BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	**Case No. ER-2018-0145**
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authorization to Implement A General Rate Increase for Electric Service	))))	**Case No. ER-2018-0146**

NOTICE OF FILING CONSOLIDATION STUDY

COME NOW Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy MO Metro") and Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("Evergy MO West") (collectively, the "Company") [1] and respectfully state as follows to the Missouri Public Service Commission ("Commission"):

1. On September 19, 2018, the Company filed a *Non-Unanimous Partial Stipulation and Agreement* ("Partial Stipulation") which included an agreement between the Company, Staff of the Missouri Public Service Commission ("Staff"), Midwest Energy Consumers Group ("MECG"), Missouri Division of Energy ("DE"), Missouri Industrial Energy Consumers ("MIEC"), Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), and Renew Missouri ("Renew MO") (collectively, "Signatories").[2]

[1] Effective October 7, 2019, Every MO Metro adopted the service territory and tariffs of Kansas City Power & Light Company; and Evergy MO West adopted the service territory and tariffs of KCP&L Greater Missouri Operations Company.

[2] "The Company will perform a study investigating the consolidation of KCP&L and GMO rates and will make a recommendation regarding consolidation of rates in these dockets within two years of the date of approval of this Stipulation. KCP&L and GMO will provide quarterly stakeholder updates concerning the study." *Partial Stipulation*, Section 16, p. 9.

2. On October 31, 2018, the Commission issued its *Order Approving Stipulations and Agreements* ("Order") which approved the various settlements between the Signatories in these dockets, including the Partial Stipulation referenced above.

3. Pursuant to the provisions of the Partial Stipulation the Company is filing the attached *Rate Consolidation Study*, designated as **Exhibit A**.

WHEREFORE, the Company respectfully request the Commission take notice of the attached.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 30th day of October 2020.

Roger W. Steiner

Roger W. Steiner

Evergy Missouri Metro
& Evergy Missouri West

Rate Consolidation Study
10/31/2020

I. BACKGROUND

COMMISSION ORDER-

As a result of the rate case (Docket Nos. **ER-2018-0145 and ER-2018-0146**, "2018 rate case"), a Stipulation & Agreement ("S&A") dated September 19, 2018 outlined that the Company would perform a study of Consolidation. In that docket, the Missouri Public Service Commission ("MPSC" or "Commission") ordered ("Commission Order") 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") (formerly Kansas City Power & Light Company or ("KCP&L") and KCP&L - Greater Missouri Operations Company ("GMO")) to do the following:

> ***"The Company will perform a study investigating the consolidation of KCP&L and GMO rates and will make a recommendation regarding consolidation of rates in these dockets within two years of the date of approval of this Stipulation. KCP&L and GMO will provide quarterly stakeholder updates concerning the study."***

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III. GENERAL SCOPE & OBJECTIVE

In compliance with the S&A and Commission Order, this study explores and covers topics and details that would be necessary for various levels of rate consolidation. Consolidation for purposes of this study, focuses on the combination of the Evergy Missouri Metro ("Missouri Metro") and Evergy Missouri West ("Missouri West") jurisdiction's rates and costs for rate making purposes. The Company supports the concepts of rate consolidation and has made efforts to operate consistent with that spirit. To better ensure success given the interrelated or shared nature of some costs between Missouri Metro and Evergy Kansas Metro ("Kansas Metro"), we explain important considerations as we explore the feasibility and ease of consolidation of rates between Missouri Metro and Missouri West. To the extent possible, the Company utilized learnings from past consolidations, including the 2012 Westar rate consolidation and the 2016 Greater Missouri Operations Company ("GMO") rate consolidation, as well as leveraged data and information gathered as part of their 2018 rate case in order to maximize efficiency and allow for utilization of in-house personnel, as preferred by the Commission and parties of this study.

The objective of the study is to outline the current state of operations, costs, and rates, as well as, the potential obstacles with immediate rate consolidation given the current state, and finally, the steps recommended to consolidate rates properly (leveraging past learnings) with a possible execution timeline.

IV. INTRODUCTION

Evergy, Inc. has three wholly owned subsidiaries that operate as separate legal entities or public utilities that have jurisdictional regulated operating utilities. They include Evergy Metro, Inc. (inclusive of the Kansas Metro and Missouri Metro rate jurisdictions), Evergy Missouri West, Inc., and Evergy Kansas Central, Inc. Each separate utility is subject to Kansas regulation, Missouri regulation, or both, as well as, the Federal Energy Regulatory Commission ("FERC") regulation.

Given the Company's merger activity and the fact that Company operates under the one Evergy name, it would be easy to believe that the Company and all its affiliates, Evergy Metro (Missouri Metro and Kansas Metro), Evergy Missouri West, and Evergy Kansas Central are combined and fully integrated, operating under one simple set of books and one set of regulatory rules.

In many respects, Missouri Metro and Missouri West do operate in an integrated fashion. For example, support functions, such as Human Resources, Accounting, and IT are centralized and serve both companies. In other respects, they operate separately. For example, generating facilities, transmission, distribution and their resulting costs operate separately between Missouri Metro and Missouri West. When state regulation is factored in, Missouri West operations are entirely regulated at the state level by the MPSC, while, Evergy Metro (Missouri Metro and Kansas Metro) is regulated separately at the state level by both the MPSC and the Kansas Corporation Commission. Some costs between Missouri Metro and Missouri West are direct costs that are identifiable and distinguishable for each company. However, many costs are common costs which are allocated using different types of common and general allocation cost drivers. In addition, there are other differences which increase the level of accounting complexity which include operational differences and/or generation mix for example, or state regulation, policy, and/or negotiation. Additionally, there's extensive accounting and financial reporting that is separate for each utility, but are used to prepare consolidated financial statements, while still maintained separately. Given these differences in costs and operations, and other reasons to follow, customer rates and rate books are separate at this time.

For the sake of simplicity, consolidation of operations, costs, and rates, makes a lot of sense. Jurisdictional consolidation is typically an advantageous goal for a utility, its customers and regulators – one set of rules, one set of rates, one method of accounting plus singular reporting present a chance for efficiency and subsequent cost savings. The ability to consolidate rates is usually limited by operational obstacles – primarily changes to systems and processes, but will often also include legal, financial, and regulatory constraints. Consolidation from the customer point of view is also advantageous through cost savings that can be realized through rates, streamlined customer service and more consistent and less complex communications. Consolidation can be less advantageous if done too abruptly or in a way that might confuse or irritate customers with rate design or rate levels changes that are material or in such a way that the efficiencies and cost savings do not materialize.

Given merger activity and the potential for an improved customer experience, reduced complexity and streamlined efficiency, the Company sees value in rate consolidation. The Company regularly seeks opportunities to seek higher levels of consolidation and consistency. To better ensure success and

facilitate a comprehensive integration, including full consolidation of rates, the Company identified steps to execute with specific conditions to consider and minimize negative impact to the Company and the customer.

V. RATE CONSOLIDATION-DETAILED

1. Levels of Consolidation

For purposes of clarity, it is important to describe the various forms of consolidation considered and reviewed as part of this study. Consolidation could include full legal consolidation or rate consolidation and variations in between.

a. Consolidation of Rate Structures – combining, aligning, or using like rate structures to provide consistent presentation of billing elements.

For example, assume that Company A had a Residential class which had a two part rate structure or two billing components including a customer charge and energy charge and, Company B had a Residential class with a three part rate structure or three billing components, a customer charge, energy charge, and demand charge. The consolidation of rate structures would mean that we would take both classes and either bill both classes of customers through two billing components (customer charge and energy) or three billing components (customer charge, energy charge, and demand) or even consider a third choice of a brand new rate structure. The result would be one set of rate structures or billing elements for both companies.

i. Expected Benefit – includes the potential for simplified billing (assuming it's all in one billing system and the initial change to go to one structure is ignored), customer clarity (the same components across jurisdictions means it's simpler to understand), and/or decreased customer education/marketing costs associated with leveraging cross jurisdictional efficiencies in customer communication.

ii. Potential Limitation – includes the complexities that may exist as a result of significant differences in customer make-up and rate class groupings. For example, Company A might have customers whose usage spans across large, medium, and small classes, while Company B's customer usage is very different such that customers are grouped into large and small rate classes only. Rate consolidation or alignment would prove difficult and likely have some billing impact. Additionally, differences in methodologies or manner for calculating certain billing components may need to be addressed to achieve the intended effect. This would be inclusive of Rider differences that may exist across legal entities. Decisions made here might benefit one group of customers, while disadvantaging another. To minimize negative customer impact, careful review and analysis needs to be performed requiring significant time from numerous stakeholders.

b. Consolidation of structures and rates – a more pronounced change going beyond just alignment of billing components/structure that includes pricing itself.

   i. Expected Benefit – same as benefits associated with aligning rate structures with the added benefit of one set of rates or pricing.

   ii. Potential Limitation – includes possible subsidy. If Company A has a customer charge of $10, and Company B had a customer charge of $12, a consolidated proposal might be a customer charge for both companies of $11. The result would be lower rates for Company B customers, but with possible subsidization from Company A and its customers. Full bill impact analysis and possibly mitigation options would be necessary to minimize negative customer billing impact.

c. Consolidation of Class Cost of Service ("CCOS") – combines the process that evaluates costs and revenues and a class's relative rate of return for purposes of properly allocating, functionalizing, classifying costs and reflecting cost causation for each rate class.

   i. Expected Benefit – the utilization of one class cost of service study would be cheaper and simpler if the underlying costs (and revenues) resulting from similar operations facilitated one set of accounting books (only allowed through legal consolidation) and rate books (similar rates/structures/classes as noted in a and b).

   ii. Potential Limitation – if we assume that companies are not consolidated (one set of accounting and financial books) and there are remaining material differences in rates, structures, and classes (different rate books), there are several limitations.

   - Differences in rates/structures could result in negative customer billing impact. Extensive billing impact analysis would need to be performed, and potentially at the individual customer level to understand. (see sections a and b for full detail) Additionally, as was the case in the GMO rate consolidation, the ultimate effect of rate consolidation once done, would need to be validated after the fact to verify cost impacts, bill impacts, revenue requirement impacts, and customer migration that could occur.

   - Differences in operations and costs (and as a result, potential allocation methodology differences) would be extremely difficult to adjust for in consolidation of costs and revenues and the resulting CCOS could result in possible subsidization from one company's customers/jurisdiction as compared to the other (standalone CCOS) if not done carefully.

   - If we ignored all of the above, we could do a "mathematical exercise" that would entail adding two separate revenue requirement models for purposes of having one set of combined costs and ask/expected return.

This method would be a gross oversimplification that ignores differences in operations, costs, allocation methodologies and customer rates and make-up for the sake of the appearance of consolidation without true alignment. The result could be skewed results that should not be relied upon for rate making purposes.

The CCOS analysis strives to attribute costs in relationship to the cost-causing factors of demand, energy and customers. The summation of overall numbers with no real means for consolidating meaningfully would prove to be an academic exercise, but the resulting rate of return, typically used as a consideration when allocating an increase or decrease could not be utilized without potentially harming some group of customers that otherwise would have another allocation if their rate of returns were evaluated separated, where costs and revenues were determined more comprehensively.

d. Consolidation of legal entities – full legal consolidation of Evergy Metro, Inc. and Evergy Missouri West, Inc. is not being considered within this report. It is reasonable to expect the level of effort to assess legal consolidation is substantial and cannot be appropriately evaluated here.

2. Other Conditions impacting Rate Consolidation

a. Calculation complexities of revenue requirement – Requires understanding of the similarities and differences associated with the costs that need to be allocated between states, municipals and steam businesses. For observations specific to Evergy Missouri Metro and Evergy Missouri West, see Section 5. below.
b. Company operation – the nature of Company operations, as one of the primary drivers of cost, is a key factor in the benefit and practicality of rate consolidation. In many ways, Evergy is a consolidated company, however, important distinctions remain. The following subsections explore these in further detail.
    i. Consistencies – maintaining a common identity for customer-facing operations has long been a hallmark of Evergy and its predecessor companies. Operating under the name KCP&L, service was provided to customers for decades through distinct Kansas and Missouri rate jurisdictions. Later, following the merger with Aquila, operations under the KCP&L name were extended to those customers. A consistent customer-facing approach was maintained although the Aquila territory existed as a separate rate jurisdiction known as GMO. Most recently, with the Westar merger and the subsequent renaming under the Evergy brand, customer service under the common name, independent of the rate jurisdiction name continued. Under this approach, customer interactions are executed under a common name. Customer interactions including the bill presentation, marketing material, correspondence, the web site, media content and customer service are

offered under the overarching brand name. The utility manages any jurisdictional differences within this construct.

ii. Distinctions – independent of the common entity presentation to the customer, Evergy is still the combination of four electric rate jurisdictions and one industrial steam jurisdiction. To that point, all of the consistencies identified previously are still accounted for in the respective company books and records as distinct, jurisdictional costs. The company accounting records cover Kansas Central, Missouri West and Metro (Missouri and Kansas). Either through some direct assignment or through allocation, these costs are ultimately incorporated into the distinct, ratemaking occurring for each of the rate jurisdictions.

Examining these distinctions further, there are a number of ratemaking elements that are unique to the jurisdictions. The most significant being the respective fuel adjustment riders. Each of the four electric rate jurisdictions have fuel adjustments clauses in effect. The mechanics of the clauses are distinct to the state jurisdictions and have further nuance between the rate jurisdictions, mainly to capture difference in fuel procurement and generation operations. In the Kansas jurisdictions, the fuel adjustment clause or Energy Cost Adjustment ("ECA") represents all fuel related costs whereas in Missouri the Fuel Adjustment Clause ("FAC") is used to pass through adjustments to fuel costs embedded in the existing retail rates that occur in periods between general rate proceedings. The respective fuel adjustment clauses are prescriptive and the byproduct of several iterations of general rate proceedings. As such, efforts to consolidate these mechanisms would be a challenge and require high levels of coordination, not to mention willingness on behalf of parties to achieve the consolidation.

In the Missouri jurisdiction, the Companies have the option to utilize a Renewable Energy Standard Rate Adjustment Mechanism ("RESRAM") to recover costs specific to Renewable Energy Standard compliance. Currently, the RESRAM is in use in the Evergy Missouri West jurisdiction only. This is due to the significant number of solar rebates paid out in this jurisdiction. The existence of distinct ratemaking mechanisms such as the RESRAM are expected to create additional complexities to rate consolidation efforts. Finding a means to recover costs historically attributed to a specific jurisdiction within a rate consolidation effort would be problematic and could make customer impacts more severe than they would be otherwise.

Another material distinction that is present in the current Evergy corporate structure and would influence the Company ability to consolidate is the jurisdictional identification of generation assets. All generation resources, whether Company-owned or procured through power purchase agreement are assigned or allocated to specific rate jurisdictions. Evergy Missouri West is the only jurisdiction to have distinct assignment of all generation assets used to provide energy to serve customer loads. Evergy Kansas Central has significant amount of its generation directly assigned but does have an allocation of the Wolf Creek Nuclear Generating Station based on its shared

ownership with Evergy Metro. The generation of Evergy Metro is distinctive. Through its Kansas and Missouri jurisdictions, the Company-owned generation is entirely allocated. This distinction is further explored in Section V.4., concerning the determination of revenue requirement.

i. Consolidated capital structure and cost of capital – The Company would need to be able to support a consolidated capital structure and cost structure. When the Evergy Missouri West rate consolidation (i.e., MPS and L&P) was implemented the two combined jurisdictions had the same capital structure and cost of capital. Evergy Missouri Metro and Evergy Missouri West do not.

3. Company Experience with Rate Consolidation-Westar (Kansas Central)

The experience of Evergy's Kansas Central jurisdiction also offers important insight into the challenges of combining rates. Kansas Central, previously Westar, spent approximately seventeen years working to bring the North and South jurisdictions under a common rate design. In 1992, Kansas Power and Light Company ("KPL") merged with Kansas Gas and Electric Company ("KGE") to form Westar Energy. The former KPL service area was referred to as Westar North. The former KGE service area was referred to as Westar South. At the time of the merger of KPL and KGE, there was considerable difference in the average rates paid by customers. This difference came about from:

- The over the 80-plus years during which they operated as independent companies before the KPL/KGE merger in 1992
- The different cost structures and market conditions faced by the two companies over that time frame
- The different strategies they employed to provide service to their respective customers[1]

The most significant of the differences was with the respective generation fleets. KGE was a joint owner of the Wolf Creek Nuclear Generating Station and KPL was a joint owner of the Jeffrey Energy Center, a coal fired power plant. These strategies deployed to serve customer load brought with them distinct differences in customer rates and exposures to changes in costs.

Beginning at the time of the merger and continuing until 2009, Westar, the combined company, undertook a specific effort to bring the two jurisdictions together under a common rate design. This experience revolved significantly around the generation. Westar began to plan and operate its generating fleet to meet the combined needs of Westar. This included the generation planning as well as the dispatching of units to serve loads. Additionally, Westar worked over a series of rate cases and other Commission filings to adopt common terms of service, redesigned riders to consider application to all customers, consolidated its general terms and conditions, and took purposeful steps in the assignment of revenue requirement.

In 2009, the Commission opened a general investigation docket to determine if consolidation of rates was appropriate for Westar customers. After hearing the testimony of the Company,

[1] *Direct Testimony of Dick F. Rohlfs, Director Retail Rates, Westar Energy, Inc., Docket No. 09-WSEE-641-GIE, filed March 16, 2009, page 6, line 7.*

Commission Staff, the Consumer Advocate, and other intervenors representing cities, school districts, and industrial consumers, the Commission determined that rate consolidation was appropriate. Following this determination, an additional general investigation and two additional general rate proceedings were utilized to finalize and execute a consolidation of rates. The final steps were taken in the 2012 general rate proceeding.

4. Company Experience with Rate Consolidation-GMO

GMO 2016 Rate Case & 2012 Rate cases

In 2016, GMO filed a rate case (Docket No: ER-2016-0156 GMO, "2016 rate case") to consolidate the GMO rate jurisdictions of St. Joseph Light & Power Company ("L&P") and Missouri Public Service ("MPS") into a single set of rates. The decision to consolidate began well ahead of the 2016 rate case however and began more formally in 2012, when an agreement was reached and ultimately Commission ordered that the Company consolidate the L&P and MPS rate jurisdictions.

Specific conditions and circumstances facilitated the ultimate decision to move forward with the consolidation of rate jurisdictions – defining a sense of "readiness." These included:

- Similarities in the rate pricing and structure – particularly in the residential class
  - Relative price per kWh
  - Rate Blocks for energy charges
- Similarities in cost to serve
  - Significant cost events which may bring alignment – i.e., higher Iatan II power plant allocation to L&P drove costs closer together between MPS and L&P
  - Class alignment
- Similarities in revenue requirement
  - MPS and L&P were already joint dispatched for fuel, purchased power costs and off system sales
  - MPS and L&P used the same capital structure and cost of capital to set rates.
  - MPS and L&P were consolidated for reporting purposes
  - Accounting for the two jurisdictions was similar and coordinated
- Both jurisdictions located in the same state providing the same ratemaking treatment for cost to serve.

With all of these similarities, the focus was then put on evaluating the billing impacts to the customer and the potential risk of subsidization and ensuring it was minimal and, collectively, stakeholders moved forward with exploring consolidation and ultimately recommending consolidation of rates. Outside support for rate consolidation was gained primarily to the relative similarity in cost to serve residential customers in Missouri Public Service Staff's ("Staff") rate design and cost of service study in their direct filing in GMO's 2012 rate case (Docket No: ER-2012-0175, "2012 rate case"). Staff recommended that GMO:

> ***…prepare and file in its next general rate increase a comprehensive study on the impacts to its retail customers of eliminating the MPS and L&P rate districts and***

> ***implementing company-wide uniform rate classes, and rates and rate elements for each rate class.***

This was reiterated in the 2012 rate case Stipulation & Agreement ("2012 S&A") dated October 19, 2012, where GMO agreed to:

> ***…perform, prepare and file in its general electric rate case the results of a comprehensive study on the impacts on its retail customers of eliminating the MPS and L&P rate districts and implementing company-wide uniform rate classes, and rates and rate elements for each rate class, considering the potential future consolidation of GMO rates with those of KCPL. In this study, GMO will provide a distribution of rate impact on each of its customers of moving from MPS to L&P rate structures, and rate elements, and likewise, from L&P to MPS rate structures, and rate elements. If GMO would prefer a class rate structure that is different from a current MPS or L&P class rate structure, then individual customer impacts should be provided for the rate structure that GMO proposes.***

The relative equality of the residential price per kWh from the compliance filing of the 2012 rate case further served to substantiate the reasonableness, or "readiness," of a rate consolidation as it would provide an early indication of adverse customer impact and potential pricing subsidization if the relative pricing was too far apart. The detailed analysis demonstrating rate class similarity and the relative closeness in rate pricing from the 2012 compliance filing was as follows:

RATE SIMILARITY

MPS Revenue/kWh from 2012 Case Compliance Filing:			
Class	**Final Revenue**	**Final kWh**	**$$/kWh**
Residential	$ 301,622,148.27	2,782,457,630.00	$ 0.10840
Small General Service	$ 78,931,342.87	766,798,313.00	$ 0.10294
Large General Service	$ 73,017,856.54	943,983,654.00	$ 0.07735
Large Power Service	$ 88,402,687.19	1,422,061,620.00	$ 0.06217
Total	$ 541,974,034.86	5,915,301,217.00	$ 0.09162

L&P Revenue/kWh from 2012 Case Compliance Filing:			
Class	**Final Revenue**	**Final kWh**	**$$/kWh**
Residential	$ 80,107,175.36	771,492,128.00	$ 0.10383
Small General Service	$ 14,324,775.42	108,154,382.00	$ 0.13245
Large General Service	$ 32,683,050.93	375,020,787.00	$ 0.08715
Large Power Service	$ 56,049,998.59	854,749,341.00	$ 0.06557
Total	$ 183,165,000.30	2,109,416,638.00	$ 0.08683

**MPS+L&P Revenues - does not include MEEIA revenues*

MPS vs. L&P $0.10840 - $0.10383 = $0.00457/$0.10840 = approx. 4.2% difference (residential)

L&P vs. MPS $0.10383-$0.10840 = -$0.00457/$0.10383 = approx. -4.4% difference (residential)

MPS vs. L&P $0.09162 - $0.08683 = $0.00479/$0.09162 = approx. 5.2% difference (total)

L&P vs. MPS $0.08683 - $0.09162 = -$0.00479/$0.08683 = approx. -5.5% difference (total)

5. Current Observations Specific to Evergy Missouri Metro and Evergy Missouri West

a. Calculation of revenue requirement

i. Metro jurisdictional split – The Metro jurisdiction must be allocated between Kansas and Missouri. A few items are directly assigned, but the majority of the costs must be allocated.

ii. State differences and regulatory policy – Each state has their own regulatory policies and restrictions. There will be an increased risk that we will be unable to be "made whole" due to the differences in allocation methodologies between the states. This could be exacerbated with the changing of the allocations to accommodate the rate consolidation of Evergy Missouri Metro and Evergy Missouri West.

iii. Additional complexity with municipals and steam – Unlike with the Evergy Missouri West rate consolidation which required moving from a one-step allocation approach to a two-step allocation approach, this rate consolidation will require a three-step allocation approach, i.e., Kansas/Missouri split, wholesale split ("municipals") (which will need to be a combination of the Missouri Metro municipals and the West municipals) then an electric/steam split. The current municipal split is done differently for Evergy Missouri Metro than it is for Evergy Missouri West. Additionally, the current Evergy Missouri West allocations do not need to include a Kansas/Missouri split. The difficulty will be in ensuring that one jurisdiction does not subsidize another jurisdiction due to the combining of the two rate jurisdictions.

iv. Current Evergy Missouri West allocation project – The Company is already tasked with developing new allocation factors for the Evergy Missouri West electric/steam differentiation.

v. Consolidated capital structure and cost of capital - The Company would need to be able to support a consolidated capital structure and cost structure. When the Evergy Missouri West rate consolidation was implemented the two rate jurisdictions had same capital structure and cost of capital whereas Evergy Missouri Metro and Evergy Missouri West most likely will not.

b. Customer make-up and usage and Rate Class differences

Customers are grouped together into separate rate classes based on similarities in loads and electric usage. Each group or class of customer has rate structures and pricing based on these different loads. Similarities in rate classes facilitate alignment and rate consolidation because if customers' usage and other characteristics are similar enough to be grouped together, then the subsequent rate structure and possibly rate pricing can be more easily aligned.

Let's look at an example where Company A and Company B have only two rate classes that make up their customer base, residential and small general and all other things like usage/rate structure/pricing were assumed to be perfectly aligned. A simple approach to rate consolidation might entail adding both residential classes together and both small general service classes together and the rates/structures could be immediately considered combined and consolidated. Unfortunately, the real approach to rate consolidation is not that clean or simple and this fast approach to rate consolidation (summing two seemingly similar rate classes together), while doable, would not come without potential harm to some customers.

The following table is a comparison of the customer rate classes that currently exist in Evergy Missouri Metro vs. Evergy Missouri West. The table shows that there is a Medium General Service ("MGS") Class that exists on the Evergy Missouri Metro side that does not exist in the Evergy Missouri West rate jurisdiction. The Evergy Missouri Metro MGS class includes customers that have loads slightly greater than the Small General Service ("SGS") Class but are typically lower loads than those that might be found in the Large General Service ("LGS") Class.

RATE CLASS DIFFERENCES

Rate Classes	MO Metro Rate	MO West Rate
Residential	X	X
Small General Service	X	X
Medium General Service	X	--
Large General Service	X	X
Large Power Service	X	X

This comparison reveals that simply adding or combining like classes isn't a real option for Evergy Missouri Metro and Evergy Missouri West. This does not necessarily mean that customers on the Evergy Missouri West Side with similar loads as those found in the Evergy Missouri Metro MGS class don't exist. It means that if customers with similar loads do exist, they are currently dispersed between SGS/LGS classes in Evergy Missouri West. The Company could extract those "MGS like" customers from the LGS and SGS Evergy Missouri West classes and place them in a consolidated MGS class or, eliminate the MGS class and disperse those customers into a consolidated LGS/SGS class. However, that move will undoubtedly have a billing impact to those customers that would require analysis and understanding prior to just moving them.

As such, the highest level and simple approach to rate consolidation that might be considered in a situation where rate classes and customer make up is identical is not currently possible for Evergy Missouri Metro and Evergy Missouri West because of differences in customer classes.[2]

c. Rate Structure similarities and differences

Each rate class has rate structures (e.g. customer charge, energy charge (blocks), demand charge, etc.) designed to bill customers and collect revenues associated with customer usage, demands and the overall costs associated with serving those customers. Similarities and differences in these rate structures facilitate consolidation because if all things are equal (identical), one could consider a simplified approach of simply adding groups (classes) of customers and their associated determinants into one rate structure. If they both have similar structures, adding them is made easier.

The following table is a comparison of the rate structures that currently exist in Evergy Missouri Metro and Evergy Missouri West. The first table compares the Residential rate structures in Evergy Missouri Metro and Evergy Missouri West. This comparison shows that the structures in the Residential Class are the same.

The second table compares the rate structures of the Commercial and Industrial Classes ("C&I") consisting of SGS, MGS, LGS, and the Large Power Service ("LPS") classes. The comparison shows that the structures are similar but do have some differences that will need to be considered. Specifically, the Evergy Missouri West rate structure includes a seasonal energy component, the use of annual base demand and offers a primary discount Rider, while Evergy Missouri Metro does not.

When one considers methodology differences that exist across both rate jurisdictions, things become more complicated. For example, while a Demand component exists at both rate jurisdictions, the methodology for capturing and measuring demands differs, where Evergy Missouri Metro measure demand in 30-minute intervals, while Evergy Missouri West measures demand in 15-minute intervals. So, depending on the method of rate consolidation and the approach taken, any change from 15- or 30-minute demand for a given group of customers has the potential of a negative billing impact. A second example exists where Evergy Missouri Metro and Evergy Missouri West have different definitions or defined periods for Summer and Winter. Evergy Missouri Metro's summer season is four consecutive months, beginning and effective May 16 and ending September 15. The winter season is eight consecutive months, beginning and effective September 16 and ending May 15. Customer bills for meter reading periods including one or more days in both seasons will reflect the number of days in each season or would result in prorated bills. For Evergy Missouri West, the four summer months fall from June 1 through September 30, while winter months is defined as the eight months of October 1 through May 30. No proration would be needed for seasonal breaks. Alignment of these differing processes would undoubtedly

[2] *Multiple rate class sub-groups exist within each rate class (rate codes) and each Company has differences that exist at this level, as well the rate class level, that will further complicate rate consolidation.*

impact operational metering practices and billing and would require careful coordination and likely significant process/system reconfiguration to make work. While these are just a couple of examples, the expectation is that rate consolidation implementation would reveal more examples like this that would further complicate a quick and simple rate consolidation that could negatively impact customer billing.

RATE STRUCTURE SIMILARITIES AND DIFFERENCES

Residential Rate Structure	MO Metro	MO West
Customer Charge	X	X
Energy Bk 1	X	X
Energy Bk 2	X	X
Energy Bk 3	X	X

C&I Rate Structure	MO Metro	MO West
Customer Charge	X	X
Facilities Charge	X	X
Demand Charge	X	X
Hours Use Bk 1	X	X
Hours Use Bk 2	X	X
Hours Use Bk 3	X	X
Seasonal Energy	N/A	X
Primary Disc Rider	N/A	X

C&I Demand Interval	MO Metro	MO West
Demand Interval	30-minute	15-minute

Seasonal Application	MO Metro	MO West
Approach Used	Prorated	Non-prorated

d. Rate Pricing differences

After rate class differences and rate structure differences, one would look at the rate pricing itself to determine proximity and similarity. As learned in the 2016 GMO rate consolidation, similarity in pricing would be a strong indicator of consolidation readiness, as it indirectly indicates enough similarities in cost/revenue, such that rate consolidation impacts to customer and the potential for subsidization may be minimal.

For purposes of determining rate pricing proximity, the Company examined 2018 actual revenues and billing determinants for both Evergy Missouri Metro and Evergy Missouri West. This can be found in the following table.

Rate Class	MO West kWh	MO Metro kWh	MO West $$*	MO Metro $$*
Residential	3,770,441,379	2,738,682,404	$ 403,586,032	$ 349,719,167
Small General Service	1,221,210,707	476,228,901	$ 122,328,278	$ 64,525,875
Medium General Service	-	1,322,265,116	$ -	$ 142,893,904
Large General Service	1,289,985,337	2,196,986,648	$ 100,475,532	$ 202,206,371
Large Power Service	2,067,975,455	1,847,829,631	$ 129,205,792	$ 135,158,130

**Does not contain riders, Mpower or Economic Development Riders*

In the following table, the Company calculated an average price per kwh for Evergy Missouri Metro and Evergy Missouri West to determine the degree of pricing difference and assess pricing proximity. This comparison revealed that unlike the GMO conditions, rate pricing alignment and pricing proximity is disparate and not as aligned as we see differences in average price ranging from 17% to as high as 35%.

The effect and impact of this separation determines that a simple mathematical approach or exercise of summing both jurisdiction's determinants and applying one price for purposes of rate consolidation can't be done immediately without negative impact to customers.

Rate Class	MO West $$	MO Metro $$	Diff $$	Diff %
Residential	$ 0.10704	$ 0.12770	$ 0.02066	19.30%
Small General Service	$ 0.10017	$ 0.13549	$ 0.03532	35.26%
Medium General Service	$ -	$ 0.10807	$ 0.10807	0.00%
Large General Service	$ 0.07789	$ 0.09204	$ 0.01415	18.17%
Large Power Service	$ 0.06248	$ 0.07314	$ 0.01066	17.07%

e. Class Cost of Service Differences

In addition to functionalizing and classifying costs, the CCOS study results directly assign or allocate costs on an appropriate basis in order to determine the contribution that each customer class and rate makes toward the Company's overall rate of return. The ratio of class revenues less expense (net operating income) divided by class rate base will indicate the rate of return being earned by the Company that is attributable to a particular class. This is a

key data input that can help to guide the Company on how to distribute a change in revenue requirement across rate classes.

General costs serve as a foundation for base rates and enable the calculation of the relative rate of return by class. Differences in costs and the resulting relative of return by class across two companies can further complicate rate consolidation because the spread of costs between the two companies which have different general costs and class level relative rate of returns increases the chance for subsidization, where one group of customers may be "winners" and benefit from reduced rates coming from reduced costs and the other group of customers may be "losers" and are penalized with higher rates coming from increased costs.

The following tables outline Evergy Missouri Metro and Evergy Missouri West's class level relative rates of return from the 2018 rate case Direct Filing. The first observation that can be made is that Evergy Missouri West does not have a Medium General Service Class. As explained earlier, this issue would need to be resolved prior to rate consolidation. Moving beyond this obstacle, let's illustrate how the potential for subsidy could occur. Note that Evergy Missouri Metro's LPS class relative rate of return is 1.37. This return shows that the LPS class is covering more than the jurisdictional rate of return of 1.00. For LPS at Evergy Missouri West, the rate of return is 0.94. This lower return shows that the LPS class is covering less than the jurisdictional rate of return. If the Company were to use this data input as the sole consideration in spreading the revenue requirement across classes, there are different choices for each company. For Evergy Missouri Metro, the possible distribution might include a reduced rate increase for LPS at 1.37, as compared to say the Residential Class for example, which might merit a higher increase than others that shows a relative rate of return greater than 1.00. While for Evergy Missouri West, at 0.94, the LPS class might not merit less of an increase, as compared to the SGS class for example at 1.57.

As proposed earlier, one could take a simplified approach and attempt to add cost/revenue models and calculate a consolidated relative rate of return and CCOS. That simplified summation, which ignores many considerations outlined earlier, could be done, but the results could not be relied upon without potential harm to customers. For example, suppose that the summation of models resulted in the combined LPS having a relative rate of return of something less than 1.00, and assume again, that the Company would use this as the sole indicator of how the revenue requirement will be spread to each class. The Consolidated LPS class relative rate of return might be subject to a greater increase than they otherwise would have under the individual Evergy Missouri Metro CCOS. As such, in the Company's opinion, this approach to rate consolidation is not a reasonable option at all, at least not without potential harm to customers.

Missouri Metro Class Rate of Return

Residential	Small General Service	Medium General Service	Large General Service	Large Power Service
0.51	1.57	1.28	1.45	1.37

Missouri West Class Rate of Return

Residential	Small General Service	Medium General Service	Large General Service	Large Power Service
0.86	1.50	-	1.15	0.94

f. Other Comparisons of Evergy Missouri Metro and Evergy Missouri West

i. System Average costs

As part of the revenue requirement process that is used as an input in the CCOS, an analysis is made of all elements of cost as defined by the FERC Uniform System of Accounts, including investment (rate base) and expense (cost of service) for the purpose of allocating these items to the customer classes. In the CCOS section above, we explained that the CCOS relative rates of return by class use costs as the foundation for this calculation. Those rates of return are generated from an analysis of cost. Following are rate base and cost summaries from the 2018 rate cases for Evergy Missouri Metro and Evergy Missouri West. Taking a plain view, one can see the differences in cost for the various accounts. For example, differences in electric power plant may be driven by the inclusion of the Wolf Creek Nuclear Operating Corporation in Evergy Missouri Metro, where nuclear generating assets tend to be more costly than coal generation assets.

To facilitate comparison, an alternative view would be to view costs on a price per kwh basis. Using total cost of service divided by the total kwh/by class from the 2018 rate case, a price per kwh is determined for Evergy Missouri Metro and Evergy Missouri West. These average prices are presented in table following the cost summaries. The more similar these average costs are when compared, the greater ease, practicality, and appropriateness of a rate consolidation. Under these costs, the average price per kwh is very different between the two companies. In total, Evergy Missouri West at 11 cents per kilowatt hour is three cents cheaper than Evergy Missouri Metro's 14 cents per kilowatt hour. Class comparisons show similar differences.

While the underlying reasons for these differences in cost are primarily due to accounting or operational differences outlined earlier, those causal factors and

differences would need to be addressed or mitigated prior to successful rate consolidation. This analysis is meant to highlight the differences and support that additional work is needed to bring the jurisdictions together.

SCHEDULE 1 - SUMMARY AT EQUALIZED CLAIMED RATE OF RETURN-MO METRO	
	MISSOURI
DESCRIPTION	RETAIL
RATE BASE	
TOTAL ELECTRIC PLANT	$5,564,493,533
LESS: ACCUM. PROV. FOR DEPREC	$2,245,853,467
NET PLANT	$3,318,640,066
PLUS:	
CASH WORKING CAPITAL	-$58,635,031
MATERIALS & SUPPLIES	$64,704,386
PREPAYMENTS	$7,053,628
FUEL INVENTORY	$67,502,104
REGULATORY ASSETS	$55,949,144
LESS:	
CUSTOMER ADVANCES FOR CONSTRUCTION	$1,668,576
CUSTOMER DEPOSITS	$4,337,669
DEFERRED INCOME TAXES	$789,779,808
DEFERRED GAIN ON SO2 EMISSIONS ALLOWANCE	$31,794,080
DEFERRED GAIN(LOSS) EMISSIONS ALLOWANCE	$0
INCOME ELIGIBLE WEATHERIZATION	$861,057
TOTAL RATE BASE	$2,626,773,107
OPERATING INCOME @ 7.454% ROR	$195,804,921
OPERATING EXPENSES	
FUEL	$165,926,224
PURCHASED POWER	$275,438,518
OTHER OPERATION & MAINTENANCE EXPENSES	$299,498,569
DEPRECIATION EXPENSES	$124,617,389
AMORTIZATION EXPENSES	$25,525,373
TAXES OTHER THAN INCOME TAXES	$64,993,344
CURRENT INCOME TAXES	$32,259,407
DEFERRED INCOME TAXES	$2,449,517
PLUS: ADDITIONAL CURRENT TAX REQUIRED	$4,164,460
TOTAL ELECTRIC OPERATING EXPENSES	$994,872,800
COST OF SERVICE	$1,190,677,721
LESS: PRESENT OTHER RETAIL SALES REVENUE	$0
LESS: PRESENT OTHER REVENUE	$303,325,239
RETAIL SALES REVENUE	$887,352,482

SCHEDULE 1 - SUMMARY AT EQUALIZED CLAIMED RATE OF RETURN-MO WEST	
	TOTAL GMO RETAIL
DESCRIPTION	
RATE BASE	
TOTAL ELECTRIC PLANT	$3,655,504,019
LESS: ACCUM. PROV. FOR DEPREC	$1,328,020,451
NET PLANT	$2,327,483,568
PLUS:	
CASH WORKING CAPITAL	-$52,906,934
MATERIALS & SUPPLIES	$43,924,115
EMISSION ALLOWANCES	$237,349
PREPAYMENTS	$2,314,089
FUEL INVENTORY	$25,944,916
DEFERRAL OF DSM/EE COSTS	$6,712,507
REGULATORY ASSETS	$38,443,185
LESS:	
CUSTOMER ADVANCES FOR CONSTRUCTION	$5,075,955
CUSTOMER DEPOSITS	$7,182,331
TOTAL ACCUMULATED DEFERRED TAXES	$472,013,338
TOTAL RATE BASE	$1,907,881,169
OPERATING INCOME @ 7.665% ROR	$146,229,552
OPERATING EXPENSES	
FUEL	$80,650,017
PURCHASED POWER	$238,554,773
OTHER OPERATION & MAINTENANCE EXPENSES	$244,646,695
DEPRECIATION EXPENSES	$95,918,984
AMORTIZATION EXPENSES	$7,352,566
TAXES OTHER THAN INCOME TAXES	$48,435,890
FEDERAL AND STATE INCOME TAXES	$30,583,283
PLUS: ADDITIONAL CURRENT TAX REQUIRED	$4,913,615
TOTAL ELECTRIC OPERATING EXPENSES	$751,055,822
COST OF SERVICE	$897,285,374
LESS: OTHER SALES REVENUE (447)	$119,157,171
LESS: OTHER SALES REVENUE (449)	$465,487
LESS: OTHER OPERATING REVENUE	$19,062,683
SALES REVENUE	$758,600,034

Total Cost/kwh Missouri Metro & Missouri West

	Total	Residential	Small General Service	Medium General Service	Large General Service	Large Power Service
MO Metro	$0.14	$0.19	$0.15	$0.14	$0.12	$0.10
MO West	$0.11	$0.14	$0.08	N/A	$0.11	$0.08

ii. System Demand peaks

Another consideration as we examine cost and drivers is system peak and how each class contributes to system peak. It's generally assumed that the system peak is the most significant driver to generation capacity costs. While production cost allocation methods will influence how costs are allocated to a given class and how revenue

requirement may be distributed, significant differences in how each class contributes to system peak across jurisdictions will also play a role when rate consolidation is considered.

Using Evergy Missouri Metro's and Evergy Missouri West's Weather Normalized Peaks from the 2018 rate case, the 12-month total average peak was calculated. Then, the 12-month average of each class's non-coincident peak was calculated to determine each class's contribution to the 12-month total average peak. These results are shown in the first of the following tables.

Using Evergy Missouri Metro's and Evergy Missouri West's Weather Normalized System Peak, the four average system peak is calculated for the four summer months. The 4-month average of the summer months or 4-month coincident peak was then calculated for each class to determine each class's contribution to system peak and is shown in the second of the following tables.

There are several observed differences. First, from non-coincident peak perspective, it should be noted that the Evergy Missouri Metro Residential Class only contributes 39.57% to total average peak, while the Evergy Missouri West Residential Class contributes 52.61%. Similar concerns are noted when comparing the Large General Service Class showing 25.57% in Evergy Missouri Metro and 16.74% in Evergy Missouri West. Similar observations can be seen in the system peak view where Evergy Missouri Metro Residential Class shows a 42.52% contribution to system peak and Evergy Missouri West's Residential Class shows a 55.24% contribution to system peak.

Weather Normalized Peaks from 2018 rate case Direct Filing
Class 12NCP (12 Month Ave)

Class	Missouri Metro	% of Total System	Missouri West	% of Total System
Residential	556	39.57%	782	52.61%
Small General	82	5.86%	222	14.96%
Medium General	244	17.34%	N/A	N/A
Large General	360	25.57%	249	16.74%
Large Power	264	18.75%	307	20.62%

Weather Normalized System Peaks from 2018 rate case Direct Filing
Class 4CP (Four Summer Months)

Class	Missouri Metro	% of Total System	Missouri West	% of Total System
Residential	732	42.52%	986	55.24%
Small General	89	5.19%	224	12.56%
Medium General	261	15.18%	N/A	N/A
Large General	361	20.97%	239	13.40%
Large Power	278	16.14%	330	18.50%

6. Recommended Rate Consolidation Plan - A Phased approach

Given the observations listed in this study, the Company believes that a staged approach to rate consolidation would help ensure success and to manage the impact to customers. The following steps assume that revenue requirements remain separate and future class cost of service studies would remain separate until full rate consolidation.

Step 1 – Consolidation of Residential General Use Rate structures

This will entail reviewing all residential general use rate structure and the customers on those rates, identification and recommendation of a consolidated structure for residential rates, and the sizing of bill impacts of rate consolidation. This will likely include elimination of frozen rates or rates that don't align with the rate consolidation structure in an effort to streamline to fewer/one residential rate structure. To the extent that recommended rates depart significantly from historical rates, it will be necessary to inform and educate customers on this transition, as well as, administrative steps of changing tariffs and billing system configuration.

1. Same structure
2. Residential Only CCOS (Simple add approach)

Step 2 – Consolidation of Structures for non-General Use Residential rates

Please see process for the consolidation of the residential general use rate, as the process for all other residential rates will be very similar.

Step 3 – Consolidation of Structures for non-Residential rates

This process will include evaluating all non-residential rate classes including SGS, MGS, LGS, and LPS and those customers on those rates. While this process will be very similar to the consolidation process for the residential general use rates, it will be much more complex due to the differences across the jurisdictions, but also the structure variations that exist across non-residential classes within each jurisdiction. This includes differences in class minimums, measurement of demands, proration and annual base demand methodology which will create a multi-layered impact to

customers. Significant billing impacts will also need to be done, as well as, migration analysis.

Step 4 – Internal changes to operations and cost accounting, supported by joint rate case filing.
This process will include general alignment of operations as appropriate, as well as, review and alignment of accounting issues. The impact of each change will need to be identified and sized to fully understand the cost and benefit to the Company and customer.

Step 5 – Consolidation of rates, same structure and same rates for all.
This process would involve the final clean up and consolidation and streamlining of rates/pricing that still exist after steps 1-4 above.

VI. ADDITIONAL CONSIDERATIONS

The recommendation for this review is based on what is known and foreseeable at the time of the Study. Additional information or meaningful change to assumptions made in the study or legal or policy changes may have a direct impact on the recommendation. As such, at the time of consideration and utilization for purposes of implementation should the Commission order it, it may be necessary to revisit and refresh analysis using the latest information available and consideration of all regulatory impacts to ensure feasibility and appropriateness. This is all predicated on the assumption that there is meaningful change to data, assumptions, or there is the introduction of new relevant information that would have a direct and material impact to the conclusions drawn in the study or recommendations made. If no such scenario exists, no revisit is necessary.

VII. CONCLUSION & RECOMMENDATION

The Company appreciates the opportunity to study consolidation of rates. Evergy regularly seeks opportunities to seek higher levels of consolidation and consistency. The Company has learned much in this review, including identifying the necessary conditions for which rate consolidation should be considered and leveraging the rate consolidation of GMO as a model of success.

This study confirms that full consolidation of the rates of Evergy Missouri West and Evergy Missouri Metro is a practical action and will require research, analysis, planning, and regulatory approval to be successful. Evergy supports further consolidation of rates following the phased plan identified in Section V previously. To be successful, the consolidation should occur over a number of general rate proceedings. These steps may be combined within a subsequent general rate proceeding, but in our view each step must be sequentially completed. Further, the Company outlined a number of considerations and issues that would need to be addressed within the execution of these steps to ensure success. The issues include:

- Operational Differences & Cost Differences
- Legal Separation & Policy Consideration
- Revenue Requirement Considerations and cross business and state allocation hurdles
- Rate differences due to differences in customer and class make up, as well as, rate structure and pricing differences

Unmitigated, these individual issues would have a marked financial impact on customers during a rate consolidation, potentially with the combined effect of making the consolidation impractical. It is Evergy's assessment that the current state of rates and degree of difference and separation between the distinct rate jurisdictions would not allow for rate consolidation in one step, but instead require the proposed incremental approach in order minimize the potential for a negative impact to customers.

Given the need for an incremental approach to future rate consolidation, as part of this study, the Company has outlined a process and plan for completing the necessary steps that can accomplish rate consolidation over time. This process includes rate comparison across jurisdictions, analysis and comparison of rate structures, and customers/classes, and the review of methodologies for calculating bill components. Steps after this would include rate cleanup/elimination and simplification, as well as, the calculation of bill compares to fully understand the customer impact of rate consolidation to minimize customer disruption, as well as, migration analysis. Where such analysis reveals that there's enough similarity such that rate consolidation makes sense and won't negatively impact the customer, the Company will align rates and structures, but will need to do so incrementally to allow for customer adjustment. Additionally, such steps will require customer notification of changes, as well as, education and all of that will take careful planning and coordination. The Company understands the steps necessary for successful rate consolidation based on the historical success of the GMO and Westar rate consolidations. While unable to provide an absolute timeline for completion of all steps, the Company is prepared to make the initial steps in the next general rate proceeding. Subsequent steps would occur as practical, due to the fact that each step will require verification and analysis to understand customer bill impacts and reassess Company conditions. Depending on the success of each step, some steps may go more quickly while others may not. As each step is taken, there will be greater clarity as to impact, complexity, and timing of the remaining steps.

The Company has demonstrated a commitment for alignment as evidenced by the work completed to consolidate GMO, consolidate Westar North and South jurisdictions, and to merge operations under Evergy. Understanding these benefits, Evergy will continue to evaluate and seek opportunities to align the retail rates.