Exhibit No. 401E

Data Center Coalition – Exhibit 401E
Shana Ramirez Corrected Testimony
Rebuttal
File No. EO-2025-0154

Exhibit No.:	
Issue(s):	Financial security requirements for large load customers
Witness:	Shana Ramirez
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Data Center Coalition
Case No.:	EO-2025-0154
Date Testimony Prepared:	July 25, 2025

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO EO-2025-0154

REBUTTAL TESTIMONY OF SHANA RAMIREZ

ON BEHALF OF

THE DATA CENTER COALITION

July 25, 2025

TABLE OF CONTENTS

I. INTRODUCTION

Q. State your name, occupation, and business address.

A. My name is Shana Ramirez, and I am a Director at Energy and Environmental Economics, also known as E3. My business address is 44 Montgomery Street, Suite 1500, San Francisco, CA 94104.

Q. On whose behalf are you filing testimony?

A. I am filing testimony on behalf of the Data Center Coalition ("DCC").

Q. Describe your professional background and experience.

A. I bring over a decade of experience in the energy industry, with a focus on regulatory policy, load forecasting, rate design, and renewable energy development. Prior to joining E3, I held several positions at NV Energy, including in the Rates, Load Forecasting, and Regulatory Affairs departments. Most recently, I served as Program Development Director in the Renewables Department.

In that role, I led a team responsible for advancing innovative power supply solutions and tariff designs for large-load customers, including data centers and other energy-intensive users such as casinos and mines. This work required close coordination with internal regulatory, legal, and resource planning teams, as well as extensive engagement with external stakeholders such as customers, developers, and regulatory staff.

A key outcome of this work was the design and successful regulatory approval of the Clean Transition Tariff by the Public Utilities Commission of Nevada. This tariff enables large load customers to procure renewable energy resources to meet their operational needs while aligning customer preferences with state policy objectives. My

role also involved negotiating and structuring contracts that included thorough assessments of financial security requirements and risk mitigation provisions.

Earlier in my career, I worked in the insurance sector where I performed actuarial analysis focused on risk assessment and modeling. These skills continue to inform my approach to evaluating utility programs and contract structures.

Q. Please describe E3.

A. E3 is an economic consulting firm with more than 30 years of experience specializing in the North American power sector. The firm provides data-driven insights and objective recommendations to a diverse range of clients, including utilities, regulatory agencies, government entities, project developers, investors, and non-profit organizations.

Through its work across all segments of the energy industry, E3 offers a comprehensive understanding of energy markets, resource planning, public policy, regulation, and environmental considerations. The firm is committed to producing clear and impartial analyses. That is why my recommendations are fair and balanced, addressing the needs of both the utility and large-load customers.

Q. Have you previously testified before the Missouri Public Service Commission ("Commission")?

A. I have not. However, I recently provided testimony before the Michigan Public Service Commission[1] and Virginia State Corporation Commission,[2] both on behalf of DCC. Those testimonies addressed topics similar to the topics I address in this testimony.

Q. What topics are you addressing in your testimony?

A. My testimony addresses financial security requirements for large load customers, including data centers. I review Evergy Metro, Inc., d/b/a Evergy Missouri Metro and Evergy Missouri West, Inc., d/b/a Evergy Missouri West's (collectively, "Evergy" or the "Company") proposal, outline best practices for credit and collateral frameworks, and recommend a holistic risk-appropriate financial security approach to the Commission. The objective is to protect ratepayers while enabling equitable and scalable integration of large loads into Evergy's system.

Q. How is your testimony structured?

A. My testimony is organized in 4 sections:

Section 1: Introduction

This section presents my professional qualifications and describes E3's expertise in electric infrastructure planning, rate design, strategic planning, load forecasting, and market analytics. It also outlines the purpose of my testimony.

[1] In the Matter of the Application of Consumers Energy Company for *Ex Parte* Approval of Certain Amendments to Rate GPD, Michigan Public Service Commission, Case No. U-21859, *Rebuttal Testimony of Shana Ramirez* (July 9, 2025).

[2] Application of Virginia Electric and Power Company For a 2025 Biennial Review of the Rates, Terms and Conditions for the Provision of Generation, Distribution and Transmission Services Pursuant to § 56-585.1 A of the Code of Virginia, Virginia State Corporation Commission, Case No. PUR-2025-00058, *Direct Testimony of Shana Ramirez* (Jul. 16, 2025).

Section 2: Large Load Interconnections & Financial Security Best Practices

This section identifies and discusses the financial and operational challenges introduced by large load interconnections. It sets forth core principles for designing effective credit and collateral frameworks and assesses the relevance of these principles in the context of Evergy's service territory. Specific areas of focus include customer creditworthiness, exemptions from collateral requirements, the adequacy of collateral forms, exit or capacity-reduction charges, and the importance of ongoing reporting and oversight mechanisms. The section concludes with a summary of my testimony's key insights, emphasizing recommended actions for utilities and regulators to improve financial risk management, enable sustainable infrastructure development, and promote equitable cost outcomes for all customer classes.

Section 3: Evergy's Financial Security Proposal and Industry Benchmarking

This section presents a qualitative review of Evergy's current credit and collateral proposal as part of this proceeding. It compares Evergy's approach to those of peer utilities across other regions, assessing alignment with industry standards, effectiveness in mitigating financial risk, and opportunities for refinement. It also highlights policy design features that reflect best practices, such as transparency, scalability, and balanced risk allocation, with a view to supporting beneficial load growth while protecting ratepayers.

Section 4: Recommendation to the Commission

The final section offers recommendations to the Commission. These recommendations address improvements to Evergy's credit and collateral policies to better manage financial risks, encourage responsible data center integration, and support long-term system planning objectives.

Q. Before summarizing your recommendations, do you fully understand the Company's financial security proposal?

A. No, there is a discrepancy between the financial security proposal described by Company witness Mr. Lutz and the language contained in the Large Load Power Service ("LLPS") tariff included in Schedule BDL-1. In fact, the discrepancies are significant, as illustrated in Table 1 in the following question and answer. The tariff language is more favorable to large load customers than the provisions outlined in Mr. Lutz's testimony.

Q. Please summarize your recommendations to the Commission.

A. Table 1 below summarizes my financial security recommendations to the Commission. I recommend that the Commission direct Evergy to revise its proposed credit and collateral framework to better align with actual financial risk, reflect established regulatory principles, and support continued data center and large-load development in Missouri. In light of the discrepancies described above, I have incorporated both proposed requirements as outlined in Mr. Lutz's testimony and the LLPS tariff language in Schedule BDL-1 into Table 1.

Table 1: Financial Security Recommendation Versus Evergy's Proposal

Category	Testimony Proposal Bradley D. Lutz' testimony[3]	Tariff Proposal LLPS Tariff Language in Schedule BDL-1[4]	DCC Recommendation to the Commission
Collateral Amount	Equal to two years of minimum monthly bills, recalculated annually	Equal to three years of maximum monthly bill, recalculated annually; customer to provide the recomputed amount if it is 10% or higher, greater than the current amount held	Equal to two years of minimum monthly bills, starting at ESA execution; ramps with investment, reaches full collateral at energization through the load ramp, then declines over the contract term
Exemption Criteria	None	Full exemption if company is rated at an investment grade of at least A- from S&P and A3 by Moody's, and holds liquidity of at least 10x the collateral amount	Full exemption if company is rated at an investment grade of at least A- from S&P or A3 by Moody's, and holds liquidity of at least 10x the collateral amount with no maximum
Partial Exemption	50% reduction if company is rated at an investment grade of at least A- from S&P or A3 by Moody's, and holds liquidity of at least 10x the collateral amount up to a $150M maximum *or* 40% reduction if the customer does not qualify the credit rating threshold but hold liquidity of at least 10x the collateral amount up to a $125M maximum	50% reduction if the company does not qualify for the credit rating threshold but maintains liquidity of at least 10x the collateral amount up to a $250M maximum	50% reduction if company or parental, affiliate, tenant or 3rd party with financial interest in the customer guarantor holds liquidity equal to 5X the required collateral amount o*r* 30% reduction if: - The company or parental, affiliate, tenant or 3rd party with financial interest in the customer guarantor maintains liquidity equal to at least 2X the required collateral amount with no maximum, *or* - Company provides a signed lease for the full ESA term and shows >50% of facility capacity is contracted to a qualified tenant. Tenant must meet credit rating threshold, not be on credit watch, a or maintain liquidity ≥ 2X required collateral
Acceptable Forms	Guarantee from parent/affiliate, full-value irrevocable letter of credit, or full cash deposit	Guarantee from parent/affiliate if guarantor, full-value irrevocable letter of credit, or full cash deposit. is rated at an investment grade of at least A- from S&P and A3 by Moody's, and holds liquidity of at least 10x the collateral amount	In addition to the forms proposed there should be alternative collateral options such as short/medium-term deposits, debt service reserve accounts (with interest), or bespoke insurance products. Customer may also post a guarantee from a parent, affiliate, tenant, or financially interested entity.
Interest Accrual	None – collateral does not accrue interest while held	None – collateral does not accrue interest while held	Should accrue interest and be accrued interest should be returned to the customer on a quarterly basis

II. LARGE LOAD INTERCONNECTIONS & FINANCIAL SECURITY BEST PRACTICES

Q. What is financial security?

A. Financial security refers to assets, credit instruments, collateral, or contractual assurances provided by large-load customers to the utility. It serves to mitigate the risk of non-payment or stranded assets, helping ensure that the cost of service is recovered and not shifted to other ratepayers.

Q. What risks do large loads, including data centers, pose to utilities and other ratepayers?

A. Large loads, such as data centers, pose several potential risks related to system reliability, cost impacts, and regulatory compliance. Rapid and substantial load growth can strain existing generation resources and create congestion on transmission and distribution networks. These pressures not only challenge the short-term reliability of the system but also complicate long-term resource and infrastructure planning.

From a financial standpoint, utilities may need to undertake significant capital investments in infrastructure upgrades, including new substations, transmission lines, and distribution enhancements along with investments to both maintain existing generation resources and to build new ones, to accommodate such loads. Should the customer reduce operations unexpectedly or exit the service territory, these investments may become stranded assets. In such cases, the financial burden could shift to other ratepayers, especially if adequate financial security protections are not in place to mitigate the impact.

[3] Missouri Public Service Commission Case No. EO-2025-0154, *Direct Testimony of Bradley D. Lutz*, pp. 19-20 (Feb. 14, 2025).
[4] *Id*. at Schedule BDL-1, p. 38.

The risk of non-payment or partial recovery of infrastructure costs also poses a liability for the utility and its broader customer base.

Q. What are the potential benefits of large load customers taking service in Evergy's territory?

A. Large load customers, including data centers, manufacturing facilities, and emerging industries, provide substantial economic, operational, and strategic benefits to the utility and the broader community. Economically, they contribute to job creation, attract private investment, expand the tax base, and stimulate regional economic development. From a system reliability perspective, their presence may support and even accelerate necessary utility investments in aging infrastructure, ultimately enhancing service quality for all customers.

Multi-year service commitments from large load customers enhance the utilization of both existing and new generation and transmission assets. These customers also contribute stable, long-term demand, which supports more efficient resource planning and system modernization efforts.

Financially, large loads can increase and stabilize utility revenues by expanding overall system usage. A higher total sales volume allows the utility to distribute fixed system costs across more kilowatt-hours, which may help reduce costs for other ratepayers.

From a policy and compliance standpoint, many large load customers are actively pursuing ambitious sustainability objectives. This creates opportunities for meaningful collaboration on clean energy procurement, energy efficiency initiatives, and innovative grid solutions. Furthermore, large, consistent loads may catalyze the deployment of emerging technologies, such as advanced geothermal or nuclear power, hydrogen-based

fuels, and grid-scale energy storage as well as supporting a variety of grid-enhancing technologies. By serving as anchor customers or project sponsors, these entities can help advance alternative pathways to achieving the utility's clean energy and decarbonization goals especially if they are willing to take on more risk such as supporting first-of-a-kind technologies that is not appropriate for a utility to bear but could provide future benefits when those technologies are potentially de-risked.

Q. What is your position on requiring financial security for large load customers?

A. I support requiring financial security from large load customers as a means of protecting utilities and their ratepayers from potential financial risks, including stranded assets, project delays, and customer default. Large load projects often require substantial infrastructure investment. If such projects are canceled, delayed, or significantly reduced, the resulting sunk costs may ultimately be shifted to other ratepayers. Financial assurances such as collateral, guarantees, or prepayments work in tandem with others rate payer protections such as capacity reduction penalties and exit fees. These mechanisms collectively ensure that customers assume appropriate responsibility for the risks they introduce and that the utility can recover its costs.

Q. At a high level, how should the utility approach the design of financial security requirements for large load customers?

A. Utilities should design financial security requirements that are proportionate to the specific risks associated with each large-load project. In many cases, these customers are supported by financially stable sponsors and long-term commercial commitments. Applying a uniform or overly rigid approach to all customers may unintentionally discourage low-risk,

high-value projects. A more effective framework would recognize differences in project profiles and adopt a flexible, risk-based approach to credit assurance.

One recommended strategy is a staged or milestone-based structure, in which financial security requirements begin conservatively but evolve over time. As customers advance their projects, demonstrate meaningful progress, and commit capital, the utility's exposure to financial risk diminishes. Accordingly, financial requirements should adjust to reflect that reduced risk. This approach encourages responsible project development while still protecting the utility and its ratepayers.

Utilities should also offer a range of acceptable credit instruments, including surety bonds, parent guarantees, and upfront financial contributions. Providing flexibility in the form and timing of collateral allows creditworthy customers to meet requirements without unnecessary liquidity strain. Tailoring financial security to the customer's credit quality and project status promotes transparency, supports scalable growth, and reduces the likelihood of inefficient capital allocation.

In addition, utilities should consider evaluating financial risk at the cluster level when appropriate. Similar to how interconnection studies assess multiple projects based on shared geographic or operational characteristics, financial risk can also be aggregated and managed across groups of customers. This can be particularly useful in areas where many similar large-load projects are requesting service simultaneously.

Finally, the utility's financial security framework should account for how customers perceive risk in the service territory. Excessive or inflexible collateral requirements, particularly when combined with uncertainty in interconnection timelines or lack of procedural transparency, can materially increase the cost of development. Customers

incorporate these factors into their risk assessments when deciding whether to move forward with a project or cite a project in a specific utility territory. If the perceived risk outweighs the potential benefit, projects may be delayed, reprioritized, or abandoned. This can lead to reduced load growth, underutilized infrastructure, and unintended consequences for ratepayers.

Q. Is there a risk aligned framework that can be replicated when designing credit and collateral requirements?

A. Yes, E3 has created a risk aligned framework that I will detail below that recognizes the risks associated with large load interconnections while enabling responsible large load growth. I recommend the Commission consider the following core design principles when considering Evergy's financial security proposal:

1. Balance

Credit and collateral frameworks should be calibrated to reflect genuine financial risk, including the potential for stranded costs or revenue volatility. A well-balanced structure considers the specific characteristics of the load, the development phase of the project, the financial standing of the sponsor, and the degree of capital commitment. A balanced framework should:

- Distinguish between perceived risks and those supported by objective data, historical performance, or clear precedent.
- Align both the timing and magnitude of collateral requirements with the utility's true financial exposure. This helps address the asymmetry that may exist between the utility's understanding of demand risk and the data center's

understanding of utility-related risks, such as delays or infrastructure constraints.

- Include clear and predictable mechanisms for reducing or releasing collateral as the customer's risk profile improves over time. This may occur through demonstrated performance, credit enhancements, or progression through defined project milestones.

2. Equity

While large loads such as data centers may introduce new operational profiles, the application of established regulatory principles remains paramount. Specifically, the principles of cost causation and nondiscriminatory treatment must guide policy design. An equitable framework should:

- Avoid the use of arbitrary thresholds or the imposition of sector-specific requirements that are not clearly tied to measurable risk.
- Apply consistent standards to similarly situated customers. Large, high-load-factor customers in the industrial, manufacturing, or other commercial sectors should be treated comparably in terms of financial security requirements.
- Align with regulatory expectations for fairness in cost allocation, access to service, and the design of rates and terms. This ensures that customers are not unfairly disadvantaged based on industry classification or business model.

3. Optionality

Rigid or one-size-fits-all credit requirements may unintentionally exclude financially sound projects that are structured differently. Introducing optionality into credit

frameworks allows utilities and customers to address risks pragmatically and equitably. An optionality-based approach should:

- Allow the use of various credit instruments, including but not limited to Contributions in Aid of Construction ("CIAC"), surety bonds, irrevocable letters of credit, guarantors and liquidity. These tools provide flexibility while still securing the utility's financial interests.
- Enable utilities to match credit instruments to the specific type and timing of risk. For example, requirements may differ between construction-phase exposure and longer-term credit risk during ongoing operations.

4. Scalability

As Missouri experiences sustained growth in large load interconnection requests, Evergy's credit and collateral policies must evolve accordingly. Scalability is essential to ensuring timely and efficient processing without compromising risk mitigation or fairness. A scalable policy framework should include:

- Objective eligibility benchmarks and project development milestones that determine when collateral is required, in what amount, and under what conditions.
- Streamlined administrative processes for credit evaluation, application submission, and ongoing compliance, ensuring timely review and reducing resource burdens on both the utility and the customer.
- Transparent communication of expectations, responsibilities, and timelines, ensuring all parties have a shared understanding of the process and requirements.

Q. What are the best practices that define the risk aligned framework identified by E3?

A. The best practices within the risk aligned framework aim to ensure cost recovery, support responsible load growth, and promote fair treatment of all customers.

A key principle is aligning financial security requirements with actual risk exposure. This involves using a phased or milestone-based structure in which collateral levels adjust based on the project's stage and the utility's financial commitment. Early-stage projects, which carry higher risk, should provide greater upfront security that can be reduced as the project advances through permitting, financing, construction, and operation.

Another best practice is offering a standardized set of acceptable collateral instruments. Utilities should accept various forms of security, such as surety bonds; guarantees from a parent, affiliate, tenant, or other entity with a financial interest in the customer; sponsor support agreements; and CIAC. This flexibility accommodates different customer financial structures while maintaining utility protection.

Avoiding redundancy is also important. Utilities should not impose overlapping forms of security that address the same risk, such as combining CIAC, exit fees, and demand guarantees without clear justification. Credit frameworks should include evaluation tools, such as a credit efficiency index or "scorecard," to assess the adequacy of existing protections and calibrate requirements appropriately.

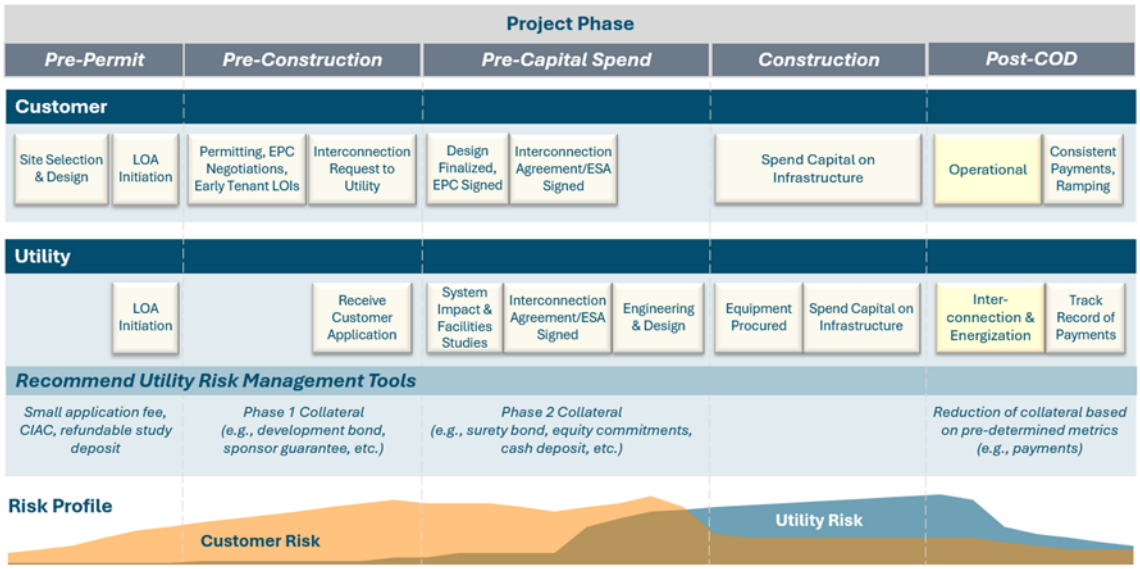
Transparency and consistency are essential. Utilities should define clear credit evaluation criteria, including liquidity thresholds, credit ratings, and exemption standards. Frameworks must also be scalable and adaptable to accommodate growing and evolving large load interconnection requests.

Together, these practices provide a disciplined and balanced approach that protects ratepayers, supports infrastructure investment, and ensures a fair and efficient interconnection process.

Q. Please provide more details on the milestone-based approach.

A. A milestone-based approach to financial security ties the level and type of collateral to key stages in the development of a large load project and the customer's lifecycle. Rather than imposing a fixed collateral requirement, this approach adjusts financial security obligations as the utility's exposure evolves over time. Figure 1 demonstrates the risk borne by the customer and utility at project milestones and risk management tools correlating with the milestone.

Figure 1: Project Development Timeline from the Utility and Customer Perspective



Financial security requirements should begin when the utility starts making financial commitments on behalf of the customer and increase as those investments grow. Financial security requirements could be in the form of partial collateral or, as is the case

with Evergy, other forms of financial assurances. At the customers' facility commercial operation date and throughout the load ramp period, full collateral should be held to incentivize customers to meet their ramp targets and to mitigate the risk of underutilized assets. Once the customer has fully ramped their load, collateral should be gradually reduced to reflect the declining risk to the utility and ratepayers. This reduction should continue month by month as the customer meets its contractual obligations, aligning financial security with actual performance and risk.

The milestone-based framework offers a transparent, scalable, and disciplined way to manage financial security. It balances ratepayer protection with flexibility for responsible, creditworthy customers and aligns financial obligations with both project risk and utility investment timing.

Q. Please expand on the standardized menu of acceptable collateral instruments.

A. A standardized menu of acceptable collateral instruments is essential to a transparent and effective financial security framework for large load customers. It provides clarity and consistency by listing approved financial tools that customers may use to meet collateral obligations. This approach promotes fairness and allows customers to select instruments that align with their financial structure, while ensuring the utility remains protected.

Common instruments include letters of credit, guarantees, surety bonds, and cash deposits. Letters of credit must be issued by a U.S. bank or a U.S. branch of a foreign bank with a minimum credit rating, typically BBB- or higher from S&P and a Baa3 or higher from Moody’s. These letters must meet requirements for term length and automatic renewal. Parent or affiliate guarantees must come from entities with sufficient credit quality and liquidity to support the obligation. Surety bonds, issued by qualified insurers, can be a

cost-effective option. Cash collateral, though less flexible, offers strong security and is universally accepted.

Including these instruments, along with clear eligibility standards, ensures the utility's financial exposure is adequately managed without imposing excessive burdens on customers. The availability of multiple options supports a range of financial profiles and simplifies compliance and enforcement. This structure helps maintain equitable treatment, operational efficiency, and a balanced approach to risk management.

Q. Should there be collateral exemptions?

A. Yes. Collateral exemptions are appropriate because financial security requirements should reflect the actual risk posed by each customer. Applying uniform collateral across all large load customers can lead to overcollateralization and create unnecessary barriers, particularly for financially stable and low-risk entities.

Exemptions should be based on objective criteria as discussed in the previous answer. For example, a customer with an investment-grade rating and liquidity exceeding ten times the required collateral should not be subject to the same obligations as a customer with speculative credit and low liquidity. Customers without formal ratings but with strong liquidity and financial transparency should also qualify for partial exemptions.

Establishing structured, risk-based exemptions allows utilities to maintain necessary protections while promoting fairness and investment. A balanced exemption framework ensures accountability, avoids unnecessary cost burdens, and protects ratepayers without discouraging viable large load development.

Q. What is your stance on collateral reduction?

A. Collateral reduction is a critical component of a well-designed financial framework. As a large-load project advances through development, enters commercial operation, and the utility begins recovering its capital investment, the financial risk to the utility and its ratepayers declines. Collateral requirements should be structured to reflect this declining risk, decreasing over time or upon the achievement of clearly defined milestones.

For example, once a customer has completed construction, initiated commercial operations, and established a record of timely payments, the likelihood of default or early termination is significantly reduced. Continuing to require the full collateral amount beyond this point imposes unnecessary capital constraints on the customer.

Holding millions of dollars in collateral for the full term of the Electric Service Agreement restricts the customer's ability to deploy capital toward other productive investments, including those that support reliability, innovation, or sustainability. A declining collateral schedule that tracks actual risk exposure helps ensure that financial security policies are both protective and practical.

Q. Do you recommend a certain form of collateral?

A. No. There is no single form of collateral suitable for all utilities or large load customers. Risk preferences vary by utility, and customer financial structures differ widely. A rigid, uniform approach is often impractical and may lead to unintended consequences.

Collateral options should include cash deposits, standby letters of credit from investment-grade institutions, surety bonds from qualified insurers, and guarantees from a parent, affiliate, tenant or other entity with a financial interest in the customer and

supported by strong credit and liquidity. Each instrument carries distinct costs, risks, and administrative considerations.

Providing a standardized menu of approved collateral types allows utilities to manage risk effectively while giving customers flexibility to meet requirements in a manner consistent with their financial strategy. This approach encourages participation, streamlines project development, and upholds ratepayer protection through enforceable, risk-aligned instruments.

Q. Why are scalability and adaptability in credit frameworks important?

A. Scalability and adaptability are essential for managing the increasing number and diversity of large load customers, including data centers, electric vehicle charging hubs, hydrogen production facilities, and other emerging technologies. This framework is also applicable to existing manufacturers and new industrial large loads. A scalable credit framework enables utilities to apply consistent processes across a wide range of project sizes and customer types. This promotes efficiency, reduces administrative burden, and supports fair and timely evaluation of interconnection requests.

Adaptability ensures that the credit framework remains responsive to changes in market conditions, regulatory objectives, and customer risk profiles. As new customer categories emerge or financial conditions evolve, utilities must have the ability to adjust credit thresholds, collateral requirements, and exemption criteria without overhauling the entire policy structure. This flexibility allows utilities to maintain a consistent approach while addressing unique risk characteristics in a practical and efficient manner.

Together, scalability and adaptability provide the foundation for a stable, transparent, and future-ready credit policy. They allow utilities to protect ratepayers from

financial exposure while facilitating the reliable and equitable integration of large loads into the electric grid. Importantly, credit policies should not be limited to near-term concerns or tailored narrowly to one customer segment. Rather, they should be designed with a long-term, system-wide perspective that supports the anticipated growth and diversification of large load interconnections. A forward-looking framework that is both scalable and adaptable will enable utilities to manage emerging risks effectively while supporting innovation, investment, and sustained grid reliability.

Q. How transferable are these credit and collateral best practices across utilities of different sizes, ownership model, interconnection queues, or regulatory jurisdictions?

A. The principles of effective credit and collateral policy, such as proportionality, transparency, and flexibility, are broadly applicable across utilities regardless of size, ownership, or jurisdiction. While implementation may vary, these practices can be adapted to reflect local conditions.

The key factor is the relative scale of the interconnecting load. For example, a 50 megawatt ("MW") data center may present similar financial risk to a small municipal utility as a 500 MW cluster would to a large investor-owned utility. In each case, credit policies should reflect the utility's actual exposure rather than applying a uniform standard.

Utilities with smaller interconnection queues or less experience may require more conservative protections, while those with larger queues and more established procedures may support more flexibility. Ownership structure influences internal requirements, but risk-based credit frameworks can be designed to suit any utility model.

Across jurisdictions, adaptable best practices have proven effective in managing risk and enabling large load development. A tailored approach aligns financial safeguards with actual risk, benefiting utilities, ratepayers, and customers alike.

III. EVERGY'S FINANCIAL SECURITY PROPOSAL AND INDUSTRY BENCHMARKING

Q. Earlier in your testimony, you noted a discrepancy between Evergy's financial security proposal as described by Mr. Lutz and the language in the LLPS tariff contained in Schedule BDL-1. How do you intend to address this issue?

A. As noted previously, there is a significant discrepancy between the financial security provisions described in Mr. Lutz's testimony and those set forth in the LLPS tariff. In the remainder of my testimony, I will examine both versions of the proposal in detail. I will begin by describing the financial security provisions outlined in the LLPS tariff included in Schedule BDL-1, followed by a description of the financial security framework as presented in Mr. Lutz's testimony. I will then highlight the key differences between the two, including how each would impact large load customers. Finally, I will provide my evaluation and position on both proposals, including whether either is appropriate and justified in the context of the LLPS offering.

Q. What is your understanding of Evergy's financial security proposal language in the LLPS tariff in Schedule BDL-1?

A. Under the LLPS tariff contained in Schedule BDL-1, Evergy proposes a collateral requirement equal to three years of maximum monthly bills, to be held for the duration of the 15-year contract term. This amount would be recalculated annually, with the customer

required to provide additional collateral if the updated amount exceeds the previous year's requirement by 10 percent or more.

Customers with a credit rating of at least A- from S&P and A3 from Moody's, and with liquidity exceeding ten times the collateral requirement, would be fully exempt from the collateral requirement. Customers who do not meet the credit rating thresholds but maintain liquidity greater than ten times the collateral requirement would be eligible for a 50 percent exemption, capped at $250 million.

Acceptable forms of collateral include a parental or affiliate guarantee meeting the same credit rating and liquidity thresholds, a full-value irrevocable letter of credit, or a full cash deposit.

Q. What is your understanding of the collateral requirements proposed in the testimony of Mr. Bradley Lutz?

A. Mr. Lutz's testimony refers to two years of maximum bill as collateral requirement with no option for a full exemption. He proposed exemptions of 50% up to a maximum of $150 million for customers credit rating of at least A- from S&P and A3 from Moody's, and with liquidity exceeding ten times the collateral requirement and a 40% exemption if the customers do not have a credit rating but hold ten times liquidity with the exemption maximum of $125 million. He does not state if the guarantee from a parent or affiliate are subject to credit or liquidity terms and the other forms of collateral are the same as the tariff.

Q. What is your position on both of Evergy's proposals?

A. As demonstrated above, the proposals presented in the tariff and in Mr. Lutz's testimony differ significantly. From a risk management perspective, the tariff language reflects a more

reasonable and balanced approach, even though it does not fully align with best practices. A requirement of two years of maximum monthly bills, as proposed by Mr. Lutz, is generally consistent with industry norms. However, the three-year requirement described in the tariff is not unreasonable when paired with flexible exemption provisions.

The tariff allows for a full exemption for companies that meet high credit quality and liquidity thresholds. Specifically, a company must have a credit rating of at least A- from S&P and A3 from Moody's, and liquidity greater than ten times the collateral requirement. This approach is consistent with standard business practices in other industries. Companies that meet these criteria present very low risk of default or non-payment, especially when combined with other protective measures proposed in this proceeding, such as early termination fees and minimum monthly bills.

Mr. Lutz's proposal, by comparison, is more restrictive. It does not provide a full exemption under any circumstances. Instead, it allows for only partial exemptions, with stricter credit requirements and caps on the exemption amounts. These caps, set at $150 million and $125 million depending on credit status, may exclude larger projects that otherwise meet the risk criteria. This cap-based approach is problematic because it does not apply a consistent, risk-based standard. A customer either qualifies or does not. Imposing a cap is effectively discriminatory toward larger projects, whose minimum monthly bills could easily exceed the exemption limits. There is no evidence suggesting that larger projects pose greater risk than smaller ones. Neither proposal allows for the collateral to be returned prior to the termination of the contract as the risk of stranded or underutilized assets is reduced with multiple years of on time payments and appropriate demand.

Further, Mr. Lutz does not clarify whether a parent or affiliate guarantee must meet the same credit or liquidity thresholds. The limited options for providing collateral under both proposals could also hinder participation from a diverse set of large load customers. Finally, the absence of interest accrual on posted collateral is inconsistent with basic financial principles.

Q. Are you aware of any quantitative risk analysis done by Evergy that underlines their collateral proposal?

A. No, I am not aware of any quantitative risk analysis conducted by Evergy to support the specific structure or level of collateral proposed. The absence of such analysis suggests that Evergy's perceived risk is likely different than its actual risk, particularly with collateral exemptions and reductions. In the absence of data and analysis that suggests otherwise, the Commission should consider a more moderate and calibrated collateral structure.

Q. Why should the Commission consider additional flexibility in the Evergy financial security proposals?

A. Missouri's regulatory framework includes an additional layer of oversight through the Certificate of Convenience and Necessity ("CCN") process. As noted in the testimony of Mr. Gunn, the CCN requirement can extend the timeline needed to secure new capacity, particularly as the size and complexity of the interconnection queue grow.[5] While I do not take a position on the necessity of the CCN process itself, it is important to recognize that delays in energization represent a material risk for large load customers when evaluating where to site projects. The combination of a lengthy regulatory approval process and

[5] Missouri Public Service Commission Case No. EO-2025-0154, *Direct Testimony of Kevin D. Gunn*, p. 9 (Feb. 14, 2025).

stringent financial security requirements may discourage high-quality projects from selecting Missouri as a host jurisdiction. Introducing greater flexibility in Evergy's financial security provisions could help offset the potential deterrent effect of these regulatory hurdles and improve the state's competitiveness in attracting large load development.

Q. What gaps or limitations exist within Evergy's current approach to collateral and risk management when compared with other industry-wide practices?

A. Evergy's current approach to collateral and risk management reflects several notable gaps and limitations when assessed against risk assessment best practices. While the objective of safeguarding ratepayers from financial exposure is appropriate, the means by which Evergy seeks to achieve that objective are more restrictive and less flexible than necessary given the risk profile associated with qualified customers, particularly once they are fully ramped. These limitations fall into several key areas: (1) misalignment between collateral requirements and actual risk exposure; (2) limited collateral exemptions and stringent liquidity guidelines; (3) insufficient forms of collateral; and (4) asymmetrical collateral flexibility.

Q. Please explain what you mean by "misalignment between collateral requirements and actual risk exposure."

A. Collateral should be tied to specific and time-based risks, such as the risk of non-performance during project construction or failure to meet ramped load commitments. Evergy's approach collects collateral and holds it throughout the entire contract term, without regard to risk reduction over time.

Once a customer is fully ramped, operating at its contracted demand, and has established a record of timely payment, the financial risk to the utility declines significantly. Yet, under the current proposal, the collateral remains unchanged. This failure to reduce collateral in response to reduced risk does not reflect best practices, where collateral is adjusted based on credit performance, service history, or operational milestones.

By retaining collateral indefinitely, the policy overstates the utility's exposure and may discourage otherwise viable projects. A more appropriate approach would align collateral with actual risk: initiating requirements closer to when capital is committed and scaling them back as customers demonstrate reliability and financial strength.

Q. Please explain what you mean by "limited collateral exemptions and stringent liquidity guidelines."

A. Limiting the total amount of collateral exemption is arbitrary and unnecessary, suggesting misalignment between perceived and actual risk. This policy creates an uneven playing field that unfairly discriminates against larger customers and may limit investment from well-qualified customers.

Further, Evergy's requirement that customers demonstrate liquidity greater than or equal to ten times the collateral amount in order to qualify for an exemption is unreasonably stringent. This threshold excludes otherwise creditworthy entities, including those with strong ratings, reliable capital structures, and long-term commitments to the region. Such customers may not maintain that level of available liquidity as a matter of financial policy, yet they pose minimal risk to the utility or its ratepayers.

Q. Please explain what you mean by "insufficient forms of collateral."

A. Evergy's proposed financial security framework fails to recognize alternative forms of collateral that may be available to customers. These include guarantees from entities with a direct financial interest in the customer, such as a parent company, affiliate, tenant, or third party. In addition, customers may be able to demonstrate substantial lease commitments from creditworthy tenants that align with the term of the Energy Service Agreement ("ESA"). Such arrangements materially reduce the customer's risk profile and provide meaningful assurance of payment performance. By excluding these risk-mitigating mechanisms from its credit policy, Evergy's proposal adopts an overly prescriptive approach that may discourage participation from a diverse set of large load customers with varying financial structures.

Q. Please explain what you mean by "asymmetrical collateral flexibility."

A. The tariff language proposed by Evergy grants the utility the unilateral right to request additional collateral on an annual basis if the recalculated value of a customer's maximum bills exceeds the amount currently held by 10 percent or more. It is unclear whether Mr. Lutz supports this provision, as it is not addressed in his testimony. Notably, the proposed tariff does not appear to include a reciprocal mechanism that would allow customers to recover excess collateral in the event that their recalculated obligation falls below the amount previously posted. This lack of symmetry in the treatment of financial adjustments creates an imbalance in how financial risk is allocated and is fundamentally inequitable to the customer.

Q. What credit and collateral requirements do other utilities in the region have for large load customers?

A. Table 2 summarizes the credit and collateral requirements of selected regional utilities for large load customers.

Table 2: Credit and Collateral Proposed or Approved Requirements of Regional Utilities

ATTRIBUTE	INDIANA MICHIGAN POWER	COMED	CONSUMERS ENERGY	DOMINION ENERGY VIRGINIA
CUSTOMER TYPE	Loads ≥70 MW or 150 MW aggregated	Large Commercial / Industrial	Data centers ≥100 MW	GS-5 customers ≥25 MW & ≥75% load factor
COLLATERAL REQUIREMENT	24×max monthly bill	Negotiated under PJM ESA	Negotiated; up to 100% of projected cost	$1.5M / MW
CREDIT EXEMPTION / REDUCTION	Full waiver if credit & liquidity requirements met, partial waiver if only liquidity requirement met	Waived / reduced under PJM standards	Waived / reduced with guarantees or rating	70% reduction if credit & liquidity requirements met
FORMS OF COLLATERAL	LOC, guarantee, cash	Negotiated (LOC, guarantee, bond)	Negotiated (LOC, guarantee, bond)	LOC, surety bond, cash, parent guarantee

IV. RECOMMENDATION TO THE COMMISSION

Q. Based on the financial security best practices framework explained earlier, what are your recommendations on financial securities in this case?

A. Evergy should adopt the collateral framework I describe below, which balances ratepayer protection with proportionality, transparency, and administrative efficiency. It is also a solid

middle ground approach until Evergy has the data or complete analysis that show what actual risk large load customers pose to the Company. I recommend the following structure:

1. **Collateral Amount and Duration:** The collateral amount should be equal to two years of minimum monthly bills which is consistent with what Mr. Lutz proposes in his testimony. This amount reflects a reasonable estimate of potential financial exposure to the utility in the event of customer default. The actual collateral required from any individual customer would be contingent on whether that customer qualifies for a credit rating-based exemption or reduction. Customers that meet the exemption criteria would have their collateral obligations adjusted accordingly, ensuring that the requirements remain proportionate to the customer's financial risk profile. Evergy should require 10% at ESA execution, ramp up linearly with investments made for interconnection, and reach the full amount at energization. This collateral should remain in place through the load ramp-up period.

   This level of collateral provides sufficient "skin in the game" to demonstrate the customer's commitment to project development. Maintaining the collateral during the ramp period also serves as an incentive for the customer to achieve full load ramp, thereby reducing the risk of cost shifts to other customers. Although instances of customer default are rare, in such cases, two years of non-fuel revenue would be sufficient to cover the carrying costs of underutilized assets until the associated capacity can be reassigned to one or more new customers and those customers become operational. Additionally, the use of two years of minimum monthly bills as a collateral benchmark is increasingly common across the industry, as more utilities including Evergy propose similar requirements in their filings.

2. **Ramp-Down Schedule**: After one year of operations at contracted capacity, collateral should be reduced by 10 percent annually, reaching zero by the end of the contract term. If the contract is extended, no new collateral should be required unless additional utility investments are necessary. The 10 percent reduction annually mirrors the reduced risk to Evergy and ratepayers of non-payment or stranded assets.
3. **Credit Rating-Based Exemptions:** The following are my recommendations for financial security exemptions:
   I. Accept Evergy's proposal that customers holding credit rating of at least A- (S&P) or A3 (Moody's), and liquidity of at least ten times the collateral amount, should be eligible for a full exemption without limit. These entities should be required to certify their rating and liquidity annually.
   II. Where a customer or the customer's guarantor (which can be a parent, affiliate, tenant or third party with financial interest in the customer) maintains liquidity of at least five times the collateral amount, the customer should be eligible for a 50 percent exemption from the collateral requirement. These entities should be required to certify liquidity annually. This represents a more reasonable and inclusive threshold than Evergy's proposed requirement of ten times the collateral amount, while still providing meaningful financial assurance to the utility.
   III. Rather than adopting the 40 percent exemption level as proposed by Evergy, I recommend lowering the exemption to 30 percent while increasing the flexibility of eligibility criteria. This adjustment balances risk management with broader access and will allow a more diverse range of customers to qualify.

Customers should qualify for a 30 percent exemption from the collateral requirement if any of the following conditions are met:

i) The customer or their guarantor maintains liquidity equal to two times the required collateral amount, subject to annual certification, or

ii) The customer provides a signed lease agreement for the full term of the Electric Service Agreement and demonstrates that more than 50 percent of the facility's capacity is contracted to a qualified tenant. The tenant should be required to have an investment grade credit rating of at least BBB from S&P or Baa3 from Moody's, should not be on credit watch, and should be required to maintain liquidity equal to at least two times the required collateral amount. This arrangement must also be supported by annual certification.

There should be no maximum dollar thresholds for collateral reduction.

4. **Case-by-Case Bilateral Financial Assurance with Commission Review:** Evergy and a customer should be permitted to enter into a bilateral agreement that outlines alternative financial assurances or other structural terms. These agreements should reflect the specific risk profile of the customer and may result in partial or full exemption, as appropriate. The proposed terms should be submitted to the Commission for review and approval to ensure consistency with public interest objectives and adequate protection for ratepayers.

5. **Additional Forms of Collateral and Guarantees**: Evergy should consider alternative forms of collateral such as short/medium term deposits or debt service reserve account that provide interest or bespoke insurance products. The customer should have the option of posting collateral in the form of a guarantee from a parent, affiliate, tenant or

other entity with a financial interest in the customer. Imposing overly prescriptive limitations on acceptable forms of collateral may unnecessarily restrict customer participation, particularly when there is no demonstrated risk-based justification for denying reasonable flexibility. Such rigidity can have a negative impact on the diversity of large load customers, limiting Evergy's ability to attract a broad range of financially viable projects with varying corporate structures.

6. **Collateral in the form of Cash:** If collateral is posted in the form of cash, it should accrue interest while held by Evergy. Any accrued interest should be returned to the customer on a regular basis, such as through quarterly payments or credits. This treatment aligns with standard financial practices and ensures that customers are not unfairly penalized for providing liquid collateral.

Additionally, the Commission should require Evergy to clearly explain how cash collateral will be safeguarded in the event of utility insolvency or bankruptcy. Customers providing cash should have confidence that these funds are protected and recoverable under such circumstances. This clarification is essential to ensure the integrity of the financial security framework and to prevent unintended financial harm to customers in the event of unforeseen utility distress.

7. **Drawing Collateral at Default:** Evergy should be required to exhaust all collection remedies prior to drawing down collateral in the event of default.
8. **Use of Collateral Proceeds:** If Evergy draws on posted collateral, the proceeds should be used to offset costs for remaining ratepayers to ensure the financial security serves its intended purpose to offset costs for all ratepayers.

This structure protects ratepayers while avoiding excessive financial obligations for large customers. It ensures recovery of utility costs through a fair, risk-based mechanism that supports investment and operational equity.

Q. Provide an example of the difference in what a customer would pay under Evergy's proposal as compared to your recommendation.

A. Consider an illustrative data center customer with a contracted demand of 100 MW. Under Evergy's Proposed LLPS Rate, an estimate of the customer's annual cost for electric service would be approximately $27 million.[6]

Under Evergy's proposal, which requires collateral equal to 2 years of expected, non-energy revenues, this customer would be obligated to provide $53 million in collateral to the utility for a period of 15 years. Assuming Evergy's pre-tax weighted average costs of capital ("WACC") of 8.9 percent as the discount rate over the 15-year term, the net present cost of this collateral commitment would be approximately $37 million.

A more proportionate and risk-aligned collateral framework considers the same $53 million in anticipated customer non-energy charges over two years; however, a milestone approach can be used to gradually step down the collateral commensurate with declining risk following the initial ramp period. Applying the same WACC to these assumptions and modeling a return of collateral in equal monthly installments over a 10-year period, the net present cost to the customer would be approximately $29 million.

This example of collateral posted in cash form, held by the utility without accruing interest, underscores the significant financial burden imposed by the proposed collateral

[6] The minimum monthly bill includes Customer Charge, Grid Charges, and 80% of Demand Charges.

structure. This highlights the need for a more balanced and scalable approach to credit requirements. While cash collateral imposes an immediate and direct strain on a customer's liquidity, alternative forms of collateral such as letters of credit or performance bonds can provide equivalent financial security with significantly less impact on cash flow.

As shown in Table 3 below, excessive collateral obligations may deter investment by increasing the cost of capital and creating financial uncertainty. This risk is amplified if the utility does not meet interconnection timelines, as customers may be forced to carry collateral for extended periods, resulting in substantial carrying costs. In some cases, this could result in project delays or abandonment.

A well-calibrated, risk-based collateral framework helps mitigate these risks by aligning financial requirements with the actual creditworthiness of the customer and the project's development stage. Such an approach protects ratepayers and preserves utility financial integrity, while also supporting investment in large load projects that can improve grid efficiency and long-term affordability.

Table 3: Collateral Cash Flow Illustrative Example

Period (Year)	Cash Flow		
	2-Yr Collateral & No Recovery	**2-Yr Collateral & 10-Yr Recovery**	
1	$ (53)	$ (53)	*Upfront Collateral*
2	$ 0	$ 0	*Credit*
3	$ 0	$ 0	*Credit*
4	$ 0	$ 0	*Credit*
5	$ 0	$ 0	*Credit*
6	$ 0	$ 5.3	*Credit*
7	$ 0	$ 5.3	*Credit*
8	$ 0	$ 5.3	*Credit*
9	$ 0	$ 5.3	*Credit*
10	$ 0	$ 5.3	*Credit*
11	$ 0	$ 5.3	*Credit*
12	$ 0	$ 5.3	*Credit*
13	$ 0	$ 5.3	*Credit*
14	$ 0	$ 5.3	*Credit*
15	$ 53	$ 5.3	*Credit*
	$ (37)	**$ (29)**	***Approximate NPV***

Q. Does this conclude your testimony?

A. Yes.