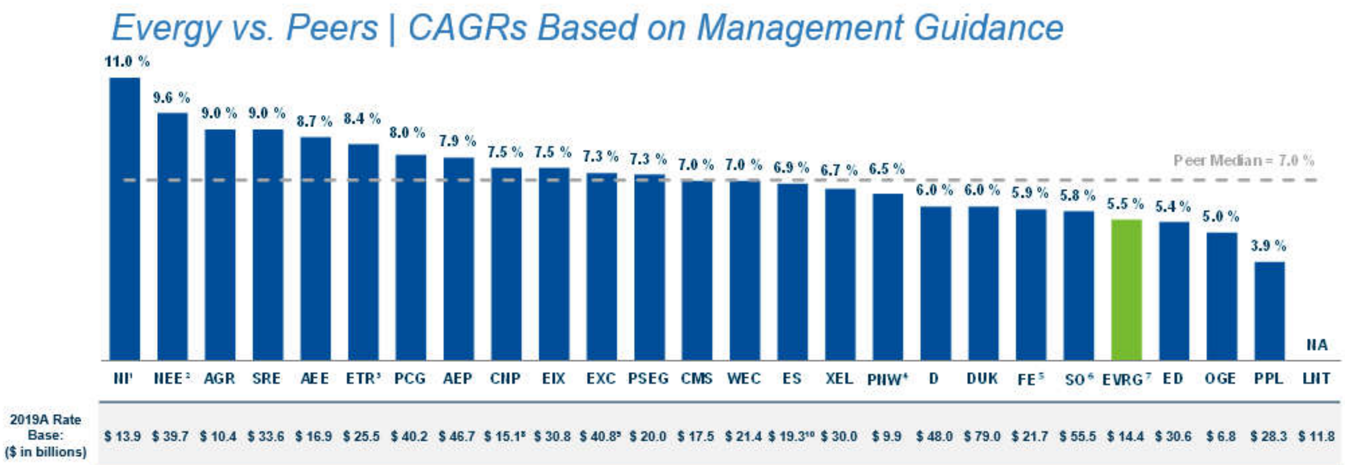
**STP: ~$8.9B CapEx Plan[18]**




It is important to put our growth rate in perspective relative to our peer utilities. As shown by the figure below, our rate base growth rate is among the lowest of our peers based on information obtained from management guidance contained in investor presentations. This reflects our balanced approach to identifying capital investments, which will generate long-term benefits for all stakeholders while being mindful of near-term costs and rates.

[18] Net of generation asset securitization.

***Figure 9**: **Long-Term Rate Base CAGR Benchmarking**[19]*




## IV. Strong Credit Profile

Evergy has an A- corporate credit rating from S&P and a Baa2 senior unsecured debt rating from Moody's. In general, credit ratings agencies assess a company's business risk profile and financial risk profile to evaluate credit worthiness and determine a credit rating, along with consideration of other factors such as a company's financial policy, management, and governance. While financial metrics play a significant role in the ratings process, business

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[19] Source: Management guidance from investor presentations. Notes:

1. NiSource's long-term rate base CAGR is calculated using the midpoint of their 2021E – 2024E rate base CAGR range of 10% - 12%.
2. NextEra's long-term rate base CAGR is calculated using 2018 total rate base ($36.7bn) and 2022 total rate base ($53bn) for Gulf Power and FPL.
3. Entergy's 2019 rate base estimate is as of February 2020. Entergy's rate base CAGR is calculated using midpoints of 2019E - 2022E rate base forecast.
4. Pinnacle West's 2019 rate base is calculated using 2018A rate base of $9.3bn grown at the midpoint of their long-term rate base CAGR range of 6% - 7%.
5. FirstEnergy's long-term rate base CAGR is calculated using 2018 total rate base ($20.4bn) and 2023E total rate base ($27.2bn) for their distribution and transmission segments.
6. Southern's long-term rate base CAGR is calculated using 2019 total rate base ($55bn) and 2024 total rate base ($73bn) for their electric utilities and gas LDCs segments.
7. Evergy's long-term rate base CAGR of 5.5% represents the midpoint of their long-term rate base CAGR range of 5% - 6%.
8. Centerpoint's Vectren reported 2019A rate base of $8.4bn and has a long-term rate base CAGR of 8.3%.
9. Exelon's ComEd reported 2019A rate base of $15.3bn and has a long-term rate base CAGR of 7.5%.
10. Eversource's 2019A rate base is calculated using 2018A rate base of $18.1bn grown at their long-term rate base CAGR of 6.9%.

risk profiles are given equal or greater weighting. Evergy is assessed the highest (i.e., most credit supportive) business risk profile assessment of "Excellent" by S&P.

The STP maintains Evergy's forecasted credit metrics in line with its current strong credit ratings. For instance, in its most recent ratings report on the Company, Moody's stated "we expect a financial policy that will maintain a stable credit profile and generate consistent cash flows, including cash flow from operations pre-working capital (CFO pre-WC) to debt in the 15% to 16% range."[20] The STP maintains this financial policy.

Importantly, the STP also continues to address our portfolio of coal generation facilities, which is one of the Company's key credit risks identified by S&P. S&P states that "[t]he company's coal generation exposes it to heightened environmental risks, including the ongoing cost of operating older units in the face of disruptive technology advances and the potential for increasing environmental regulations requiring significant capital investments. Of its total generation capacity of about 14,700 MW, coal represents about 40%, or about 5,900 MW."[21]

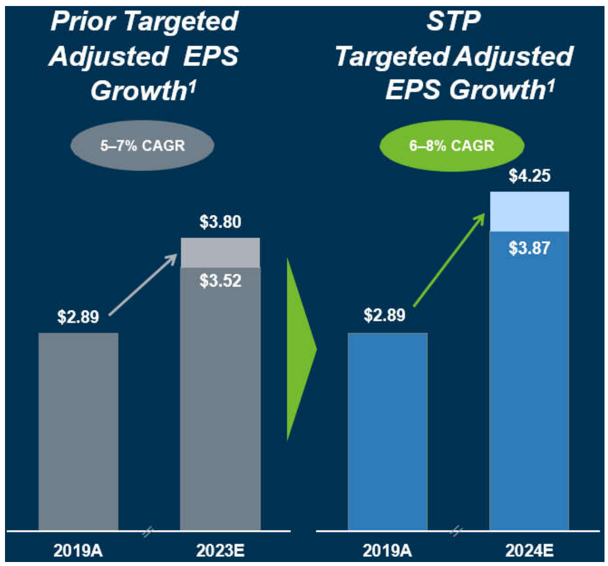
Some lenders have expressed concern with regard to the level of coal generation in our portfolio which if unaddressed could impact our cost of capital. Likewise, insurance companies are adopting underwriting restrictions to transition their portfolios away from coal and ceasing to offer capacity to companies that do not meet certain carbon restrictions/thresholds. Our upcoming renewals are expected to be challenged with a reduction in capacity due to our current carbon footprint. As discussed above, Evergy's STP includes the pursuit of constructive regulatory mechanisms to economically retire coal-fired generation and expand Evergy's renewable footprint, driving lower FPPC and NFOM, while also mitigating exposure to potentially higher insurance and borrowing costs, which helps keep our customers' bills lower than they would have otherwise been.

[20] Moody's Investors Service, "Evergy, Inc.," July 22, 2020, at 1.
[21] S&P Global Ratings, "Evergy Inc.," May 27, 2020, at 7.

## V. Earnings

The STP will enhance long-term shareholder value by providing a competitive total shareholder return. The Company's STP adjusted EPS growth rates (i.e., 6-8% compound annual growth rate) are targeted to be in line with the top quartile of other electric and integrated utilities.

***Figure 10: Targeted EPS Growth***[22]




## VI. Risk Management

As with any significant corporate initiative, execution of the STP is subject to risks. Managing and mitigating risks requires: (1) thoughtful preparation and planning; (2) an understanding of risks and de-risking where appropriate; and (3) flexibility to address changes that may occur over the planning and execution horizon, along with the ability to re-optimize the plan over time.

[22] A reconciliation of adjusted EPS guidance (non-GAAP) to projected earnings per share, the most comparable GAAP measure, was included in the appendix to Evergy's August 5, 2020 Sustainability Transformation Plan and Second Quarter 2020 Results presentation.

### *Preparation and Planning*

Our robust approach to implementation that ensures broad collaboration with stakeholders, thoughtful engagement with employees and rigorous program leadership is intended to manage and mitigate execution risks. Our implementation plan is designed to facilitate the most supportive environment for the STP possible and maximize the value to stakeholders that can be created.

### *Understanding Risk*

There are a number of risks any strategic plan, including the STP, faces including regulatory (e.g., new supportive regulatory mechanisms), political (e.g., enabling legislation), management (e.g., capital project execution), and economic (e.g., local, national, and world economies, financial markets, inflation, etc.). The comprehensiveness and balance of the STP de-risks our earlier plans. Particular elements of the STP that de-risk the Company's previous plans include:

- De-carbonization and defined opportunities to improve Evergy's current supply planning process;
- Grid modernization investments improve reliability, reduce O&M and sustain reductions, and improve customer outcomes;
- Definition of an actionable plan to achieve cost efficiency and increase effectiveness across functions; and
- Delivery of a detailed, executable plan with visibility to risks over a multi-year horizon.

### *Flexibility and Re-Optimization*

If the past several months living and operating in this pandemic environment have taught us anything, it is that unexpected changes can happen. Our execution plan and ongoing stakeholder engagement positions us to be able to respond to changes and re-optimize our plan to ensure it continues to create value and deliver benefits to all stakeholders.

## SECTION 7:
## STAKEHOLDER BENEFITS

### I. Introduction

As discussed throughout this report, the STP is designed to increase value and create benefits for all stakeholders. To do so, the interests of all stakeholders must be considered and balanced. We did this, carefully considering the interests of our stakeholders and striking a balance which we believe is reasonable, including balancing the needs of our customers and the public for safe, reliable, efficient and sufficient service at just and reasonable rates with the needs of our shareholders to earn a reasonable return on their investment.

Achieving this balance naturally involves trade-offs. For example, capital investments that will generate long-term benefits must be weighed against near-term costs and rates. Ensuring none of our fundamental principles discussed in Section 1 and repeated below are compromised is critical to informing trade-offs, striking the reasonable and appropriate balance of interests and creating benefits for all stakeholders.

- Continue to deliver on our prior merger and regulatory commitments;
- Improve our regional rate competitiveness and enhance the customer's experience;
- Enhance key stakeholder collaboration;
- Maintain a strong credit profile; and
- Maximize long-term shareholder value.

It is important to note that in many cases plans that directly benefit one stakeholder group also provide benefits to other stakeholders. For example, T&D investments that enhance our access to renewables also create customer, community, environmental and shareholder benefits. Maintaining flexibility in the execution of the plan to respond to changes in the environment and evolving needs and priorities of stakeholders will ensure this balance continues to be struck and all stakeholders experience the benefits of the STP.

## II. Customer Benefits

Customer benefits of the STP include enhanced affordability, improved customer experience and improved reliability and resiliency.

***Enhances Affordability***

Under the STP, we have achieved or identified targeted reductions in NFOM resulting in 2024 NFOM projected to be $330 million lower than 2018 using the midpoint of the 2024 NFOM expense range. The forecasted cost reductions grow annually throughout the planning period and by 2024 create a 25% reduction in annual NFOM from 2018 levels. FPPC are forecasted to be $145 million lower in 2024 as compared to 2019 levels. These savings will ensure rate increases remain low and support the overall regional competitiveness of our rates. In fact, the overall rate CAGR from 2020-2024 on a dollar per kWh basis is projected to be below the rate of inflation. The digital information and advanced operational capabilities supported by our investments in technology will also help our customers use less electricity and better manage their energy usage. Collectively, this creates value for customers both during the next five years and well-beyond the STP planning period.

***Improves Grid Reliability and Resiliency***

Power outages are disruptive and costly for our customers and society. Grid reliability affects daily life, economic output, and public safety. Our plan will ensure high reliability with transmission and distribution infrastructure replacement and automation technology that will also lower overall costs over the life of the assets. Upgrades to T&D infrastructure and investments in asset hardening, grid automation, data handling and analytics capabilities and communications infrastructure will reduce the likelihood of outages due to equipment failure, reduce restoration times and build long-term grid resiliency for the benefit of our customers. Evergy's investments in improving reliability and resiliency will also improve power quality and yield significant benefits based on the value of electricity service. Improving energy efficiencies, including investing in demand side management ("DSM") and developing programs to promote beneficial electrification, will play a key part in providing benefits to grid operation.

***Improves Customer Experience***

The digital information and advanced operational capabilities supported by our distribution automation and advanced technology investments described in Section 4 will help our customers use less electricity and will improve the customer's experience by enabling automated outage communications, expanded digital communications, transactions and customer self-service options. These investments will also support the development of modern pricing programs and rate structures that will allow us to offer additional options to our customers and help our customers better manage their energy usage and increase the value they derive from the use of electricity.

## III. Employee Benefits

Building a financially sound, future-focused Evergy is a foundational employee benefit in that we must adapt to survive and thrive. In a changing industry, it is our responsibility to adapt for a sustainable future that benefits our workforce by affording employees new opportunities within the Company when change is necessary. "People First" doesn't' promise exactly the same job in exactly the same place. "People First" means making decisions for the good of the whole. The STP positions Evergy for the future by taking a holistic approach - understanding why, what and how we need to change and then charting a path forward that incorporates how employees can be part of that shared success along with customers, communities and shareholders.

***Provides Long-Term Training and Career Development Opportunities***

We remain steadfast in our merger commitment to no merger-related involuntary severance and to proactively work with employees to explore opportunities within the Company as we evolve with the energy needs of our customers. The STP provides long-term retraining and career development opportunities for employees to grow and support the work we are doing to create a forward-thinking, sustainable energy company. This includes introducing new ways to work with technology and other skill development to support a modernized grid and enhanced customer experience.

***Enhances Recruiting***

Evergy's plan for continued decarbonization is a key factor in recruiting new talent, as well as developing skillsets within our current talent. Our vision to create a forward-thinking, sustainable energy company includes a commitment to be a great place to work for the talent we need. Like the increased interest we've seen in the investment community, prospective employees have greater expectations regarding corporate sustainability and decarbonization, in particular. The STP addresses those expectations and positions us to attract the top talent that will drive our future success.

## IV. Community Benefits

Community benefits include regionally competitive rates, economic development, a lower carbon community, and the honoring of our commitments to our communities.

***Supports Regionally Competitive Rates***

In addition to benefitting our customers by enhancing the affordability of rates, our disciplined approach to cost reductions, operating efficiencies and customer-focused investments envisioned under the STP will also improve our regional rate position. As discussed in Section 3, we have improved our rate competitiveness relative to our regional peers since the merger. The STP is expected to maintain this momentum and keep our overall customer rates CAGR across all our utility customers below the expected rate of inflation over the next five years. These benefits will continue well-beyond the five years of the STP, consistent with the useful life of the enabling investments.

***Creates Economic Development***

Investments in grid modernization projects and renewable generation will create jobs and other economic activity that will boost our communities at a time of significant need as they look for stimulus to help recover from the economic impact of the COVID-19 pandemic. Investments in renewable energy and grid modernization will also help attract companies to Evergy's service area. Energy cost competitiveness, improved reliability and resiliency, reducing our carbon emissions and increasing renewables deployment will improve overall public health and the quality of life and create economic development in our communities.

***Honors Our Commitment to Our Communities***

Evergy is an active corporate citizen. We are a major employer, provide an essential service and support community programs. Our employees volunteer 22,000 hours annually in their communities and, at a corporate level, we provide more than $6 million annually to support the communities we serve. Current community involvement and investments are maintained by the STP. Existing regulatory commitments are maintained and supported by the STP.

Importantly, the STP preserves local control by maintaining Evergy as a stand-alone company with headquarters in Topeka, Kansas, and Kansas City Missouri. Local control means that management and all levels of the Company live and work in the communities and with customers we serve. We hear first-hand from customers when there is a problem. We have personal and professional relationships with people in every community and therefore have a personal stake in the outcomes from decisions and projects. This extends to the STP—we will hear first-hand from Evergy's stakeholders what is working and what is not as well as what stakeholders like and what they do not. We work closely with elected officials and regulatory bodies that enact policy and oversee the utility industry. Instead of dealing with a regional representative, our team is local and available to all levels of elected officials and state regulators.

Local control also means that when there is a problem impacting a community, Evergy can be part of the solution. For example, when funding was needed to finish a community park and gathering place in Topeka, local businesspeople and elected officials walked down the street, met with Evergy in person and asked for the funds necessary to complete the project. Because we are local and live in the community, we were aware of the project and its importance to the community and we made a substantial contribution to make this park a reality. A nearly identical contribution was made to a similar project in Wichita. Earlier this year, the Kansas City Police Department reached out to us and said it needed funding to provide all officers with body cameras to help increase community trust in the police department. Evergy partnered with several other large Kansas City companies to make another substantial contribution to fund this project. All these contributions were above and beyond the commitment we made regarding charitable giving and community involvement in the merger.

***Supports Customer and Community Carbon Reduction Goals***

Many of our customers and communities are seeking our partnership in helping them achieve their carbon reduction goals. These requests from customers and communities include requests for direct renewable energy, energy efficiency rebates, energy benchmarking assistance, or installation of electric vehicle charging stations, as examples. The STP emphasizes our goal of serving the evolving needs of our customers and strengthens our partnership with our customers as they work to develop their path to decarbonization.

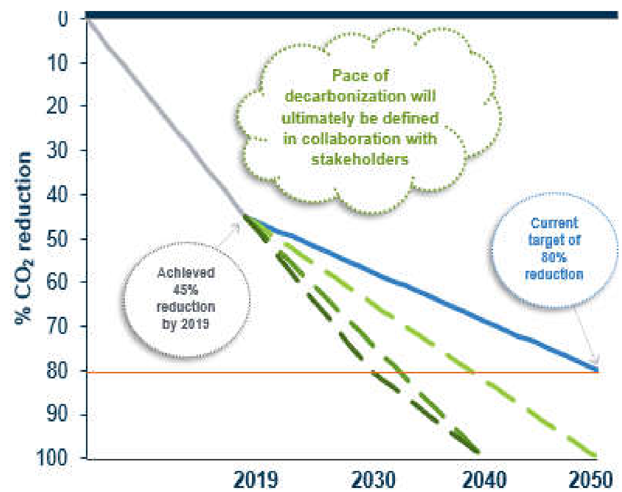
## V. Environmental Benefits

Environmental benefits include delivering cleaner energy and supporting infrastructure. The Company also plans to engage stakeholders in developing and implementing our clean energy goals.

### *Delivers Cleaner Energy*

Our IRP will build on our focus on sustainability with increased investment in renewable energy and other supporting infrastructure, including solar energy, wind power, battery storage and expanded energy efficiency programs. Pursuing legislative and regulatory policy changes that allow for more accelerated decarbonization through retiring coal plants earlier than currently planned will decrease $CO_2$ emissions, lower operating cost and de-risk our generation profile. Investments in grid modernization will enable a more energy-efficient delivery infrastructure and easier access to and development of distributed energy resources and utility-scale renewables.

***Figure 11: CO2 Emission***




### *Enables Beneficial Electrification*

Investments in grid modernization will enable easier access to and development of distributed energy resources and customer facing grid-edge technology. This will ensure that our grid is ready to power the growth of electric vehicles in Kansas and Missouri, along with other forms of beneficial electrification that expands decarbonization benefits economy-wide.

### *Facilitates Demand Side Management*

Evergy has a long-standing DSM presence in Missouri, which has been enabled by the Missouri Energy Efficiency Investment Act ("MEEIA"). Our programs have positively impacted over 270,000 residents and 6,000 businesses in Missouri in Cycles 1 and 2, with customers saving over 768 million kWh. Our MEEIA programs have created local jobs, reduced carbon emissions, and supported residential, business and income qualified customers.

Similarly, in 2014, the Kansas Legislature passed the Kansas Energy Efficiency Investment Act ("KEEIA"), designed to promote the development of energy efficiency programs that Kansans could participate in to help manage their energy costs. Since that time, a handful of programs have been proposed, but never implemented. Evergy has recently been revisiting KEEIA with stakeholders and will be proposing adjustments to the 2014 legislation that could potentially unlock the benefits of KEEIA and result in new energy efficiency programs, similar to the successful programs that Evergy has developed in Missouri.

## VI. Shareholder Benefits

Shareholder benefits include a compelling growth and total return profile, financial strength, improved local sustainability and long-term viability and confidence in the executability of the plan. While delivering shareholder value over the term of the STP, the plan is also aimed at enhancing the long-term value of the Company beyond the five-year STP.

***Balanced Rate Base Growth***

The opportunity for longer-term growth in rate base due to infrastructure and decarbonization investment opportunities creates both enhanced returns for shareholders and a shift in the composition of Evergy's costs which is beneficial to customers. Our capital investments are intended to both provide long-term value for customers and other stakeholders, and also support operational efficiencies and reduce operating costs. Shifting costs from O&M to rate base provides more rate stability and predictability for customers and the opportunity for higher returns for shareholders. As shown in Section 6, Figure 9, our rate base growth is in the bottom quartile of our peer utilities. This rate base growth, coupled with overall rate increase CAGRs across all our utility customers that are projected to be below the rate of inflation, support the balance we have struck in the STP.

***Creates Competitive Returns and Maintains Financial Strength***

The STP will create earnings per share growth that benchmarks competitively with other comparable utility companies. The STP will also maintain Evergy's strong, investment grade credit profile. Collectively, this supports Evergy's continued access to capital at competitive costs which in turn benefits our customers and our rates.

***Advances Sustainability***

Decarbonization and investing in and modernizing the electrical grid improves our long-term sustainability platform. This further enhances Evergy's alignment with the long-term interests of our investors and insurers who, as discussed earlier in this report, prefer less coal and more renewable generation. This contributes to better access to capital and insurance capacity at competitive rates.

## VII. Regulators and Other Stakeholders

In addition to delivering customer, employee, community, environmental and shareholder benefits, the STP honors our merger and other regulatory commitments, respects regulatory policies and invites broad engagement from stakeholders.

***Honors Merger and Other Regulatory Commitments***

The STP honors and supports all our merger and other regulatory commitments. We stand behind the commitments we have made.

***Respects Regulatory Policies***

We also carefully considered regulatory requirements, objectives and policies. We have listened to our regulators; the STP supports and balances regulatory objectives. The STP respects regulatory policies and will pursue constructive regulatory mechanisms to address coal plant retirements. As noted earlier, maintaining local control of Evergy enables us to continue to work closely with elected officials and regulatory bodies that enact policy and oversee the utility industry.

### *Invites Broad Stakeholder Engagement*

We believe that stakeholder engagement will result in better long-term plans. Engagement with stakeholders is an integral part of the STP and our longer-term IRP.

# SECTION 8:
# STAKEHOLDER COLLABORATION

## I. Introduction

A cornerstone of the STP is our commitment to engage with key stakeholders. The triennial IRP processes provide an opportunity to engage with stakeholders that have an interest, experience, and expertise in resource planning issues. As described below, we are increasing the level of IRP stakeholder engagement to incorporate the STP. This is timely and appropriate as we discuss the pace and form of the path to our resource portfolio decarbonization and as we prepare our first IRP in Kansas. We will engage with a broader group of stakeholders to discuss other aspects of the STP, including grid modernization, transmission investments, and efforts to improve the regional competitiveness of our retail rates. Enhanced stakeholder collaboration will contribute to better outcomes for all stakeholders as we invest in and build upon our constructive relationships with regulators, communities, customers and other stakeholders. It is our aspiration that the enhanced engagement with diverse interests will enable the development of a plan that achieves our shared goals of affordable, clean, reliable electricity that delivers value to our customers and communities.

Successful stakeholder engagement means that the final version of the STP will likely involve changes from the current plan because it will be informed by and reflect suggestions made by stakeholders. And it means that the final version of the STP should have a broad array of community, business, customer and political support. While we may not be able to reach 100 percent consensus on every aspect of the STP, we are striving for a level of engagement from stakeholders that allows us to move forward with a plan that reflects a balancing of interests that all stakeholders can endorse.

## II. Objectives of Stakeholder Collaboration

Stakeholder collaboration will result in a better plan that balances all perspectives. Our objectives when engaging stakeholders in the STP are presented in Table 4.

***Table 4: Objectives of Stakeholder Collaboration***

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

## III. IRP Stakeholder Engagement Process

The IRP stakeholder engagement process is relatively formal and usually includes stakeholders that have experience with resource planning issues. We will be extending our IRP process across our full service territory with the filing of a 20-year IRP in April 2021 for Missouri, followed by a July 2021 IRP filing in Kansas (which will likely be a shorter 10-15 year IRP as defined in the KS IRP rules, pending future stakeholder discussion).

Each state's IRP will involve several structured stakeholder meetings planned to produce analysis and results that will align with each state's IRP rules while also ensuring process efficiency and overall consistency of assumptions.

The IRP stakeholder engagement process is designed to engage stakeholders in every step of developing the IRP including key assumptions, the identification of alternative portfolios, specification of sensitivity and scenario analyses, and development of the final resource plans. IRPs are substantial and rigorous efforts that involve several analyses and inputs including:

- Load Analysis & Load Forecasting
- Beneficial Electrification Analysis
- Demand-Side Resource Analysis
- Transmission & Distribution Analysis
- Supply-Side Resource Analysis
- Integrated Resource Plan Analysis

We have already begun the stakeholder engagement process with stakeholder meetings in both states in April and an initial discussion of IRP process and inputs on July 22, 2020 in Kansas and July 23, 2020 in Missouri. These meetings included Evergy presentations and stakeholder discussions on several IRP topics including demand forecasting, demand-side resources, beneficial electrification, energy storage, transmission, and plans for all-source solicitations.

Evergy's role is to present the work that our planning experts have done to help set the stage for stakeholders to participate effectively. Setting out and discussing the goals of the IRP at the outset of this process will help Evergy and all stakeholders work collaboratively to develop the best long-term resource plan. Our goals for stakeholder engagement are to encourage transparency that supports active stakeholder participation, enrich the analyses by reflecting the diversity of stakeholder perspectives, and facilitate productive discussions around the ultimate goals of the IRP process. To help guide the IRP discussions, Evergy has proposed a set of five "core tenets" or goals:

1) **Value and Affordability:** Balancing priorities and managing costs to provide the power customers need at a competitive price;
2) **Reliability:** Ensuring our customers have the power they need when they need it;
3) **Safety:** Keeping the safety of our employees, customers and communities at the core of our plan;

4) **Environmental Stewardship:** Managing our resources for the benefit of current and future generations; and
5) **Flexibility:** Adapting our plan as conditions evolve to best serve our stakeholders.

The resource transition plan assumptions reflected in the STP (*i.e.,* specific resource investments and retirements) are starting points for the IRP exercise. We believe that these assumptions are valid and reliable for purposes of beginning our analysis and are directionally consistent with where we expect that the IRP stakeholder engagement process will take us. However, we are not constrained by these assumptions as we want our final plan to ultimately reflect the collective perspectives of Evergy and stakeholders.

We will also discuss the financial implications of coal plant retirements with our stakeholders as part of the IRP process. There are mechanisms that can help address a renewable energy transition, including accelerated depreciation, securitization or a combination thereof to address remaining coal plant balances at the time of retirement. Evergy anticipates supporting these stakeholder discussions through IRP and financial analyses. Transitioning Evergy's resource portfolio is a core element of the STP and the central element of any path to further decarbonization. By accelerating the transition from coal to renewable energy resources, we can mitigate future risks associated with carbon regulation and create sustainable reductions in FPPC and NFOM for the benefit of our customers. Our goal is to achieve these objectives while maintaining reliability, safety, and affordability of our services.

## IV. STP Stakeholder Identification and Outreach

We have two primary stakeholder collaboration processes that relate to the issues addressed in this report: (1) the more formal IRP stakeholder engagement process outlined above and (2) the broader STP stakeholder engagement process. Evergy has a long history of stakeholder engagement regarding business plans, projects and impacts on the communities we serve. Broadening our formal IRP stakeholder engagement process in the STP stakeholder collaboration to encompass additional areas of the Company's operations allows for a holistic picture of the Company's future and streamlines the process for stakeholders to help demonstrate the interconnectedness of our IRP and STP. It should also be noted that the STP stakeholder engagement process envisioned under the STP is consistent with, if more expansive than, the stakeholder capital investment plan presentations called for under legislation enacted in Missouri in 2018.[23]

Our approach to STP collaboration consists of engagement beginning in the latter half of 2020 with a broad group of stakeholders including customers, government officials, environmental agencies, consumer advocates and community organizations. Our engagement efforts will address the accelerated transition to cleaner energy, including the pace of decarbonization with due consideration to grid modernization and other T&D investments and the collective impact of all actions on retail rates. We will invite stakeholders to share their thoughts and questions about the STP and our plans to invest in infrastructure to create operational savings, to continue grid modernization, and to deliver cleaner, more affordable energy.

To capture the spectrum of perspectives, stakeholders are broadly defined and include:

- Employees;
- General Public/Residential Customers;
- Commercial/Industrial Customers;
- Staff of the Kansas and Missouri Commissions;
- Government Officials and the Kansas and Missouri Departments of Energy;
- Environmental Groups and interests;
- Consumer Advocates;
- Municipal and Regional Entities, Economic Development Agencies, Chambers of Commerce; and
- Shareholders.

[23] Section 393.1400.4 RSMo.

***Employees***

The resiliency and adaptability of our employees is critical to any successful transformation as evidenced by their performance over the past few years enabling Evergy to deliver on our merger commitments. We will continue to employ our People First approach working with employees to identify opportunities within the Company as we evolve and sharing frequent progress updates along the way. In this way, we'll continue to reinforce a culture of high performance, mutual commitment, and engagement.

Our employees will have continued opportunities for retraining and career development to ensure they are well-positioned to execute and sustain the achievements of the STP. The STP technology enhancements will enable data-driven decision making at all levels of the organization and empower employees to contribute to accelerated improvement throughout our operations. That empowerment drives engagement, which further drives productivity and innovation.

***Customers***

We have planned quantitative and qualitative research with our residential, commercial and industrial customers during August and September to better understand their energy priorities. We will identify baseline customer knowledge and sentiment regarding energy issues both broadly and specific to the electric utility industry. Using that baseline data, we will conduct additional research that will be shared in the IRP stakeholder engagement meetings slated for regulatory bodies in Kansas and Missouri this fall and help inform our 2021 IRP filings as well as the broader direction outlined in the STP.

***Other Stakeholders***

The formal IRP stakeholder engagement process outlined above focuses primarily on the Staffs of the Kansas Corporation Commission and the Missouri Public Service Commission, and government officials, particularly those from the Kansas and Missouri Departments of Energy. In addition, consumer advocacy groups such as CURB and the Office of the Public

Counsel, participate in the IRP stakeholder sessions and provide their perspective on the methodology, modeling and analysis that informs our IRP filings. These stakeholders will have the opportunity to share their perspectives on all aspects of the STP through the discussions of the five core tenets listed above.

Additionally, we will use our existing outreach structure to engage other stakeholders and incorporate their insights into the IRP process and efforts to implement the STP:

- Outreach to additional government officials, communities, Chambers of Commerce, and economic development organizations via our Government Relations and Community Relations teams;
- Outreach to shareholders via our Investor Relations team; and
- Outreach to additional environmental agencies and interests who aren't participating in the formal IRP process via our Public Affairs and Environmental divisions.

## V. Ongoing Stakeholder Collaboration

Our enhancements to stakeholder engagement include a commitment to continue to engage with the broad group of stakeholders on issues we know are important to them as circumstances change and as we take actions that will benefit from their input.

For example, stakeholder support, including for constructive regulatory mechanisms to address coal plant retirements, will mitigate risk and enhance the likelihood of the plan's successful execution. The ability to use mechanisms like securitization, accelerated depreciation, predetermination for investments and retirements[24] and policies enabling greater grid-edge partnerships between utilities and their customers are all policy considerations that will be discussed as part of the stakeholder engagement process. As mentioned previously, our stakeholder process will facilitate input from all stakeholders beginning in the latter half of 2020, with the intent of developing comprehensive legislative packages for consideration in the 2021 legislative session in each state.

[24] This is already available for planned investments in Kansas but is not yet available in Missouri.

We also look forward to engaging regulators and other stakeholders regarding the benefits of Evergy ownership of portions of the renewables as a means of minimizing the cost of solar generation and providing customers flexibility to consume greater percentages of renewable generation through one or more optional green tariffs. We believe that regulators will recognize the cost savings benefits and flexibility of green tariffs and utility-owned solar development which provides customers a lower cost option as compared to roof-top solar projects.

# ATTACHMENT 1: SUSTAINABILITY TRANSFORMATION PLAN SECOND QUARTER 2020 RESULTS AUGUST 5, 2020

Provided separately.

# Sustainability Transformation Plan

# Second Quarter 2020 Results

*August 5, 2020*

# Important Information

**Forward Looking Statements**

Statements made in this presentation that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements relating to our strategic plan, including, without limitation, those related to earnings per share, dividend, operating and maintenance expense and capital investment goals; the outcome of regulatory and legal proceedings; future energy demand; future power prices; plans with respect to existing and potential future generation resources; the availability and cost of generation resources and energy storage; targeted emissions reductions; and other matters relating to expected financial performance or affecting future operations. Forward-looking statements are often accompanied by forward-looking words such as “anticipates,” “believes,” “expects,” “estimates,” “forecasts,” “should,” “could,” “may,” “seeks,” “intends,” “proposed,” “projects,” “planned,” “target,” “outlook,” “remain confident,” “goal,” “will” or other words of similar meaning. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Evergy, Inc., Evergy Kansas Central, Inc. and Evergy Metro, Inc. (collectively, the Evergy Companies) are providing a number of risks, uncertainties and other factors that could cause actual results to differ from the forward-looking information. These risks, uncertainties and other factors include, but are not limited to: economic and weather conditions and any impact on sales, prices and costs; changes in business strategy or operations; the impact of federal, state and local political, legislative, judicial and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding, among other things, customer rates and the prudency of operational decisions such as capital expenditures and asset retirements; changes in applicable laws, regulations, rules, principles or practices, or the interpretations thereof, governing tax, accounting and environmental matters, including air and water quality and waste management and disposal; the impact of climate change, including increased frequency and severity of significant weather events and reduced demand for coal-based energy; prices and availability of electricity in wholesale markets; market perception of the energy industry and the Evergy Companies; the impact of the Coronavirus (COVID-19) pandemic on, among other things, sales, results of operations, financial condition, liquidity and cash flows, and also on operational issues, such as the availability and ability of our employees and suppliers to perform the functions that are necessary to operate the Evergy Companies; changes in the energy trading markets in which the Evergy Companies participate, including retroactive repricing of transactions by regional transmission organizations and independent system operators; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital and the effects on derivatives and hedges, nuclear decommissioning trust and pension plan assets and costs; impairments of long-lived assets or goodwill; credit ratings; inflation rates; the transition to a replacement for the London Interbank Offered Rate (LIBOR) benchmark interest rate; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; ability to carry out marketing and sales plans; cost, availability, quality and timely provision of equipment, supplies, labor and fuel; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays and cost increases of generation, transmission, distribution or other projects; the Evergy Companies' ability to manage their transmission and distribution development plans and transmission joint ventures; the inherent risks associated with the ownership and operation of a nuclear facility, including environmental, health, safety, regulatory and financial risks; workforce risks, including those related to increased costs of, or changes in, retirement, health care and other benefits; disruption, costs and uncertainties caused by or related to the actions of individuals or entities, such as activist shareholders or special interest groups, that seek to influence our strategic plan, financial results or operations; the possibility that strategic initiatives, including mergers, acquisitions and divestitures may not create the value that they are expected to achieve in a timely manner or at all; difficulties in maintaining relationships with customers, employees, regulators or suppliers; and other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors. Additional risks and uncertainties are discussed from time to time in current, quarterly and annual reports filed by the Evergy Companies with the Securities and Exchange Commission (SEC). Reports filed by the Evergy Companies with the SEC should also be read for more information regarding risk factors. Each forward-looking statement speaks only as of the date of the particular statement. The Evergy Companies undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**Non-GAAP Financial Measures**

Evergy uses adjusted EPS and adjusted O&M which are non-GAAP financial measures. A reconciliation of the non-GAAP measures to the most directly comparable GAAP measure is included in the appendix.

# Agenda

## Terry Bassham, President & CEO

- Sustainability Transformation Plan
- Second quarter overview
- Regulatory and legislative update

## Tony Somma, EVP & CFO

- Second quarter results
- Liquidity and finance activities
- 2020 outlook



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# **Building on Our Success**: Sustainability Transformation Plan (STP)

***Driving Value and Creating Meaningful Stakeholder Benefits***

**1** FORMED COMMITTEE
- *Strategic Review & Operations Committee ("SROC") comprised of four Board members, including two new Independent Directors*
- *SROC retained independent financial advisors and consultants*

**2** EXPLORED OPTIONS
- *Intensive strategic review process to assess opportunities for both a strategic combination and a modified five-year standalone plan to optimize and enhance value creation for shareholders, customers, communities and employees*

**3** RECOMMENDATIONS
- *SROC unanimously recommended to the Board that Evergy pursue a modified stand-alone plan, the STP*

**4** BOARD APPROVAL
- *Evergy Board unanimously approved the STP as the option that creates the highest, most certain value for shareholders and benefit for stakeholders*

## Key Considerations

- ✓ Maximize long-term shareholder value
- ✓ Maintain strong credit profile
- ✓ Enhance key stakeholder collaboration
- ✓ Deliver on prior merger commitments
- ✓ Improve regional rate competitiveness and deliver long-term customer benefits



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# STP Shareholder Value Proposition

## Increased Capital Plan and Rate Base Growth

- ✓ Plan to invest $8.9B in CapEx from 2020-2024
- ✓ Targeting Five-Year Rate Base CAGR of 5% to 6% from 2019-2024
- ✓ Plan requires no equity issuances while maintaining strong credit metrics
- ✓ Additional projects have been identified that have potential to create incremental capital investment opportunities

## Commitment to Disciplined Cost Reduction

- ✓ ~$330M, or 25%, reduction to O&M cost expected through 2024 [1], while improving safety and reliability
- ✓ ~$145M in projected fuel and purchase power savings between 2019 and 2024
- ✓ Evergy will continue work with Elliott through an information sharing agreement

## Upside to Plan from De-carbonization

- ✓ Significant incremental opportunities related to de-carbonization and renewables deployment depending on outcome of stakeholder engagement process
- ✓ Accelerated de-carbonization supports lower customer bills, meets clean energy objectives and creates additional green investment opportunities

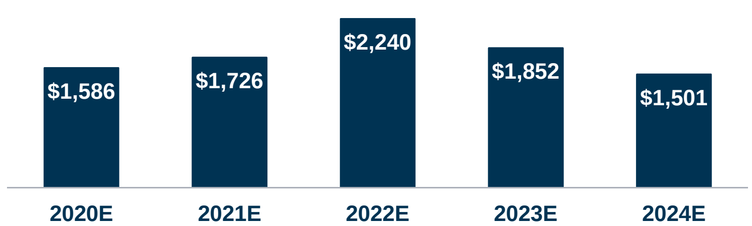
## Compelling Growth and Total Return Profile

- ✓ Places Evergy in the top-quartile of U.S. electric utilities by targeting EPS CAGR[2] of 6-8% from 2019-2024
- ✓ Together with current dividend yield of over 3% results in total annual shareholder return of 9-11% through 2024
- ✓ Targeting dividend growth in line with EPS growth target, with a payout range of 60% to 70%

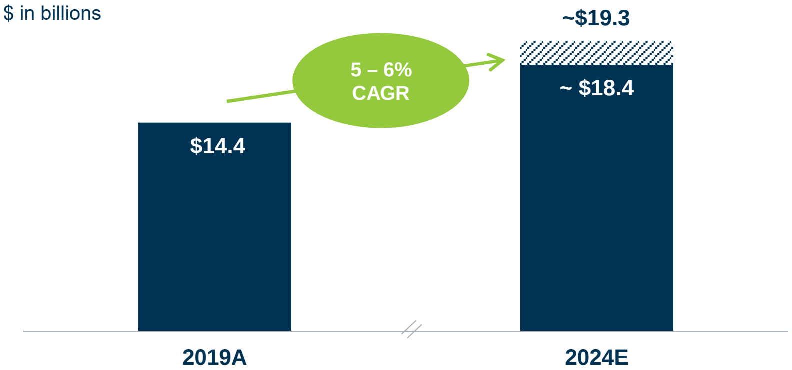
**Note**:
1. Based on 2018 adjusted O&M of $1.306B. A reconciliation of adjusted O&M (non-GAAP) to O&M (GAAP) is included in the appendix.
2. Based on 2019 adjusted EPS of $2.89. A reconciliation of adjusted EPS guidance (non-GAAP) to projected earnings per share, the most comparable GAAP measure, is included in the appendix.

# STP Financial Highlights

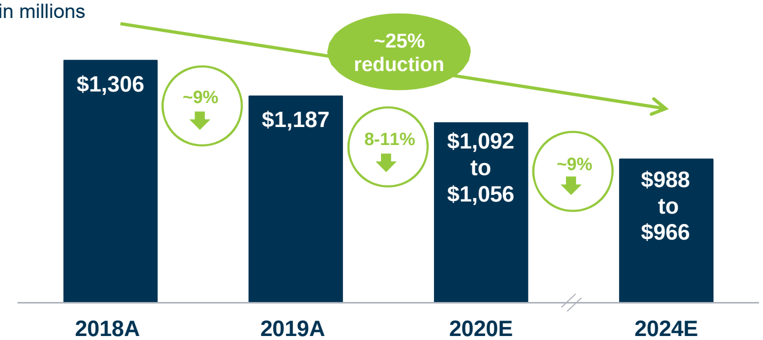
Targeted Capital Expenditures
$ in millions



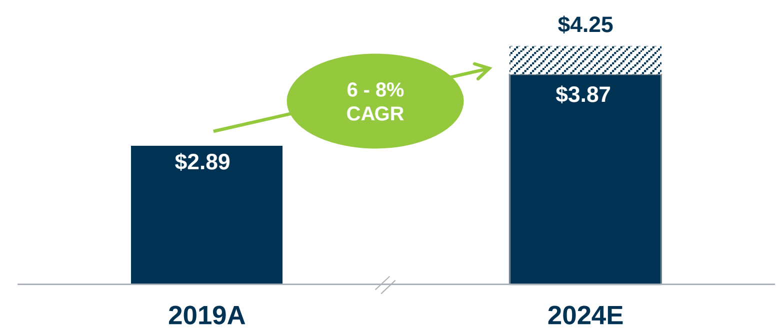

Targeted Rate Base Growth
$ in billions




Targeted Non-Fuel O&M Reductions [1]
$ in millions




Targeted EPS Growth [2]




**Note**:
1. A reconciliation of adjusted O&M (non-GAAP) to O&M (GAAP) is included in the appendix.
2. A reconciliation of adjusted EPS guidance (non-GAAP) to projected earnings per share, the most comparable GAAP measure, is included in the appendix.



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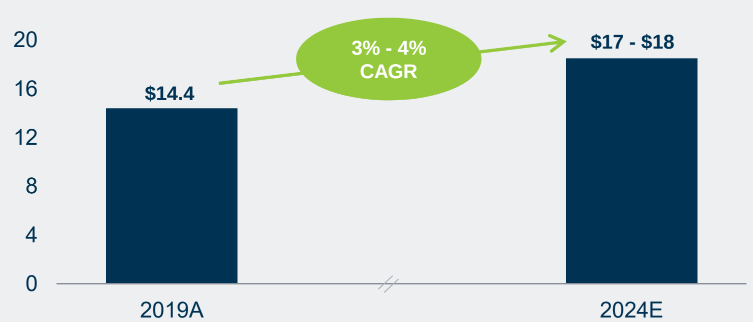
# Driving Incremental Investment…

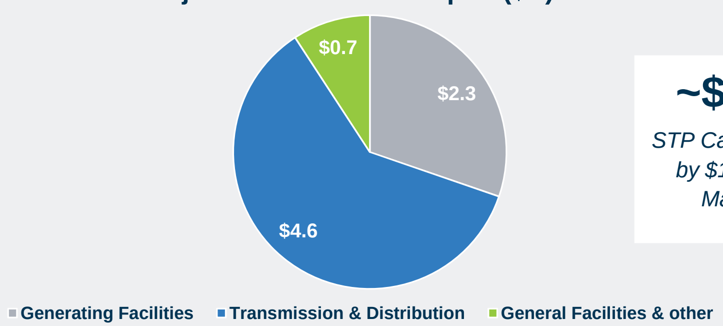
*Incremental ~$1.4B CapEx supports 5% to 6% STP rate base growth*

## March 2020: ~$7.6B CapEx Plan

Targeted Rate Base Growth (prior plan)
$ in billions

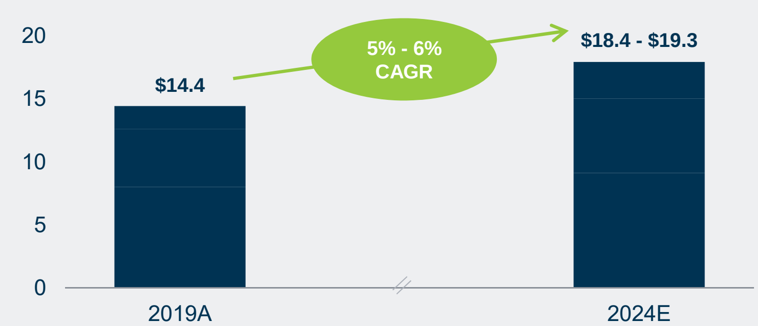



### Projected 2020 - 2024 CapEx ($B)

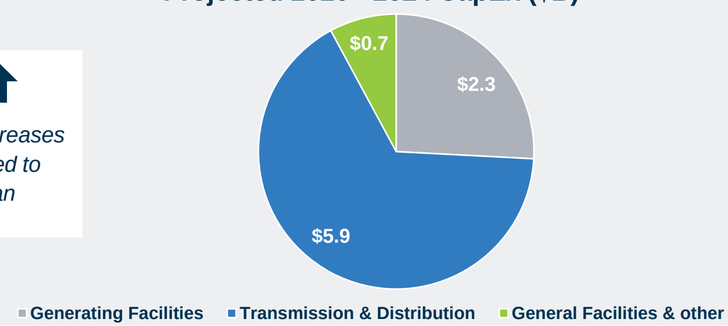



## August 2020 STP: ~$8.9B CapEx Plan

Targeted Rate Base Growth (current plan) [1]
$ in billions




### Projected 2020 - 2024 CapEx ($B)




**~$1.4B**

*STP CapEx plan increases by $1.4B compared to March 2020 plan*

**Note**:
1. Net of generation asset securitization



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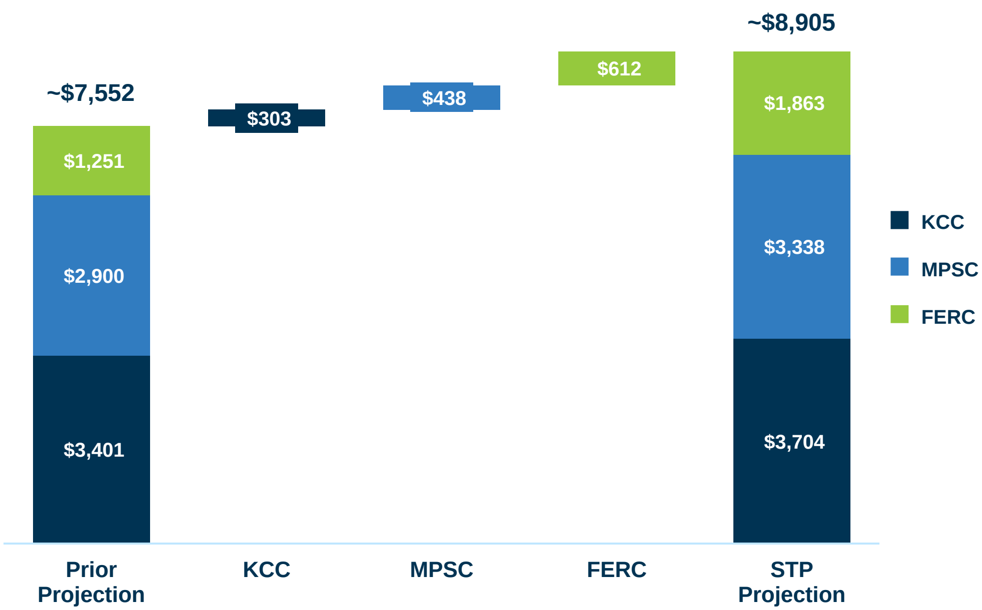
# Through Critical Infrastructure Investments and an Accelerated Transition to Cleaner Energy…

*Incremental $1.4B in STP capital spend vs. prior plan funds value-added investments*

**Change in Five-Year Capital Plan Ending 2024**
$ in millions




***Key Highlights of CapEx plan:***

- ***Over $2.9B of Missouri CapEx expected to qualify for Plant In Service Accounting (PISA)***
- ***~$675M of potential renewable investment, which will be evaluated and finalized through the Long-Term Energy Planning (LTEP) Stakeholder process***



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# While Maintaining a Strong Credit Profile

*No planned equity required for STP*

**Current Credit Ratings**

| | S&P | Moody's |
|---|---|---|
| **Evergy** | | |
| Outlook | Stable | Stable |
| Corporate Credit Rating | A- | N/A |
| Senior Unsecured Debt | BBB+ | Baa2 |
| **Evergy Kansas Central / Evergy Kansas South** | | |
| Outlook | Stable | Stable |
| Senior Secured Debt | A | A2 |
| Commercial Paper (Central only) | A-2 | P-2 |
| **Evergy Metro** | | |
| Outlook | Stable | Stable |
| Senior Secured Debt | A+ | A2 |
| Commercial Paper | A-1 | P-2 |
| **Evergy Missouri West** | | |
| Outlook | Stable | Stable |
| Senior Unsecured Debt | A- | Baa2 |
| Commercial Paper | A-2 | P-2 |

# Stakeholder Benefit of the STP

## CUSTOMERS

### ✓ Maintains Affordability

- Capital investments targeted to enable long-term and sustainable cost savings of an expected ~25% non-fuel O&M reduction by 2024
- Significant fuel and purchase power savings of ~$145M from 2019 through 2024

### ✓ Improves Customer Experience

- Enables automated outage communications
- Expands digital communications, transactions and customer self-service options
- Modernizes rate structures to offer additional rate options tailored to different types of residential customers

### ✓ Improves Reliability & Resiliency

- Capital investments in grid automation, data handling and analytics capabilities and communications infrastructure to improve grid reliability, reduce restoration times and increase overall grid resiliency

## COMMUNITY

### ✓ Provides Regionally Competitive Rates

- Cost savings minimize rate increases over the period of the plan and is expected to improve regional rate competitiveness

### ✓ Enhances Economic Development

- Job creation as a result of investments in grid modernization projects and renewable generation
- Investments in renewable energy and grid modernization will help attract companies by improving cost competitiveness, reliability and overall sustainability

### ✓ Honors Community Commitments

- Maintains Evergy's 'People First' culture
- No merger-related involuntary layoffs
- Maintains local control and current community involvement and investments
- Honors existing regulatory agreements while providing a safe work environment for employees and meeting the needs of customers

## ENVIRONMENT

### ✓ Delivers Cleaner Energy

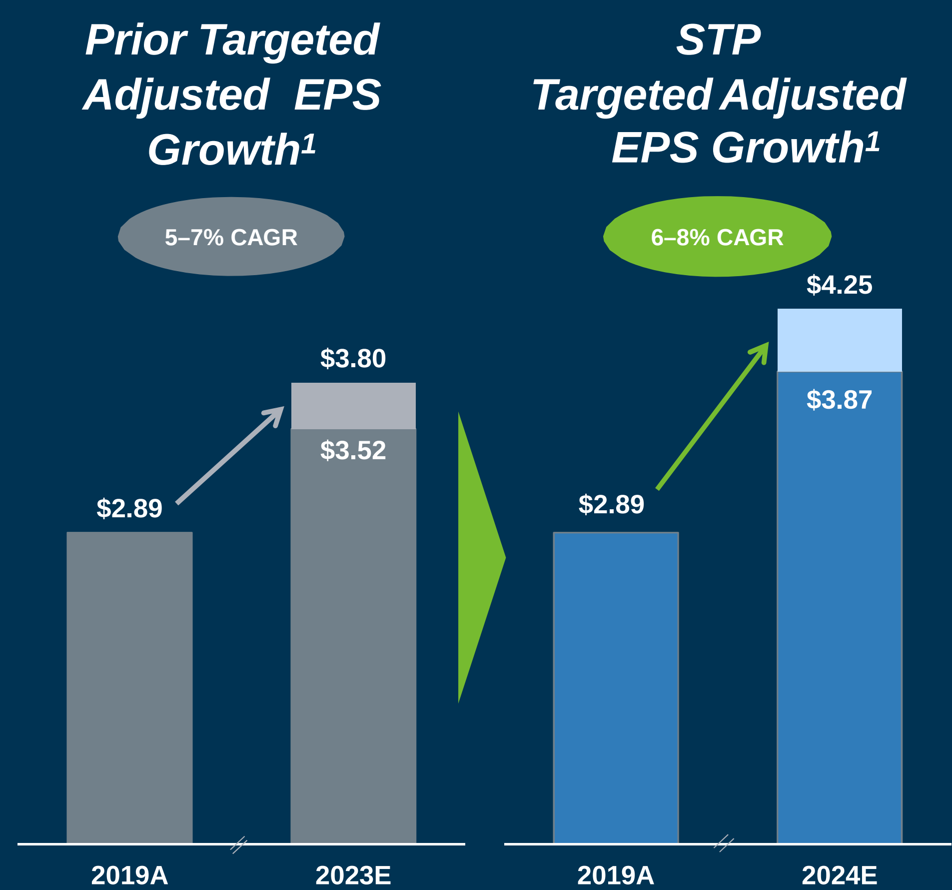
- A Long-Term Energy Plan that builds on Evergy's focus on sustainability with increased investment in renewable energy, including solar energy, and battery storage and expanded energy efficiency programs
- Pursues legislative and regulatory policy changes that would allow for more rapid decarbonization through accelerating retirement of coal plants
- Investments in grid modernization will enable easier access to and development of distributed generation and customer facing grid-edge technology

### ✓ Engages Stakeholders

- A robust process to engage our customers, regulators, employees and shareholders in Evergy's transformation to a low-carbon, resilient utility

# Attractive Investment Outlook

- 2020 adjusted EPS[1] guidance: **$2.90 – $3.10**
- Targeting **EPS CAGR of 6–8% through 2024**, using 2019 adjusted EPS[1] of $2.89
  - *Previously 5–7% CAGR from 2019 through 2023*
- STP to invest **$8.9B in CapEx** from 2020 through 2024
  - *Previously ~$7.6Bn from 2020 through 2024*
- Targeting **rate base CAGR of 5–6% from 2019 through 2024**
  - *Previously 3–4% CAGR from 2019 through 2024*
- Projected **dividend growth in line with EPS growth**, while targeting **payout ratio of 60-70%**
- No new equity needs through the forecast period while maintaining strong investment grade credit ratings




**Note:**
1. A reconciliation of adjusted EPS guidance (non-GAAP) to projected earnings per share, the most comparable GAAP measure, is included in the appendix.

# STP: Maximizing Value and Benefitting All Stakeholders

- Targets creating a **top-quartile EPS growth,** high-performance electric utility
- Delivers on the terms of prior **regulatory and merger commitments**
- Invests in infrastructure that creates operational savings, continues to modernize the electrical grid and delivers **cleaner more affordable energy**
- Accelerates **transition to cleaner energy** by creating the opportunity to retire coal generation and increasing investments in renewable energy, with stakeholder support and constructive regulatory mechanisms to address retirements
- Protects jobs and **enhances economic development**

# Business Update

*Terry Bassham*

*President & CEO*

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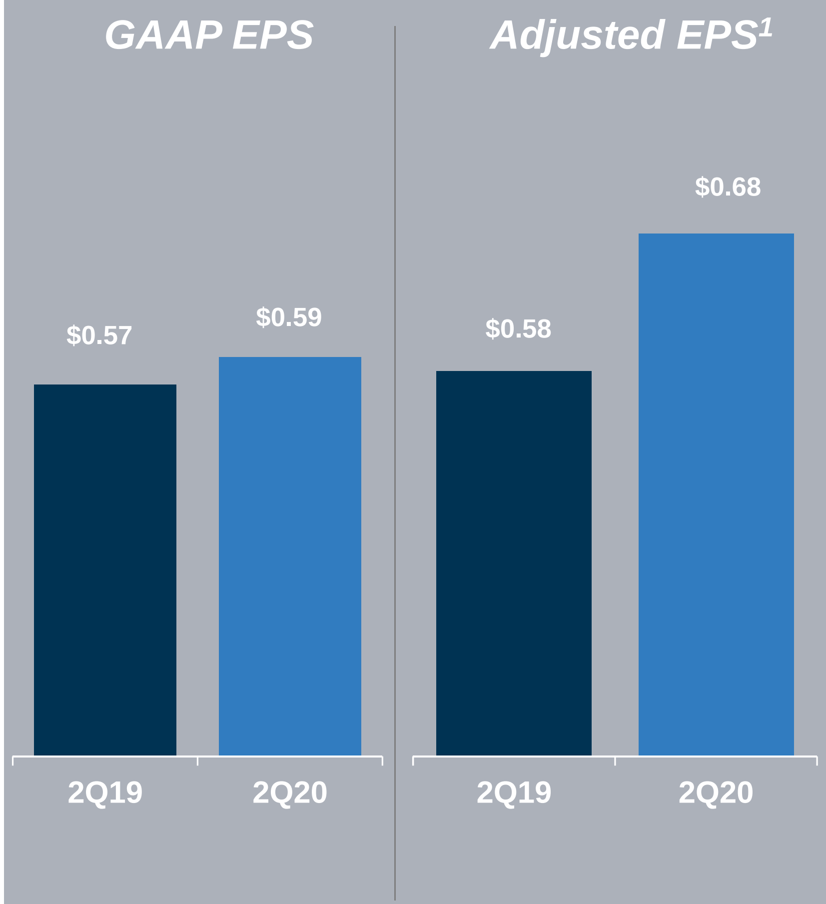
# Second Quarter Results

- **2Q20 vs 2Q19 Drivers**
  + Favorable weather
  + Cost reduction efforts
  + Lower shares outstanding
  - Negative sales impact of COVID-19
  - Non-cash tax adjustment due to Kansas income tax rate change
- **Announced 2020 EPS Guidance**
  - GAAP EPS: $2.66 - $2.86
  - Adjusted EPS[1]: $2.90 - $3.10

*2Q20 Results*




*NOTE:*
*1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.*



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# Legislative and Regulatory Update

## Legislative

- Kansas House Bill 2585
  - Allows for special economic development rates similar to Missouri
  - Makes Kansas public utilities income tax exempt on January 1, 2021
- Part-two of Kansas Rate Study was filed in July

## Regulatory

- KCC approved AAO request to track expenses and lost revenue associated with COVID-19
- Expect MO COVID-19 AAO request ruling in late 2020
- Implemented additional payment options for business and residential customers impacted by COVID-19 in both Kansas and Missouri
- KCC approved KCC Staff's request to study Strategic Review & Operations Committee process
  - Gives KCC staff ability to review Committee meeting materials
  - Upon completion of process, requires Company to submit report supporting any strategic plan changes



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# Financial Update

*Tony Somma*

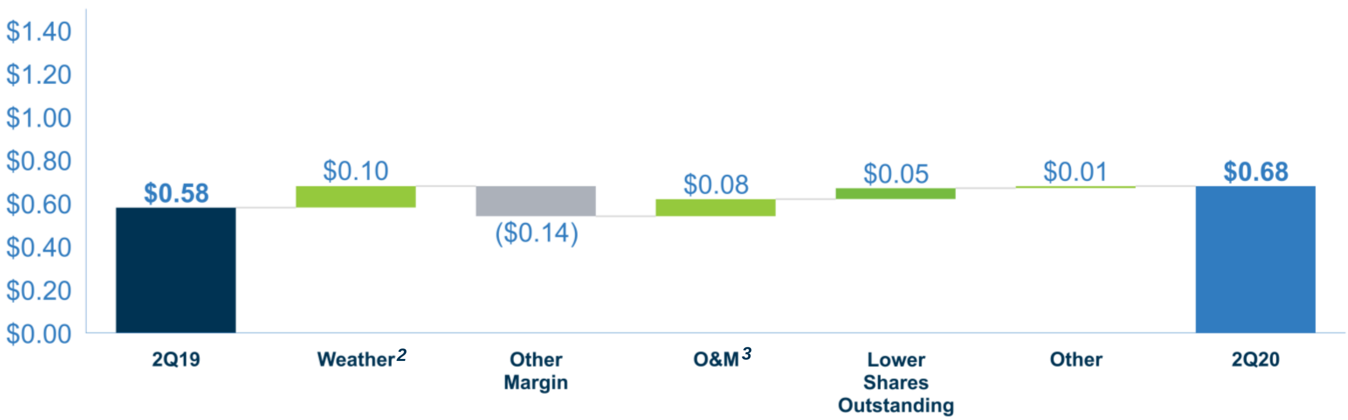
*EVP & CFO*

# Second Quarter Results

***GAAP EPS:*** **2Q20 $0.59 vs 2Q19 $0.57**

- \+ Lower O&M
- \+ Favorable weather
- \+ Lower shares outstanding
- \- Lower gross margin driven primarily from COVID-19 impact
- \- Impact from Kansas income tax exemption

**Adjusted EPS[1] Drivers**




*NOTE:*
*1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.*
*2. Estimate weather was a $0.06 benefit compared to normal weather*
*3. Excludes $0.01 of higher MEEIA program costs which are recovered through gross margin.*



## Adjusted EPS[1] Variance Drivers

- Gross Margin $10M lower due primarily to the impact of COVID-19 and partially offset by favorable weather
- O&M $25M lower driven by cost reduction efforts and higher outage costs in 2019
- Accretion from lower average shares outstanding
  - 2Q20: ~227M
  - 2Q19: ~243M

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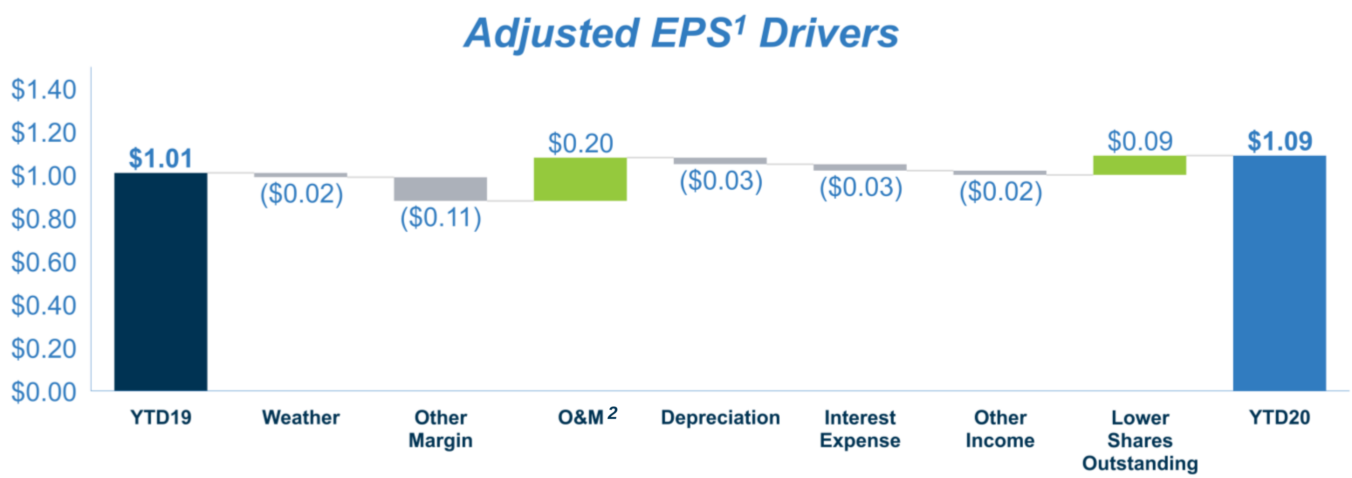
# Year to Date Results

***GAAP EPS:* YTD20 $0.89 vs YTD19 $0.96**

- Lower gross margin primarily from Covid-19 impact
- Lower other income
- Impact from Kansas income tax exemption
+ Lower O&M
+ Lower shares outstanding




***NOTE*:**
*1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.*
*2. Excludes $0.02 of higher MEEIA program costs which are recovered through gross margin.*



## Adjusted EPS[1] Variance Drivers

- ▲ O&M $62M lower driven by cost reduction efforts, costs incurred in January 2019 winter storm and higher outage costs in 2019
- ▼ Gross Margin $37M lower, due primarily to COVID-19 impact
- ▼ Other Income lower primarily from less COLI income
- ▲ Accretion from lower average shares outstanding
  YTD20: ~227M
  YTD19: ~248M

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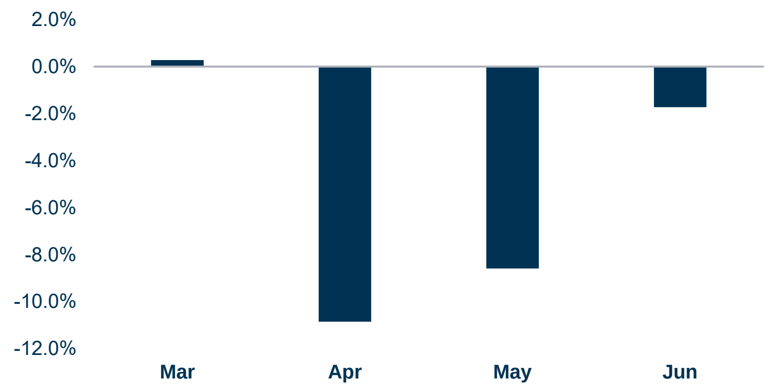
# Retail Sales

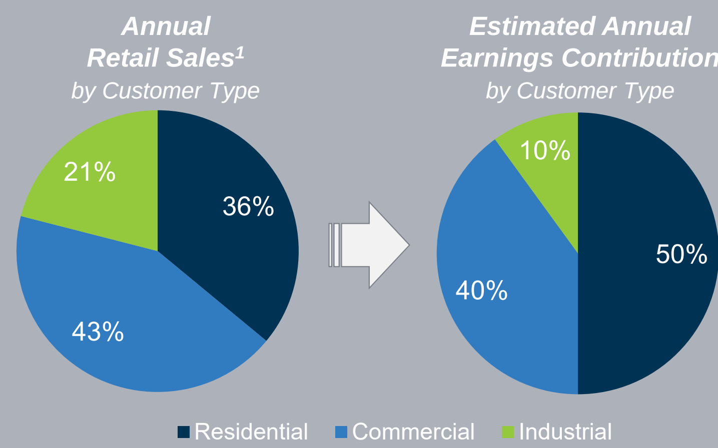
## *COVID-19 had less impact on sales as the quarter progressed*

Total Retail Sales - Weather Normalized
2020 vs 2019




- **Second quarter 2020 weather adjusted total retail sales were ~7% lower compared to second quarter 2019**
  - \+ Residential sales were 5% higher
  - \- Commercial sales were 13% lower
  - \- Industrial sales were 12% lower

***Residential usage represents ~50% contribution to total retail earnings***




***Estimated 2020 earnings sensitivity to sales across customer classes***

| Retail Class | % Change | Annual Estimated Earnings Impact (in millions) |
|---|---|---|
| Residential | 1% | $10 |
| Commercial | 1% | $8 |
| Industrial | 1% | $2 |

*NOTE:*
*1. Reflects 2019 annual retail sales*

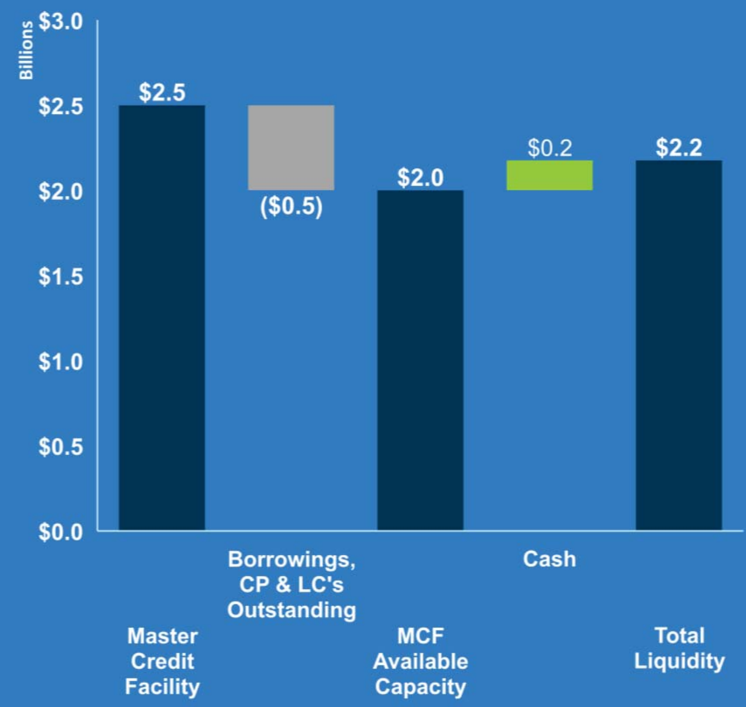


**Exhibit A**

# Limited Capital Market Needs

- Evergy Kansas Central issued $500M of 30-yr mortgage bonds at 3.45%
- Evergy Metro issued $400M of 10-yr mortgage bonds at 2.25%
- No refinancing needs for remainder of the year
- Remain committed to maintaining current strong credit ratings and metrics
- No planned equity in five-year plan

Liquidity
As of 6/30/20



# 2020 Outlook

| 2020 GAAP EPS Guidance of \$2.66 - \$2.86;<br>Adjusted EPS[1] Guidance of \$2.90 - \$3.10 | |
|---|---|
| **Key Driver Considerations:** | |
| Retail electric sales: | • We expect a decline in weather normalized sales in 2020 due to COVID-19<br>• We expect a slow, steady recovery in third and fourth quarter |
| Adjusted O&M expense[2]: | • 8% to 11% reduction from 2019 Adjusted O&M of \$1.187B |
| Depreciation expense: | • \$20M to \$30M higher than 2019 |
| Non-operating income (expense): | • COLI proceeds of ~\$20M<br>• \$4M received YTD June 30, 2020 |
| Effective tax rate: | • 13% – 15%; continuing to monitor pandemic impacts |
| Annual average share count: | • 227M |

**NOTE**:
1. A reconciliation of adjusted EPS guidance (non-GAAP) to projected earnings per share, the most comparable GAAP measure, is included in the appendix.
2. Adjusted O&M is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.



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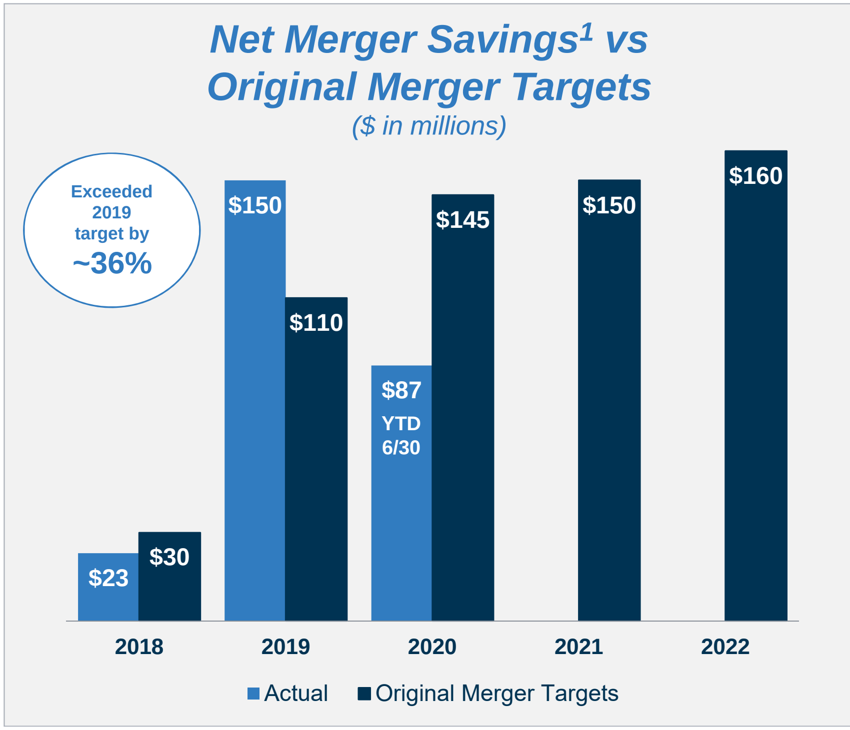
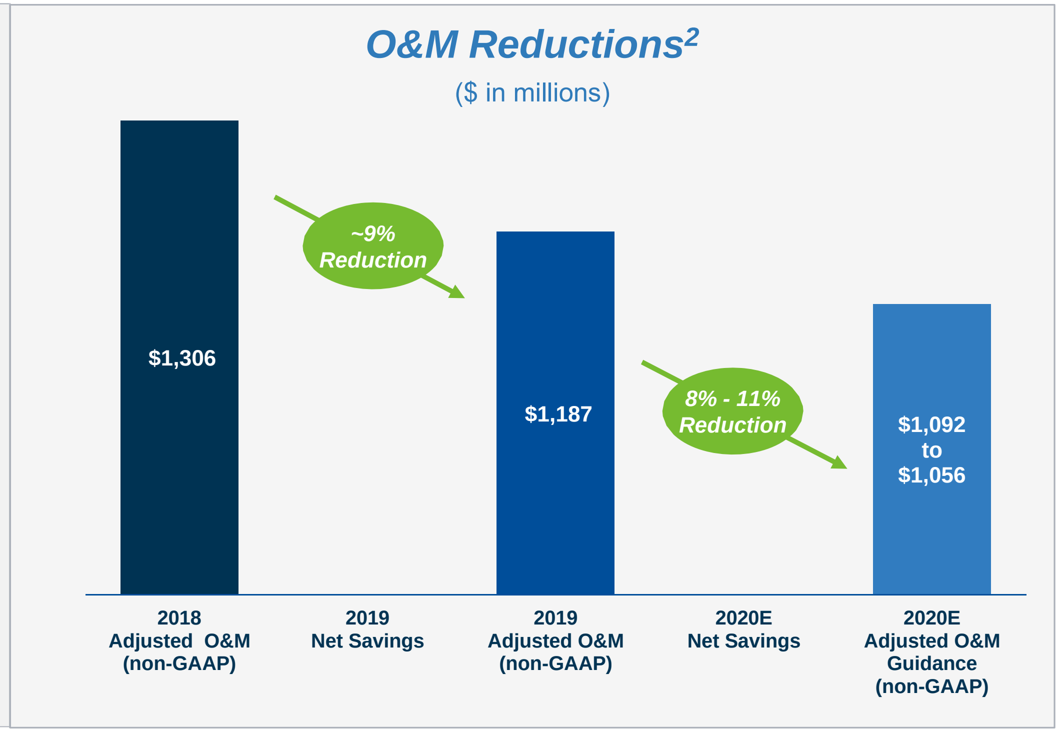
# Appendix

# Disciplined Cost Management




**NOTE**:
1. Merger savings were defined during regulatory merger proceedings.
2. Adjusted O&M (non-GAAP) is a financial measure that is not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly-named measures or more useful than the GAAP information. See Appendix for GAAP to Non-GAAP reconciliation.



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# Yielding a More Modern, Reliable Grid and Greener Generation Profile…

| Investment Categories | Total Capital (2020-2024)[1] | Description | Customer Benefits |
|---|---|---|---|
| **Distribution Grid Resiliency** | **$3,023M** (Incremental ~$541M) | Upgrade and replace distribution assets including conductors, poles, circuit breakers, transformers, reclosers to address asset conditions, ops efficiencies, build contingency strength and resiliency | Higher reliability and grid safety through reduced outages frequency and duration;<br>Lower O&M costs and failure capex;<br>Improved operational capabilities;<br>Higher community safety & local jobs |
| **Transmission Grid Resiliency** | **$1,867M** (Incremental ~$450M) | Maintain and prevent asset degradation to last beyond service life with higher operating standards & performance;<br>Fix adversely performing circuits, breakers, transformers, and other key assets to improve network performance | Improved reliability of Transmission Grid; Achieve integration of diverse and distributed sources across footprint;<br>Lower costs of energy for our customers through interconnects, and lower losses;<br>Grid hardening reduces operational costs |
| **Critical Asset Hardening & Contingency** | **$243M** (Incremental ~$95M) | Harden, replace and strengthen critical assets (Substations, Overhead and, Underground wires, Poles, etc.,);<br>Achieve higher operating standards & contingency for critical transformers and feeders | Improved reliability & safety due to reduced outages;<br>Multiplier effects in increase performance and reduced costs by targeting critical circuits;<br>High level of customer incident reduction with new back-ups and contingency plans |
| **Distribution Automation & Technology** | **$331M** (Incremental ~$274M) | Advanced system investments across T&D in operational informational Technology (e.g., ADMS,GIS, EAM, WFM, Analytics, DER/EV integration, Automation, IoT);<br>Digitize operations, achieve visibility on the grid ops and enable customer choice | Operational excellence and reduced costs through digitization and enhanced operational data visibility;<br>Reduced energy consumption & increased safety for customers & the community;<br>Customer options through DER integration |
| **Generation Renewables** | **$675M** (Incremental ~$175MM) | Investments in 700 MW of utility-scale owned solar projects to de-carbonize portfolio | Greener portfolio reduces $CO_2$ emissions and offers improved ESG profile |

**Key:** Prior plan Incremental STP



NOTE:
1. Total FERC investment of ~$1,863M across categories 2-4 (Incremental ~$612M)

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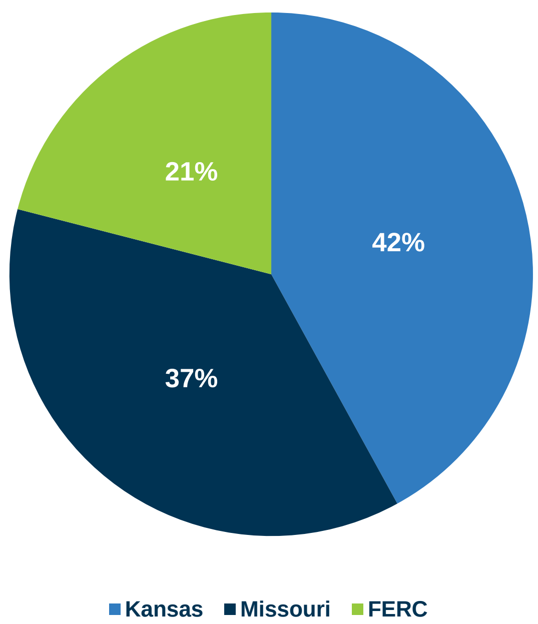
# ~$8.9B in Utility Investment through 2024

*Projected 2020-2024 CapEx by Jurisdiction*




*Rate Base by Jurisdiction*

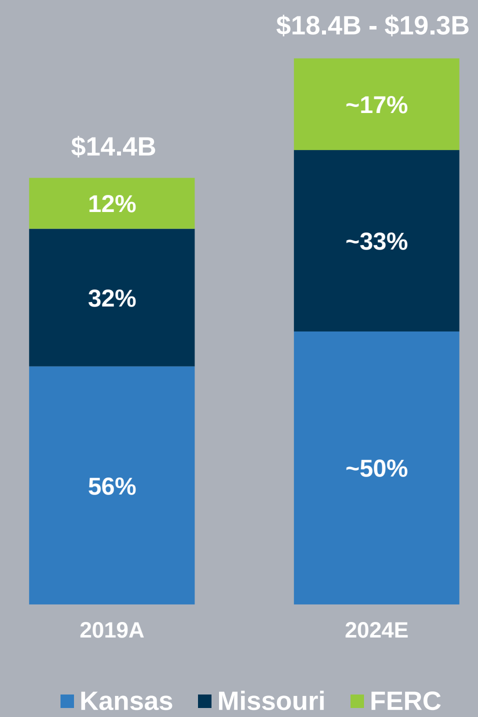



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Exhibit A
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# Long-Term Energy Plan (LTEP)

*Stakeholder input on the STP and our upcoming LTEP process will better inform the level and timing of future renewable investments and coal retirements beyond 2024*

## Key Milestones

1. **Discuss Inputs with Stakeholders**
   *July – August 2020*
2. **Modeling and Scenario Analysis**
   *July 2020 - Filing*
3. **Discuss / Refine Results with Stakeholders and Select Preferred Plan**
   *September 2020 - Filing*
4. **Work with Stakeholders to Implement Plan**
   *September 2020 - Ongoing*

**Missouri IRP is filed April 1, 2021**

**Kansas IRP is filed July 1, 2021**

*Gain input and feedback into key assumptions*

*Incorporation of stakeholder input into evaluation of alternative plans*

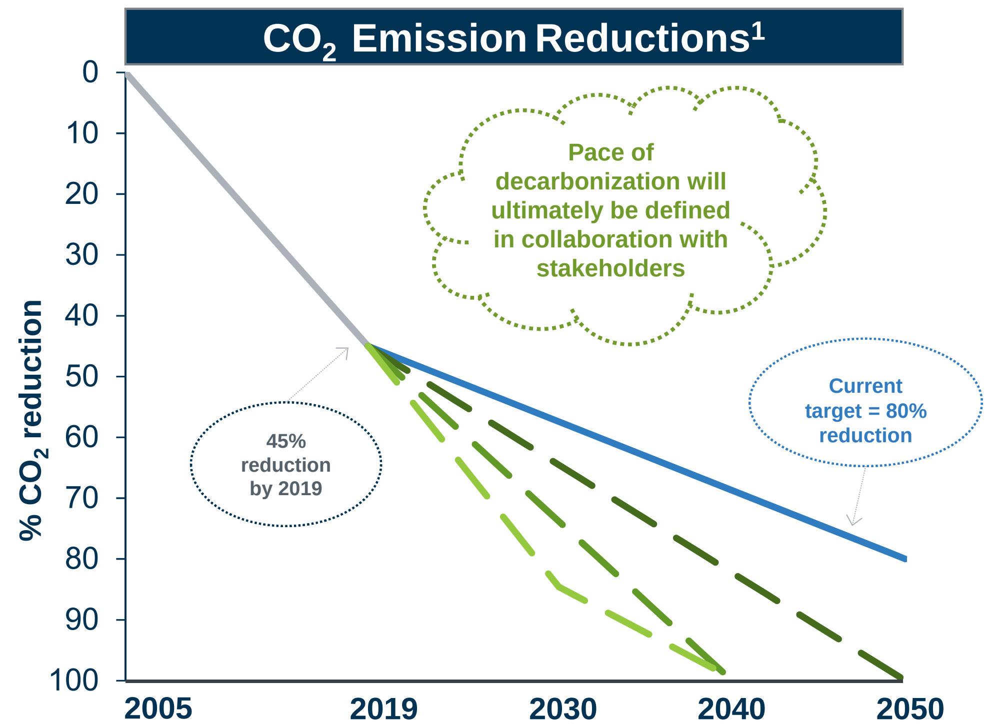
*Pursue legislative / regulatory enablers and implement transition plan*

# Moving toward Accelerated, Responsible Decarbonization…

*LTEP has the potential to reduce $CO_2$ emissions 85% by 2030 from 2005 levels*

## Paths to Decarbonization

- Broad stakeholder engagement in and support for planning process
- Constructive policy outcomes which support decarbonization and mitigate risk
- Continued / expanded support for demand-side resources and energy efficiency
- Deployment of cost-effective utility scale renewable and storage technologies
- Responsible transition of workforce through natural attrition and reskilling
- Disciplined management of existing generation to smooth transition through end-of-life
- Expanded beneficial electrification to promote economy-wide decarbonization
- Grid modernization to support continued expansion of demand-side resources and load management




Note:
1. Targets vs. 2005 levels; potential 100% $CO_2$ emission reduction targets would be dependent on commercialization of new technologies



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Exhibit A
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# GAAP to Non-GAAP EPS Reconciliation[1]

| 2020 EPS Guidance[2] | |
|---|---|
| **2020 GAAP EPS** | **$2.66 - $2.86** |
| Voluntary severance expense | 0.16 |
| Advisor expense | 0.08 |
| Income tax benefit | (0.06) |
| Kansas corporate income tax change | 0.06 |
| **2020 Adjusted EPS (non-GAAP)** | **$2.90 - $3.10** |
| **2019 EPS** | |
| **2019 GAAP EPS** | **$2.79** |
| Rebranding | 0.05 |
| Severance expense | 0.08 |
| Income tax benefit | (0.03) |
| **2019 Adjusted EPS (non-GAAP)** | **$2.89** |

**NOTE:**
1. Adjusted earnings per share guidance (non-GAAP) and adjusted O&M (non-GAAP) are financial measures that are not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly-named measures or more useful than the GAAP information.
2. 2020 EPS guidance assumes average annual outstanding share count of 227M.



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# GAAP to Non-GAAP O&M Reconciliation[1]

| 2018 O&M ($ in millions) | |
|---|---|
| **2018 GAAP O&M** | **$1,116** |
| Great Plains Energy O&M prior to the merger | 318 |
| Non-recurring merger-related costs | (101) |
| **Pro Forma O&M** | **$1,333** |
| Severance expense | $(24) |
| Deferral of merger transition costs | 28 |
| Inventory write-off from retiring generating units | (31) |
| **2018 Adjusted O&M (non-GAAP)** | **$1,306** |

| 2019 O&M ($ in millions) | |
|---|---|
| **2019 GAAP O&M** | **$1,219** |
| Severance expense and rebranding costs | (32) |
| **2019 Adjusted O&M (non-GAAP)** | **$1,187** |

| 2020 O&M Guidance ($ in millions) | |
|---|---|
| **Estimated 2020 GAAP O&M** | **$1,111 - $1,147** |
| Estimated severance and advisor expenses | (55) |
| **Implied 2020 Adjusted O&M (non-GAAP)[2]** | **$1,056 – 1,092** |

**NOTE**:
1. Adjusted O&M (non-GAAP) is a financial measure that is not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly-named measures or more useful than the GAAP information.
2. Assumes deferral of COVID-19 incurred costs for future recovery.



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# GAAP to Non-GAAP O&M Reconciliation[1]

| ($'s in millions) | 2Q 2020 | 2Q 2019 | YTD 2Q 2020 | YTD 2Q 2019 |
|---|---|---|---|---|
| **GAAP O&M** | **$272.7** | **$288.6** | **$560.9** | **$595.5** |
| Rebranding costs | - | (0.9) | - | (1.1) |
| Voluntary severance costs | 0.4 | 0.1 | (26.6) | (14.7) |
| Advisor expenses | (9.8) | - | (16.4) | - |
| **Adjusted O&M (non-GAAP)** | **$263.3** | **$287.8** | **$517.9** | **$579.7** |

**NOTE**:
1. Adjusted O&M (non-GAAP) is a financial measure that is not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly-named measures or more useful than the GAAP information.



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# 2019/2020 EPS: GAAP to Non-GAAP Reconciliation[1]

| Three Months Ended June 30 | Earnings (Loss) 2020 | | Earnings (Loss) per Diluted Share 2020 | | Earnings (Loss) 2019 | | Earnings (Loss) per Diluted Share 2019 |
|---|---|---|---|---|---|---|---|
| | (millions, except per share amounts) | | | | | | |
| Net income attributable to Evergy, Inc. | $ | 133.4 | $ 0.59 | $ | 139.7 | $ | 0.57 |
| Non-GAAP reconciling items: | | | | | | | |
| Rebranding costs, pre-tax[(a)] | | — | — | | 0.9 | | 0.01 |
| Voluntary severance costs, pre-tax[(b)] | | (0.4) | — | | (0.1) | | — |
| Advisor expenses, pre-tax[(c)] | | 9.8 | 0.04 | | — | | — |
| Income tax benefit[(d)] | | (2.4) | (0.01) | | (0.2) | | — |
| Kansas corporate income tax change[(e)] | | 13.8 | 0.06 | | — | | — |
| Adjusted earnings (non-GAAP) | $ | 154.2 | $ 0.68 | $ | 140.3 | $ | 0.58 |

| Year to Date June 30 | Earnings (Loss) 2020 | | Earnings (Loss) per Diluted Share 2020 | | Earnings (Loss) 2019 | | Earnings (Loss) per Diluted Share 2019 |
|---|---|---|---|---|---|---|---|
| | (millions, except per share amounts) | | | | | | |
| Net income attributable to Evergy, Inc. | $ | 202.8 | $ 0.89 | $ | 239.2 | $ | 0.96 |
| Non-GAAP reconciling items: | | | | | | | |
| Rebranding costs, pre-tax[(a)] | | — | — | | 1.1 | | — |
| Voluntary severance costs, pre-tax[(b)] | | 26.6 | 0.12 | | 14.7 | | 0.06 |
| Advisor expenses, pre-tax[(c)] | | 16.4 | 0.07 | | — | | — |
| Income tax benefit[(d)] | | (11.2) | (0.05) | | (3.6) | | (0.01) |
| Kansas corporate income tax change[(e)] | | 13.8 | 0.06 | | — | | — |
| Adjusted earnings (non-GAAP) | $ | 248.4 | $ 1.09 | $ | 251.4 | $ | 1.01 |

(a) Reflects external costs incurred to rebrand the legacy Westar Energy and KCP&L utility brands to Evergy and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

(b) Reflects severance costs incurred associated with certain voluntary severance programs at the Evergy Companies and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

(c) Reflects advisor expenses incurred associated with strategic planning and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

(d) Reflects an income tax effect calculated at a statutory rate of approximately 26%, with the exception of certain non-deductible items.

(e) Reflects the revaluation of Evergy Kansas Central's, Evergy Metro's and Evergy Missouri West's deferred income tax assets and liabilities from the Kansas corporate income tax rate change and are included in income tax expense on the consolidated statements of comprehensive income.

**NOTE:**
1. Diluted shares outstanding: 2Q20 = ~227M; 2Q19 = ~243M

# Evergy Merger Commitments and Conditions

| Condition No. | MO Final Approved Merger Commitments and Conditions from Stipulations[1] (EM-2018-0012) | Impact of STP on Commitments and Conditions |
|---|---|---|
| | **I. General Conditions** | |
| 1 | ***Headquarters:*** Holdco will maintain its corporate headquarters in Kansas City, Missouri and shall honor all terms and conditions of the existing lease for its headquarters office located at 1200 Main in Kansas City, Missouri, which expires in October 2032.<br><br>Holdco will also maintain the current Westar Topeka downtown headquarters building at 800-818 South Kansas Avenue in Topeka, Kansas for its Kansas headquarters. Holdco shall honor all terms and conditions of the existing lease for the Westar headquarters building, which expires in April 2023. | STP continues to support this commitment. |
| 2 | ***Executives:*** Upon the closing of the Merger, Mark Ruelle will become the non-executive chairman of Holdco for a period of three (3) years. Terry Bassham will serve as president and chief executive officer. | STP continues to support this commitment. |
| 3 | ***Charitable Giving and Community Involvement:*** Holdco will continue charitable giving and community involvement in the Missouri service<br>territory of KCP&L and GMO at levels equal to or greater than KCP&L's and GMO's respective 2015 levels for a minimum of five (5) years following the closing of the Merger. | STP continues to support this commitment. |
| 4 | ***Low-Income Assistance Programs*****:** Holdco will maintain and promote all low-income assistance programs consistent with those in place at all<br>operating utility companies prior to the Merger for at least five (5) years after closing. | STP continues to support this commitment. |
| 5 | ***Corporate Social Responsibility:*** No later than thirty (30) days after the closing of the Merger, and on or before that calendar day in each of the succeeding nine (9) years, Holdco will provide $50,000 to each of the following Community Action Agencies:<br>• United Services Community Action Agency;<br>• Community Action Partnership of Greater St. Joseph ("CAP St. Joe")[2]<br>• Community Services, Inc. ("CSI")<br>• West Central Missouri Community Action Agency;<br>• Missouri Valley Community Action Agency; and<br>• Community Action Partnership of North Central Missouri.<br>In the event any of these Community Action Agencies cease to exist during this period, Holdco, KCP&L and GMO shall work with OPC and Staff to identify a replacement agency or agencies to recommend for the Commission's approval. | STP continues to support this commitment. |

[1] January 2018 Stipulation and Agreement of Applicants, Staff, Brightergy and MJMEUC; March 2018 Stipulation and Agreement of Applicants, OPC, MECG, Brightergy and MJMEUC. Unless specifically noted as being part of the March 2018 Stipulation and Agreement, the commitments are those from the January 2018 Stipulation and Agreement

[2] Applicants understand that CAP St. Joe no longer administers weatherization services and that CSI now administers weatherization services for the area formerly served by CAP St. Joe. Consequently, Applicants would recommend that CSI receive $100,000 no later than thirty (30) days after the closing of the Merger and on or before that calendar day in each of the succeeding nine (9) years.

| | | |
|---|---|---|
| | It is expressly acknowledged that said funds are not operating costs of KCP&L or GMO but shall be recorded below the line (and not recovered in rates). The funds are meant to be prioritized by the Community Action Agencies for the creation of an additional position(s) within the Community Action Agency structure to better enable the utilization of weatherization dollars or such other appropriate use as deemed effective by the agencies.<br>These funds are provided to each agency with the express purpose of the creation of an additional position(s) to enable further low-income weatherization deployment at a recommended spend level of $50,000 per year over a ten-year period. Any excess funds can be allocated in the following categories at the agencies' discretion:<br>• Weatherization training and certification of agency personnel;<br>• Discretionary funds for health and hazard for on-site units (that may or may not be otherwise passed over);<br>• Outreach efforts;<br>• Utility weatherization account;<br>• Hardship fund for on-bill payments.<br>Each agency is required to provide documentation to KCP&L and GMO to verify how expenditures were incurred.<br><br>Community Action Agencies are required to file annual reports with KCP&L and GMO on how funds were expended. KCP&L and GMO shall file a condensed report of the agencies individual annual reports with the Commission, Staff and OPC. Any additional information is left to the agencies' discretion (e.g., estimated additional homes weatherized as a result of the expenditures).<br><br>KCP&L and GMO commit to an annual in-person meeting with each of the local Community Acton Agencies for the next five years at Holdco's headquarters in Kansas City, Missouri, with extended invitations to (at least) the Commission Staff and OPC to discuss progress to date including Strengths, Weaknesses, Opportunities and Threats to KCP&L's and GMO's low-income population. | |
| | **II. Employee Commitments** | |
| 6 | ***Collective Bargaining Agreements*:** Holdco will honor all existing collective bargaining agreements. | STP continues to support this commitment. |
| 7 | ***Employee Compensation and Benefits*:** Holdco will maintain substantially comparable compensation levels and benefits for all employees for two years after the closing of the Merger. | Not applicable. This commitment was completed prior to the creation of the STP. |
| 8 | ***Employee Headcount*:** While Merger-related efficiencies will result in a lower employee headcount over time for the combined organization post-closing compared to the two stand-alone organizations prior to closing, there will be no involuntary severance as a result of the Merger.<br><br>There will also be no involuntary severance as a result of closing the following generating facilities: Sibley (units 1, 2 and 3), Montrose (units 1, 2 and 3), Lake Road (unit 4/6), Tecumseh (unit 7), Gordon Evans (units 3 and 4) and Murray Gill (units 1 and 2).<br>Holdco will achieve headcount-related efficiencies through normal attrition and other voluntary means over time in a generally balanced way across both states. | STP continues to support this commitment. With the exception of Lake Road (unit 4/6), the generating facilities identified in this commitment were closed prior to the creation of the STP. |

| | III. Financing Conditions | |
|---|---|---|
| 9 | ***Board of Directors:*** Upon the closing of the Merger, the size of Holdco board of directors will be mutually determined by GPE and Westar. In addition, as of the closing of the transaction, Holdco's board shall initially be composed of an equal number of directors designated by each of GPE and Westar, who shall be predominantly from the Kansas and Missouri region and the majority of whom shall be independent as defined by the New York Stock Exchange. Terry Bassham shall be a member of the board as a GPE nominee and Mark Ruelle shall be the non-executive Chairman of the board as a Westar nominee, with Mr. Ruelle serving as such for a term of three years. The initial lead independent director of Holdco will also be designated by Westar, with reasonable consultation with GPE.<br><br>In addition, to the above, as of the closing, the board of directors will initially have five (5) standing board committees. Those committees will be composed of an equal number of directors designated by each of GPE and Westar. The initial chairpersons for three (3) of the five (5) standing committees shall be designated by GPE and the chairpersons for two (2) of the five (5) standing committees shall be designated by Westar. | Not applicable. This commitment was completed prior to the creation of the STP. |
| 10 | Intentionally left blank. | |
| 11 | Intentionally left blank. | |
| 12 | Intentionally left blank. | |
| 13 | ***Separation of Assets***: Holdco commits that KCP&L and GMO will not commingle their assets with the assets of any other person or entity, except as allowed under the Commission's Affiliate Transaction Rule or other Commission order.<br>Holdco commits that KCP&L, GMO and Westar will conduct business as separate legal entities and shall hold all of their assets in their own legal entity name unless otherwise authorized by Commission order.<br>Holdco, KCP&L, GMO and Westar affirm that the present legal entity structure that separates their regulated business operations from their unregulated business operations shall be maintained unless express Commission approval is sought to alter any such structure.<br>Holdco, KCP&L, GMO and Westar further commit that proper accounting procedures will be employed to protect against cross-subsidization of Holdco's, KCP&L's, GMO's and Westar's non-regulated businesses, or Holdco's other regulated businesses. | STP continues to support this commitment. |
| 14 | Intentionally left blank. | |
| 15 | Intentionally left blank. | |
| 16 | ***Credit Rating Downgrade***: If S&P or Moody's downgrade the Corporate Credit Rating or senior secured or unsecured debt issue rating of KCP&L or GMO (the "Impacted Utility") to below investment grade (i.e., below BBB- or Baa3), the "Impacted Utility" commits to file:<br>i. Notice with the Commission within five (5) business days of such downgrade that includes specification of the affected credit rating(s), the pre- and post-downgrade credit ratings of each affected credit rating, and a full explanation of why the credit rating agency or agencies downgraded each of the affected credit ratings;<br>ii. A filing with the Commission within sixty (60) days which shall include the following:<br>• Actions the Impacted Utility may take to raise its S&P or Moody's credit rating to BBB- or Baa3, respectively, including the costs and benefits of such actions and any plan the Impacted Utility may have to undertake such actions. If the costs of returning GMO and/or KCP&L to investment grade are above the benefits of such actions, GMO and/or KCP&L shall be required to show and | STP continues to support this commitment. |

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| | explain why it is not necessary, or cost-effective, to take such actions and how the utility(s) can continue to provide efficient and sufficient service in Missouri under such circumstances;<br>• The change on the capital costs of the Impacted Utility due to its S&P or Moody's credit rating being below BBB- or Baa3, respectively; and<br>• Documentation detailing how the Impacted Utility will not request from its Missouri customers, directly or indirectly, any higher capital costs incurred due to a downgrade of its S&P or Moody's credit rating below BBB- or Baa3, respectively;<br>iii. File with the Commission, every forty-five (45) days thereafter until the Impacted Utility has regained its S&P or Moody's credit rating of BBB- or Baa3, respectively or above, an updated status report with respect to the items required in subparagraph ii above.<br>iv. If the Commission determines that the decline of the Impacted Utility's S&P or Moody's credit rating to a level below BBB- or Baa3, respectively, has caused its quality of service to decline, then the Impacted Utility shall be required to file a plan with the Commission detailing the steps that will be taken to restore service quality levels that existed prior to the ratings decline.<br>v. In the event KCP&L's or GMO's affiliation (ownership or otherwise) with Holdco or any of Holdco's affiliates is a primary factor for KCP&L's or GMO's S&P or Moody's Corporate credit rating to be downgraded to below BBB- or Baa3, respectively, KCP&L and/or GMO shall promptly undertake additional legal and structural separation from the affiliate(s) causing the downgrade. Notwithstanding Commitment No. 11's limitation on payment of dividends, the Impacted Utility shall not pay a common dividend without Commission approval or until the Impacted Utility's S&P or Moody's credit rating has been restored to BBB- or Baa3, respectively.<br>vi. If KCP&L's or GMO's respective S&P or Moody's credit rating declines below BBB- or Baa3, respectively, the Impacted Utility shall file with the Commission within 15 days a comprehensive risk management plan setting forth committed actions assuring the Impacted Utility's access to and cost of capital will not be further impaired. The plan shall include a non-consolidation opinion if required by S&P or Moody's. | |
| 17 | ***Cost of Capital*:** Holdco commits that future cost of service and rates of KCP&L and GMO shall not be adversely impacted on an overall basis as a result of the Merger and that future cost of service and rates will be set commensurate with financial and business risks attendant to their individual regulated utility operations. Neither KCP&L nor GMO shall seek an increase to their cost of capital as a result of (i.e., arising from or related to) the Merger or KCP&L's and GMO's ongoing affiliation with Holdco and its affiliates after the Merger.<br><br>The return on equity capital ("ROE") as reflected in GMO's and KCP&L's rates will not be adversely affected as a result of the Merger. Holdco agrees the ROE shall be determined in future rate cases, consistent with applicable law, regulations and practices of the Commission.<br><br>The burden of proof that any increase to the cost of capital is not a result of the Merger shall be borne by KCP&L or GMO. Any net increase in the cost of capital that KCP&L or GMO seeks shall be supported by documentation that: (a) the increases are a result of factors not associated with the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; (b) the increases are not a result of changes in business, market, economic or other conditions caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates; and (c) the increases are not a result of changes in the risk profile of KCP&L or GMO caused by the Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates. The provisions of this section are intended to | STP continues to support this commitment. |

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| | recognize the Commission's authority to consider, in appropriate proceedings, whether this Merger or the post-Merger operations of Holdco or its non-KCP&L and non-GMO affiliates have resulted in capital cost increases for KCP&L or GMO.<br><br>Nothing in this condition shall restrict the Commission from disallowing such capital cost increases from recovery in KCP&L or GMO's rates. | |
| | **IV. Ratemaking, Accounting and Related Conditions** | |
| 18 | ***<u>Upfront Bill Credits:</u>*** Holdco agrees that its electric utility subsidiaries will provide all retail electric customers with one-time bill credits totaling<br>$50 million within 120 days of the closing of the Merger. This amount shall be allocated among Applicants' electric rate jurisdictions in both Kansas and Missouri on the basis of the total MWH of all retail Sales of Electricity reported to FERC under Form 1 (or Form 3 Q) for the most recent full twelve calendar month period prior to the closing of the Merger for which such report is available. The amount so allocated shall be assigned to each retail electric customer within the applicable Missouri electric rate jurisdiction based upon methodology approved by the Commission. | Not applicable. This commitment was completed prior to the creation of the STP. |
| | ***March 2018 Stipulation and Agreement:***<br><u>Upfront Bill Credits</u>: Applicants agree that approval of this Stipulation and Agreement incorporates the Missouri retail customer share of an additional $25 million of upfront bill credits beyond the Applicants' proposed initial $50 million. The Signatories agree that the total amount of the upfront bill credits are to be allocated by the Applicants which results in allocations of bill credits to KCP&L-MO of $14,924,840 and GMO of $14,205,828. The sum- total of the bill credit amount will be paid in one lump sum within one hundred and twenty (120) days of the closing of the Merger. This paragraph 15 is a replacement for Condition 18 of Exhibit A of the Stipulation and Agreement filed with the Commission on January 12, 2018.<br>a. <u>Allocation of bill credit amounts between rate classes</u> - The Signatories agree that the allocation of the bill credit amounts among the rate classes shall be as follows:<br><br>**KCP&L – Missouri**: **Greater Missouri Operations:**<br>Residential: $5,116,317.62 — Residential: $6,627,570.28<br>Small Gen SVC: $869,296.24 — SGS: $1,811,667.78<br>Med. Gen SVC: $2,131,583.25 — LGS: $2,260,908.37<br>Large Gen SVC: $3,648,156.67 — LPS: $3,298,276.57<br>Large Power: $2,990,585.17 — Lighting: $195,531.49<br>MO Lighting: <u>$168,955.05</u> — Thermal: $10,970.24<br>$14,924,894.00 — TOD: <u>$903.27</u><br>$14,205,828 | Not applicable. This commitment was completed prior to the creation of the STP. |

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| | b. Allocation of bill credit amounts within rate classes - The allocation of the bill credit sums between the customers within the rate classes shall be as follows:<br><br>**KCP&L – Missouri**:<br>Residential: Divided equally among the customer class by customer account<br>Small Gen SVC: Divided equally among the customer class by customer account Med. Gen SVC: Divided equally among the customer class by customer account Large Gen SVC: Based on each customer's energy usage within the customer class Large Power: Based on each customer's energy usage within the customer class MO Lighting: Divided equally among the customer class by customer account<br><br>**Greater Missouri Operations:**<br>Residential: Divided equally among the customer class by customer account<br>SGS: Divided equally among the customer class by customer account<br>LGS: Based on each customer's energy usage within the customer class<br>LPS: Based on each customer's energy usage within the customer class<br>Lighting: Divided equally among the customer class by customer account Thermal: Divided equally among the customer class by customer account<br>TOD: Divided equally among the customer class by customer account | |
| 19 | ***Transition Costs:*** Neither GMO nor KCP&L will ever include in cost of service, and shall never seek to recover in rates, any transition costs related to this Merger that are in excess of the benefits that these transition costs are intended to attain.<br><br>Transition costs are those costs incurred to integrate Westar and GPE, and include integration planning, execution, and "costs to achieve."<br><br>Non-capital transition costs can be ongoing costs or one-time costs. KCP&L's and GMO's non-capital transition costs, which shall include but not be limited to severance payments made to employees other than those required to be made under change of control agreements, can be deferred on the books of either KCP&L or GMO to be considered for recovery in KCP&L and GMO future rate cases. If subsequent rate recovery is sought, KCP&L and GMO will have the burden of proof to clearly identify where all transition costs are recorded and of proving that the<br>recoveries of any transition costs are just and reasonable as their incurrence facilitated the ability to provide benefits in excess of those costs to its Missouri customers. Such benefits may be the result of avoiding or shifting costs and activities.<br><br>KCP&L and GMO shall be required to attest in all future rate proceedings before the Commission that no transition costs in excess of their corresponding benefits are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that transition costs, in excess of their corresponding benefits, are not included in cost of service or rates. This commitment shall be | STP continues to support this commitment. |

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| | required until all transition costs are fully amortized.<br><br>KCP&L and/or GMO, as applicable, shall bear the burden of proving and fully documenting that any transition costs for which rate recovery is sought have produced net benefits. Such benefits may be the result of avoiding or shifting costs and activities. | |
| | ***March 8, 2018 Stipulation and Agreement: Transition Costs:*** Signatories shall support in KCP&L and GMO's 2018 rate cases filed on January 30, 2018, deferral of Merger transition costs of $7,209,208 for GMO and $9,725,592 for KCP&L's Missouri operations. Signatories will recommend recovery in the respective 2018 rate cases through amortization of such Merger transition costs for approval by the Commission over a 10-year period beginning when such costs have been included in Missouri base rates, with no carrying costs or rate base inclusion allowed for the unamortized portion of such costs at any time. Signatories agree that no other Merger transition costs shall be requested for recovery from Missouri customers in the 2018 rate cases or thereafter. This agreement regarding transition cost recovery is an additional limitation to Condition 19 in Exhibit A to the Stipulation and Agreement filed on January 12, 2018. | The first, second and fourth sentences of this commitment are not applicable as they were completed prior to the creation of the STP. STP continues to support the third sentence of this commitment. |
| 20 | ***<u>Goodwill</u>*:** Goodwill associated with the Merger is the difference between the fair market value of GPE's assets and the exchange value of GPE's stock upon the closing of the Merger (referred to herein as "Merger Goodwill") and will be maintained on the books of Holdco. The amount of any such Merger Goodwill shall not be included in the revenue requirement of KCP&L or GMO in future Missouri rate cases. Neither KCP&L nor GMO will seek recovery through recognition in retail rates and revenue requirement in future rate cases of any such Merger Goodwill. | STP continues to support this commitment. |
| 21 | ***<u>Goodwill Impairment</u>*:** Customers shall be held harmless from the risk or realization of any Merger Goodwill impairment.<br>Holdco does not expect, and shall take prudent actions to avoid, Merger Goodwill from negatively affecting KCP&L's or GMO's cost of capital.<br><br>If such Merger Goodwill becomes impaired and such impairment negatively affects KCP&L's or GMO's cost of capital or credit ratings, all costs associated with the decline in the Impacted Utility's credit quality specifically attributed to the Merger Goodwill impairment, considering all other capital cost effects of the Merger and the impairment, shall be excluded from the determination of the Impacted Utility's rates. | STP continues to support this commitment. |
| 22 | ***<u>Transaction Costs</u>*:** Transaction costs include, but are not limited to, those costs relating to obtaining regulatory approvals, development of transaction documents, investment banking costs, costs related to raising equity incurred prior to the close of the Merger, severance payments required to be made by change of control agreements, internal labor and third party consultant costs incurred in performing any types of analysis or preparation (financial, tax, investment, accounting, legal, market, regulatory, etc.) to evaluate the potential sale or transfer of ownership, prepare for bid solicitation, analyze bids, conduct due diligence, compliance with existing contracts including change in control provisions, and compliance with any regulatory conditions, closing, and communication costs regarding the ownership change with customers and employees.<br><br>GMO and KCP&L commit that they will not seek recovery through recognition in retail rates of transaction costs, that they shall have the burden of proof to clearly identify where all transaction costs related to this Merger are recorded and shall be required to attest in all future rate proceedings before the Commission that none of these costs are included in cost of service and rates, and to provide a complete explanation of the procedures used to ensure that these transaction costs are not included in cost of service or rates. This | STP continues to support this commitment. |

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| | commitment shall be required until transaction costs of this Merger are no longer on Holdco's books in a test year for KCP&L and/or Westar, as applicable.<br><br>Transaction costs shall be recorded on Holdco's books. | |
| 23 | ***Fuel and Purchased Power Costs*:** KCP&L's and GMO's fuel and purchased power costs shall not be adversely impacted as a result of the Merger. | STP continues to support this commitment., but STP is expected to reduce fuel and purchase power costs. |
| 24 | ***Retail Rates:*** Holdco commits that retail rates for KCP&L and GMO customers shall not increase as a result of the Merger. | STP continues to support this commitment. |
| 25 | ***Future Rate Cases:*** Holdco commits that in future rate case proceedings, KCP&L and GMO will support their assurances provided in this document with appropriate analysis, testimony, and necessary journal entries fully clarifying and explaining how any such determinations were made. | STP continues to support this commitment. |
| | **V. Affiliate Transactions and Cost Allocations Manual (CAM) Conditions** | |
| 26 | ***Affiliate Transaction Rule:*** KCP&L and GMO will be operated after the Merger in compliance with the Commission's Affiliate Transaction Rule, as defined in 4 CSR 240-20.015(10) and 4 CSR 240-80.015(10). | STP continues to support this commitment. |
| 27 | ***Information on Affiliate Transactions*:** Holdco and its subsidiaries commit that all information related to an affiliate transaction consistent with 4 CSR 240-20.015(5)(A)(1)-(2) and 4 CSR 240-80-015(5)(A)(1)-(2) charged to KCP&L and/or GMO will be treated in the same manner as if that information is under the control of either KCP&L or GMO | STP continues to support this commitment. |
| 28 | ***No Preferential Treatment of Affiliates*:** Except as permitted by any variance granted by the Commission, neither KCP&L nor GMO will provide preferential service, information, or treatment to an affiliated entity over another party at any other time, consistent with 4 CSR 240-015(2) and 4 CSR 240-80.015(2). | STP continues to support this commitment. |
| 29 | ***Intercompany Charges*:** Holdco and its subsidiaries may seek recovery of intercompany charges to regulated utility affiliates in their first general rate proceedings following the closing of the Merger at levels equal to the lesser of actual costs or the costs allowed related to such functions in the cost of service of their most recent rate case prior to the closing of the Merger, as adjusted for inflation measured by the Gross Domestic Product Price Index. Billings for common-use assets shall be permitted consistent with GPE's current practices. Holdco and its subsidiaries shall have the burden of proof to demonstrate billings are prudent, in the usual course of business, and consistent with past practice. | STP continues to support this commitment. |
| 30 | ***Separate Books and Records Available to Staff and Commission*:** Holdco shall maintain separate books and records, systems of accounts, financial statements and bank accounts for GMO and KCP&L. The records and books of GMO and KCP&L will be maintained under the FERC Uniform System of Accounts ("USOA") applicable to investor-owned jurisdictional electric utilities, as adopted by the Commission. | STP continues to support this commitment. |

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| | The financial books and records of Holdco's regulated utility affiliates will be made available to the Commission and its Staff.<br><br>The records and books of any affiliate for which any direct or indirect charge is made to GMO and KCP&L, and included in said utilities' cost of service and rates on either a direct or indirect basis, will be made available, upon request, to the Commission and its Staff.<br><br>Holdco, KCP&L and GMO shall facilitate access of the Commission Staff to its external auditors and endeavor to provide the Commission and its Staff with timely access to any relevant external audit workpapers and/or reports.<br><br>Holdco, KCP&L and GMO will maintain adequate records to support, demonstrate the reasonableness of, and enable the audit and examination of all centralized corporate costs that are allocated to or directly charged to KCP&L or GMO. Nothing in this condition shall be deemed a waiver of any rights of Holdco, KCP&L or GMO to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party. | |
| 31 | ***Independent Third Party Management Audit of Affiliate Transactions and Corporate Cost Allocations Report*:** Holdco, KCP&L and GMO shall agree to an independent third party management audit report of new holding company, KCP&L and GMO corporate cost allocations and affiliate transaction protocols. A committee, which shall be comprised of an equal number of Staff, OPC and Applicant representatives, shall develop a Request for Proposal ("RFP") with input from all committee members on the scope of work, and this RFP shall be submitted to the Commission for approval within six months after the closing of the Merger. The selection of a successful bidder shall be conducted by the same committee and shall me made by unanimous vote. If the vote is not unanimous, the Commission will determine the successful bidder and scope of work. The independent third party management auditor's contract shall preserve the auditor's independence by precluding Staff, OPC, Holdco, KCP&L, and GMO representatives from directing or influencing the report's conclusions. Upon completion, the report of the audit shall be filed with the Commission.<br><br>a. The audit will examine Holdco, KCP&L, and GMO's corporate cost allocations, affiliate transaction protocols, and ensure that the existing CAM fully documents newly formed operations, or to make recommendations to revise the CAM to address newly formed operations. The audit shall be designed to assess compliance with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015) as well as the appropriateness of the allocation of corporate costs among Holdco, KCP&L, GMO, and all affiliates. Holdco, KCP&L, GMO, and all (regulated and non-regulated) affiliates shall cooperate fully with the auditor by timely providing all information requested to complete the audit including, but not limited to, informal and interactive interviews followed up with formal discovery.<br><br>b. The audit report shall express an independent opinion on the degree and extent of KCP&L and GMO's compliance with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015) and shall provide recommendations, if appropriate, regarding procedures and methodologies used by Holdco, KCP&L and GMO in allocating corporate costs and complying with the Commission's Affiliate Transactions Rule (4 CSR 240-20.015). | Not applicable. This commitment was completed prior to the creation of the STP. |

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| | c. It is expressly acknowledged that Holdco, KCP&L and GMO shall collectively provide $500,000, funded below the line (and not recovered in rates), for purposes of funding the independent third party management audit. Any additional expense beyond $500,000, required by the Commission, will be split 50/50 between ratepayers and shareholders.<br><br>d. Any cost in excess of $500,000 shall be deferred to account 182.3 (other regulatory assets) and recovered through amortization, subject to the 50/50 split provided immediately above, in retail rates and cost of service in the first KCP&L and GMO general rate cases subsequent to the completion of the audit. | |
| 32 | As required by Commission rule (4 CSR 240-20.015(2)(C)) and clarified by the Commission's decision in Case No. EC-2015-0309, KCP&L and GMO agree to not make available, sell or transfer specific Missouri customer information including, but not limited to: customer names, addresses, telephone numbers, credit or debit card information, social security numbers, income and/or other customer information, to affiliated or unaffiliated entities without prior informed consent of the Missouri customer, authorization of the Commission or as otherwise provided by law, other than as necessary to provide services to and in support of their regulated operations. | STP continues to support this commitment. |
| 33 | ***<u>Cost Allocation Manual</u>*:** KCP&L and GMO agree to meet with Staff and OPC no later than sixty (60) days after the closing of the Merger to provide a description of its expected impact on the allocation of costs among Holdco's utility and non-utility subsidiaries as well as a description of its expected impact on the cost allocation manuals ("CAMs") of KCP&L and GMO. No later than six (6) months after the closing of the Merger but no less than two (2) months before the filing of a general rate case for either KCP&L or GMO, whichever occurs first, KCP&L and GMO agree to file updates to their existing CAMs reflecting process and recordkeeping changes necessitated by the Merger. | Not applicable. This commitment was completed prior to the creation of the STP. |
| | **VI. Quality of Service Conditions** | |
| 34 | ***<u>Customer Service and Operational Levels</u>*:** KCP&L and GMO will meet or exceed the customer service and operational levels currently provided to their Missouri retail customers.<br><br>After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, data on contact center service quality, including abandoned call rate, average speed of answer, service level (percentage of calls answered within 20 seconds), the number of calls offered utilization of call deferral technology (such as "Virtual Hold"). KCP&L and GMO currently provide such data on a monthly basis and will continue this practice after closing. The contact center service quality information that KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034.<br><br>To the extent that handling of calls by KCP&L or GMO customers is either outsourced (meaning that calls of KCP&L or GMO customers are being handled by personnel who are not under the direct supervision and management of KCP&L or GMO employees) or performed by contingent labor (meaning personnel who are not directly employed by Holdco, KCP&L or GMO but who are subject to the direct supervision and management of KCP&L or GMO employees) to a greater degree than occurred prior to the closing of the Merger, KCP&L and GMO shall advise Staff of such arrangements in advance of implementation, provide the same contact center service quality information to Staff and, in addition, shall include data on the turnover rate (i.e., information related to on-the-job tenure) of such contingent labor | STP continues to support this commitment and STP, by investing in critical infrastructure, will positively support reliability performance. |

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| | contact center personnel in the monthly contact center service quality reports.<br><br>After the closing of the Merger, KCP&L and GMO shall continue providing Staff, on a monthly basis, with data on service reliability, including system average interruption frequency index ("SAIFI"), system average interruption duration index ("SAIDI"), customer average interruption frequency index ("CAIFI") and customer average interruption duration index ("CAIDI"). The service reliability information KCP&L and GMO will provide after closing shall be consistent with the information that has been provided pursuant to agreements in Case Nos. EM-2007-0374, EO-2005-0329 and ER-2004-0034.<br><br>After the closing of the Merger, KCP&L and GMO shall, for a period of two years after closing, provide Staff, on a twice-yearly basis, responses to all customer survey questions dealing with customer satisfaction and experience conducted on KCP&L and GMO's behalf as well as the contracts pursuant to which such surveys are performed by entities such as, but not limited to, JD Power and Associates, Wilson Perkins Allen, Hyper-Quality, Profile Marketing Research. Such information shall be provided no later than 45 days after the conclusion of the relevant six- month period and shall commence the day the Merger closes. During the wo-year period after closing, KCP&L and GMO will provide such survey results and information pertinent to the conduct of the surveys at the request of Staff. Upon the conclusion of the two-year period, after closing of the Merger, any such survey information would be available for Staff review through the rate case discovery process. | |
| 35 | ***<u>Continued Meetings with Staff Regarding Customer Service</u>*****:** KCP&L and GMO will continue to meet with Staff Customer Experience personnel on a periodic basis, such as quarterly or as Staff deems necessary, after the close of the Merger, to review contact center and other service quality performance. Staff may request additional periodic meetings with KCP&L and GMO personnel to address customer service operating procedures and the level of service being provided to Missouri retail customers. | STP continues to support this commitment. |
| 36 | ***<u>Customer Service Management Organizational Charts</u>*****:** Within thirty (30) days after the closing of the Merger, KCP&L and GMO shall provide to Staff a current organizational chart, illustrating the positions and names of management employees that have customer service responsibilities, and this information shall be provided on a monthly basis thereafter. | Evergy has provided the necessary reports. The STP continues to support the ongoing reporting obligation of this commitment. |
| | **VII. Reporting and Access to Records** | |
| 37 | ***<u>Merger Integration:</u>*** To keep Staff and the Commission apprised of the status of integration implementation after closing:<br><br>a KCP&L and GMO shall meet with Staff no later than 60 days after closing, and on a quarterly basis thereafter for a period of one year after closing, to provide an update on the status of integration implementation, including discussion of progress on organizational changes and consolidation of processes affecting the customer experience, including but not limited to: contact center operations, customer information and billing, remittance processing, credit and collections, and service order processes. The frequency of such update meetings shall be reduced to every six months during the second year after closing of the Merger and shall cease thereafter, unless otherwise ordered by the Commission. Regardless of the frequency of such meetings, KCP&L and GMO agree to continue their practice of promptly advising Staff in the event of material operational irregularities – whether arising from systems, training, process change or any other cause – that may affect the customer experience. Additionally, for a period of no less than two years, unless otherwise ordered by the Commission, KCP&L and GMO shall, on a twice-yearly basis unless otherwise ordered by the Commission, appear and | STP continues to support this commitment. |

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| | provide an update of the status of integration implementation, providing the Commissioners an opportunity to ask questions about the status of integration implementation.<br><br>b. KCP&L and GMO shall, on a quarterly basis continuing for two years after closing, provide Staff, no later than 45 days after the conclusion of the relevant quarter, with data on employee headcounts (full- and part-time, including contingent labor retained through employment agencies) for Holdco, KCP&L, GMO and Westar as well as a complete listing of functions and/or positions that have been either outsourced (meaning that work is being performed on behalf of Holdco, KCP&L, GMO and/or Westar that is not under the direct management and supervision of Holdco, KCP&L, GMO or Westar employees) or converted to contingent labor as a result of the integration of Holdco, KCP&L, GMO and Westar. To the extent that job positions at Holdco, KCP&L, GMO or Westar have been eliminated, re-classified or transferred between Holdco, KCP&L, GMO or Westar, such eliminations, re-classifications or transfers shall be identified.<br><br>c. KCP&L and GMO shall, for a period of two years after closing, provide Staff any reports or presentations made to Holdco's board of directors regarding efficiencies attained as a result of the Merger. Such reports or presentations shall be provided to Staff within 30 days after being provided to Holdco's board of directors.<br><br>d. The reporting and data provision agreed to herein by Holdco, KCP&L and GMO does not change any reporting obligations of GPE (which shall apply to Holdco post-merger), KCP&L or GMO that existed prior to the approval of this Merger. | |
| 38 | ***<u>Goodwill Impairment Analysis</u>*:** For the first five (5) full calendar years after the closing of the Merger, Holdco shall provide Staff and OPC its annual goodwill impairment analysis in a format that includes spreadsheets in their original format with formulas and links to other spreadsheets intact and any printed materials within thirty (30) days after the filing of Holdco's Form 10-Q for the period in which the analysis is performed, as well as all supporting documentation. Thereafter, this analysis will be made available to Staff and OPC upon request. | STP continues to support this commitment. |
| 39 | ***<u>Accounting Changes</u>*:** Holdco, KCP&L and Westar commit that any material Merger-related financial and accounting changes must be reported to the Commission. | Not applicable. This commitment was completed prior to the creation of the STP. |
| 40 | ***<u>Access to Materials Provided to Ratings Analysts</u>*:** KCP&L and GMO shall provide Staff and OPC with access, upon reasonable written notice during working hours and subject to appropriate confidentiality and discovery procedures, to all written information provided to common stock, bond or bond rating analysts which directly or indirectly pertains to KCP&L or GMO or any affiliate that exercises influence or control over KCP&L, GMO or Holdco. Such information includes, but is not limited to, common stock analyst and bond rating analyst reports. For purposes of this condition, "written" information includes, but is not limited to, any written and printed material, audio and video tapes, computer disks, and electronically stored information. Nothing in this condition shall be deemed a waiver of any entity's right to seek protection of the information or to object, for purposes of submitting such information as evidence in any evidentiary proceeding, to the relevancy or use of such information by any party. | STP continues to support this commitment. |
| 41 | ***<u>Access to Materials Regarding CAM Compliance:</u>*** Holdco, KCP&L and GMO shall make available to Staff and OPC, upon written notice during normal working hours and subject to appropriate confidentiality and discovery procedures, all books, records and employees as may be reasonably required to verify compliance with KCP&L's and GMO's CAM and any conditions ordered by this Commission. Holdco, | STP continues to support this commitment. |

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| | KCP&L and GMO shall also provide Staff and OPC any other such information (including access to employees) relevant to the Commission's ratemaking, financing, safety, quality of service and other regulatory authority over KCP&L or GMO; provided that any entity producing records or personnel shall have the right to object on any basis under applicable law and Commission rules, excluding any objection that such records and personnel of affiliates (a) are not within the possession or control of either KCP&L or GMO or (b) are either not relevant or are not subject to, the Commission's jurisdiction and statutory authority by virtue of, or as a result of, the implementation of the proposed Merger. | |
| 42 | ***Access to Board of Director Materials*:** KCP&L and GMO shall provide Staff and OPC access, upon reasonable request, the complete Holdco board of directors' meeting minutes, including all agendas and related information distributed in advance of the meeting, presentations and handouts, provided that privileged information shall continue to be subject to protection from disclosure and KCP&L and GMO shall continue to have the right to object to the provision of such information on relevancy grounds. | STP continues to support this commitment. |
| 43 | ***Retention Period for Affiliate Transaction Records*:** KCP&L and GMO will maintain records supporting their affiliated transactions for at least six (6) years. | STP continues to support this commitment. |
| 44 | ***Journal Entries:*** Within six months of the close of the Merger, Holdco, KCP&L and GMO will provide to the Commission Staff detailed journal entries recorded to reflect the Merger.<br><br>Holdco, KCP&L and GMO shall also provide the final detailed journal entries to be filed with the Commission no later than 13 months after the date of the closing. These entries must show, and shall include but not be limited to, the entries made to record or remove from all utility accounts any acquisition premium costs or transaction costs. | Not applicable. This commitment was completed prior to the creation of the STP. |
| 45 | ***Employment in the State of Missouri*:** In their first general rate cases filed after the closing of the Merger, KCP&L and GMO (as applicable) shall provide direct testimony explaining the employment metrics related to the number of full time employees and the average turnover rate along with any material changes to those metrics since the closing of the Merger. This direct testimony shall include a complete description, supported by schedules or work papers as appropriate, of the Merger-related labor and all labor-related efficiency savings that KCP&L and GMO (as applicable) propose to flow through to the benefit of customers in the form of rates that are lower than they would be in the absence of the Merger. | STP continues to support this commitment. |
| 46 | ***Staff or OPC Travel Outside Missouri*:** Should it be deemed necessary for Staff or OPC employees to travel to locations outside of the State of Missouri to examine any records deemed relevant to the subject matter at hand, KCP&L or GMO shall bear all reasonable expense incurred by Staff or OPC, provided, however, that before any such expense shall be incurred by Staff or OPC, KCP&L or GMO shall be given reasonable notice to produce the records requested for inspection or examination at the office of the Commission at Jefferson City, Missouri or at KCP&L and GMO's offices in Kansas City, Missouri, or at such other point in Missouri, as may be mutually agreed, in which case KCP&L or GMO shall make available at that place, at that time, a person(s) who is acquainted with the records. | STP continues to support this commitment. |

| | VIII. Other Parent Company Conditions | |
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| 47 | ***<u>Prior Commitments of, and Orders Applicable to, GPE, KCP&L and GMO</u>*:** Holdco, KCP&L and GMO commit to reaffirm and honor any prior commitments made by GPE, KCP&L or GMO to the Commission to comply with any previously issued Commission orders applicable to KCP&L or GMO or their previous owners except as otherwise provided forherein. | STP continues to support this commitment. |
| 48 | ***<u>Future Access to Capital</u>*:** Holdco acknowledges that its utility subsidiaries need significant amounts of capital to invest in energy supply and delivery infrastructure (including, but not limited to, renewable energy resources and other environmental sustainability initiatives such as energy efficiency and demand response programs), that meeting these capital requirements of its utility subsidiaries will be considered a high priority by Holdco's board of directors and executive management, and that Holdco's access to capital post-transaction will permit it and its utility subsidiaries to meet their statutory obligation to provide safe and adequate service. | STP continues to support this commitment. |
| | ***March 8, 2018 Stipulation and Agreement***<br><u>Future Mergers</u>: Applicants have acknowledged that paragraph II.7. ("Prospective Merger Conditions") of the First Amended Stipulation and Agreement approved by the Commission in Cost No. EM-2001-464 will apply to Holdco post-closing. Consequently, consistent with the Commission's ruling on February 22, 2017 in Case No. EC-2017-0107, Holdco will be required to comply with that provision in the future regardless of whether Holdco is named GPE. | STP continues to support this commitment. |
| | ***March 8, 2018 Stipulation and Agreement***<br><u>Name Changes</u>: KCP&L and GMO agree, prior to implementing any name change, that customer billing systems will be able to clearly designate on the customer's bill the customer's electric service provider in a manner that customers will be able to access the appropriate rate schedules. | STP continues to support this commitment. |
| | ***March 8, 2018 Stipulation and Agreement***<br><u>Industrial Customer Meetings</u>: Establishment of an ongoing dialogue between KCP&L and GMO and industrial customers – meeting with senior management, outside of regulatory / governmental affairs, every six months during the period of 2019 – 2023. | STP continues to support this commitment. |