



Sustainability Transformation Plan (STP)

Operational Efficiency Workshop

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Discussion Topics

STP and Related Benefits Overview

Operational Savings

- Benchmarked cost structure
- Cost efficiency identification and governance
- Overview of expected fuel and non-fuel savings

Cost Savings Overview by Function

Example of STP Chartered Savings Idea

Summary

STP and Related Benefits Overview

What is Evergy's Sustainability Transformation Plan (STP)?





Stakeholder Benefit of the STP

CUSTOMERS

- ✓ **Maintains Affordability**
 - Capital investments targeted to enable long-term and sustainable cost savings of an expected ~25% non-fuel O&M reduction by 2024
 - Significant fuel and purchase power savings of ~\$145M from 2019 through 2024
- ✓ **Improves Customer Experience**
 - Enables automated outage communications
 - Expands digital communications, transactions and customer self-service options
 - Modernizes rate structures to offer additional rate options tailored to different types of residential customers
- ✓ **Improves Reliability & Resiliency**
 - Capital investments in grid automation, data handling and analytics capabilities and communications infrastructure to improve grid reliability, reduce restoration times and increase overall grid resiliency

COMMUNITY

- ✓ **Provides Regionally Competitive Rates**
 - Cost savings minimize rate increases over the period of the plan and is expected to improve regional rate competitiveness
- ✓ **Enhances Economic Development**
 - Job creation as a result of investments in grid modernization projects and renewable generation
 - Investments in renewable energy and grid modernization will help attract companies by improving cost competitiveness, reliability and overall sustainability
- ✓ **Honors Community Commitments**
 - Maintains Evergy's 'People First' culture
 - No merger-related involuntary layoffs
 - Maintains local control and current community involvement and investments
 - Honors existing regulatory agreements while providing a safe work environment for employees and meeting the needs of customers

ENVIRONMENT

- ✓ **Delivers Cleaner Energy**
 - An Integrated Resource Plan that builds on Evergy's focus on sustainability with increased investment in renewable energy, including solar energy, and battery storage and expanded energy efficiency programs
 - Pursues legislative and regulatory policy changes that would allow for more rapid decarbonization through accelerating retirement of coal plants
 - Investments in grid modernization will enable easier access to and development of distributed generation and customer facing grid-edge technology
- ✓ **Engages Stakeholders**
 - A robust process to engage our customers, regulators, employees and shareholders in Evergy's transformation to a low-carbon, resilient utility



Key Areas of STP

1 **Grid Modernization:** Create detailed plans to execute on grid modernization which promotes improved resiliency and grid capabilities

2 **Cost Efficiencies:** Achieve O&M savings through well-documented and robust plans to improve efficiency

3 **Customer Experience:** Deploy technology and programs to enhance customer experience and availability of options

4 **Decarbonization:** Develop an Integrated Resource Plan (IRP) which balances the needs of various stakeholders

Decarbonization will be discussed through IRP Stakeholder meetings

Operational Savings

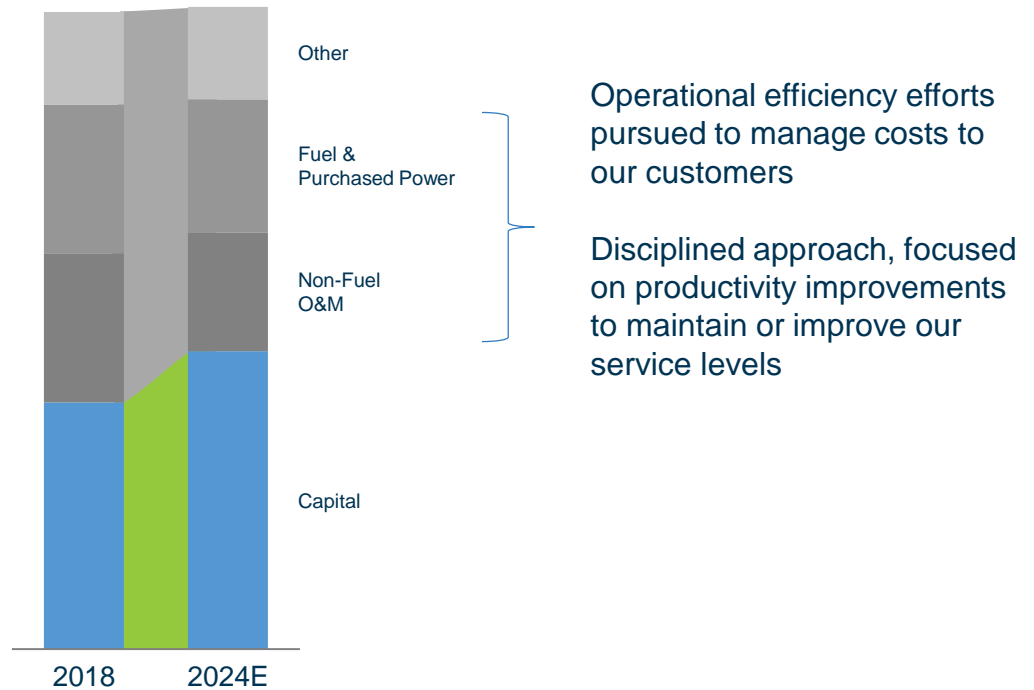
Strengthened Customer Value Proposition

STP focuses on rate stability and service enhancements

- Maintaining our merger commitments (bill credits / rate freeze)
- Minimal rate increases anticipated in customer bills, ~2% annualized
- Shifting customer bills to reflect service enhancing infrastructure, while reducing NFOM and F&PP costs



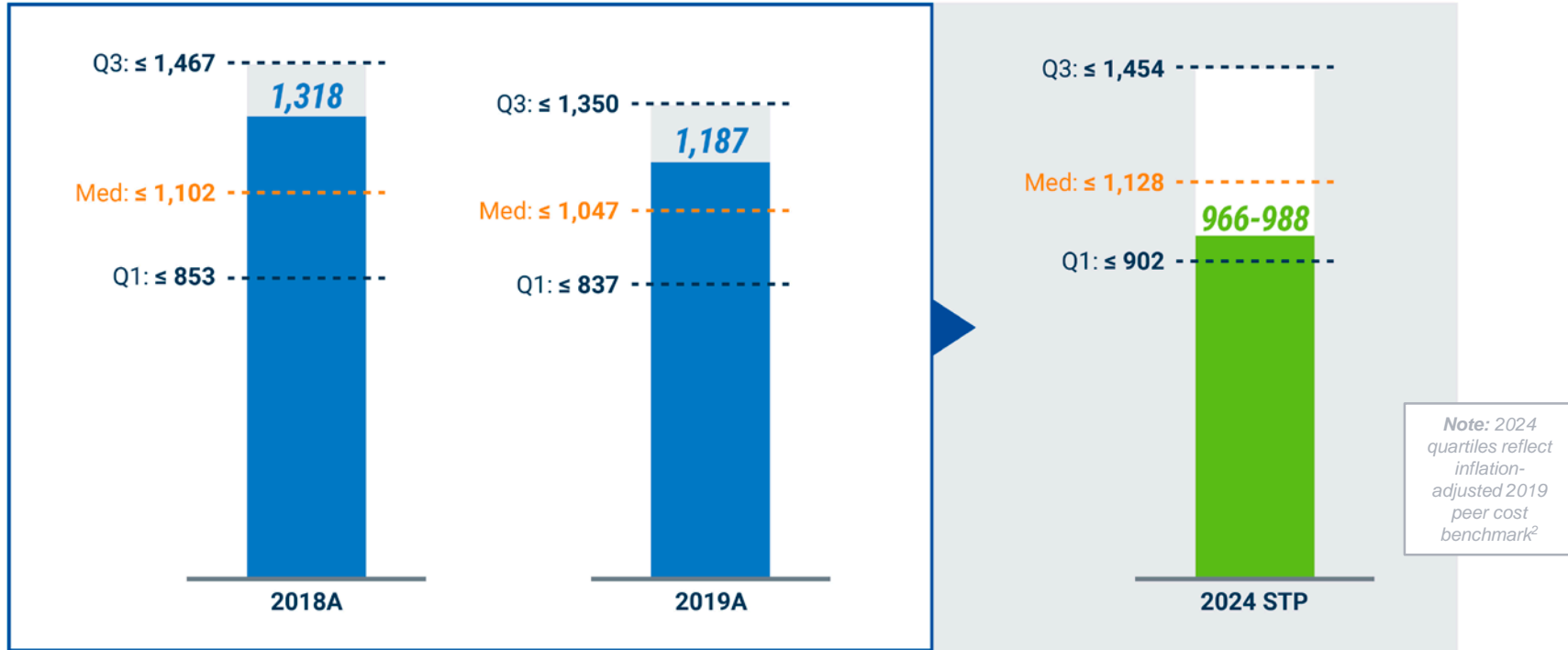
Illustrative Total Retail Rate Composition



Where We've Been... Where We're Headed

Improving from 3rd Quartile to 2nd Quartile levels

NFOM¹ (\$M)



Source: Boston Consulting Group

1. Full run rate is achieved in 2024. 2. Peer cost benchmarking is done based on function-specific metrics: \$/revenue for A&G, \$/line mile for Transmission, \$/customer for Customer & Distribution, and \$/MWh for Generation. Note: IOU national peer set with customer base in between 0.5M and 3M (excluding utilities that do not own regulated generation for the generation metric); O&M cost listed includes Total Transmission Expenses \$ (excl. Trn Oper Transmission of Elec by Others \$), Total Distribution Expenses \$, Total Customer Service Expenses (Excl. EE program assistance expenses and CAE Uncollectible Accounts \$), Total Admin & General Expenses \$ (Excl. Employee pension & benefits) and non-fuel gen cost. Source: FERC form 1 analysis

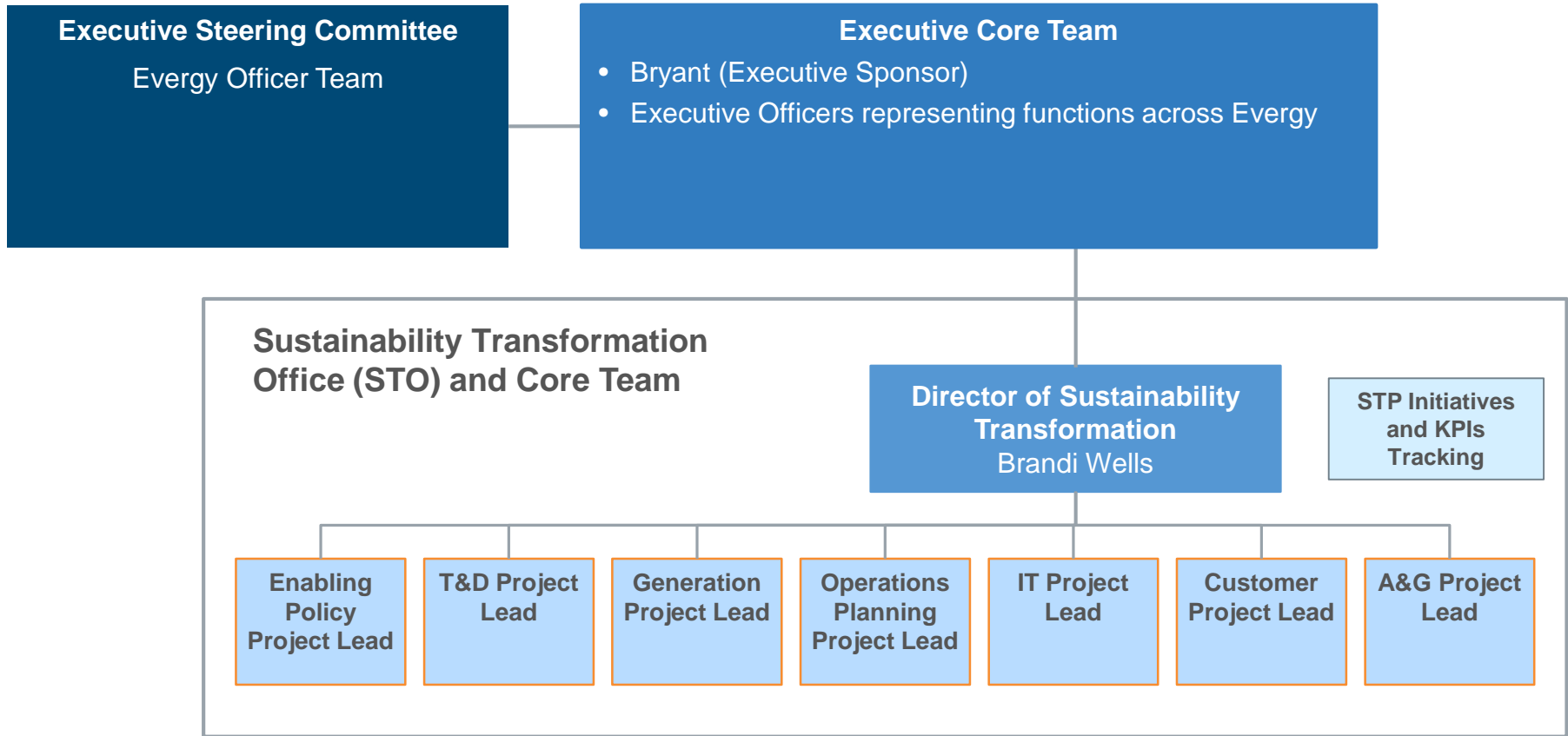
Initiatives Tracked from Definition to Completion



Process to date has identified ~ 230 chartered items for execution

Cost Savings Overview by Function

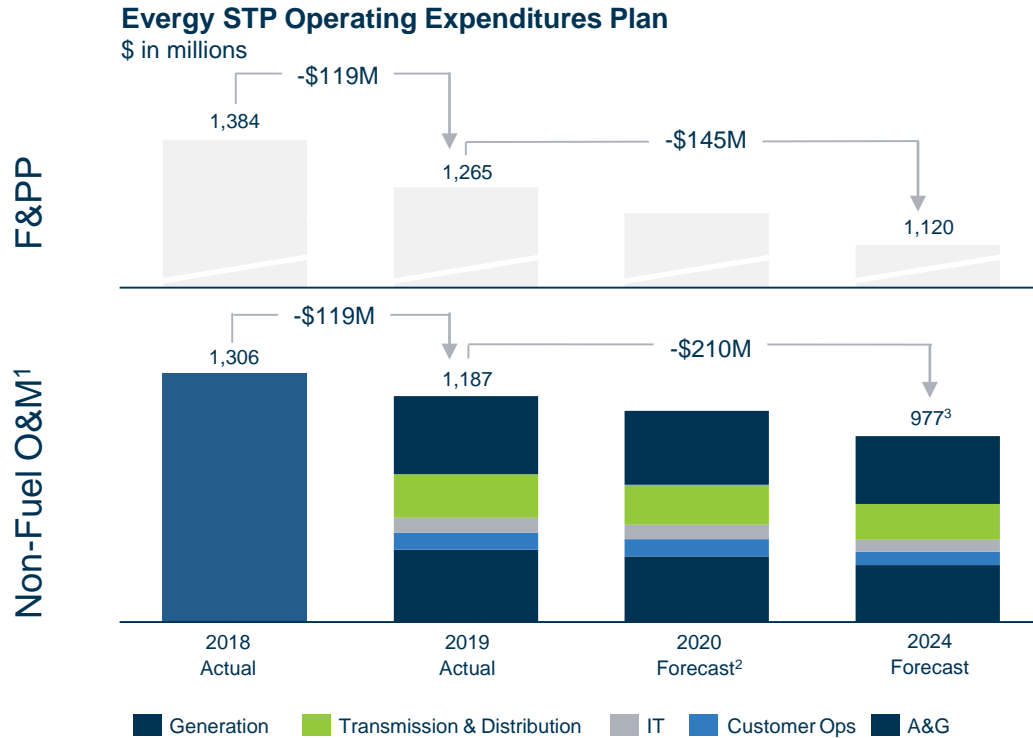
STP Governance Structure



Team mobilized and aligned across all levels of the organization to drive STP planning and execution

STP Operational Efficiency Summary

Detailed cost initiatives identified, build on merger execution track record



NOTE:

1. A reconciliation of adjusted O&M (non-GAAP) to O&M (GAAP) is included in the appendix.
2. 2020 adjusted O&M forecast range of 8% - 10% reduction from 2019A of \$1,187M.
3. Represents the mid-point of 2024 O&M forecast range of \$966M to \$988M.



Fuel & Purchased Power (F&PP): Fuel contract renegotiation, outage optimization & timing, flexible operations



Generation: Organizational efficiencies, operational improvements in the current fleet, supply chain and maintenance



T&D: Vegetation management, field work force, fleet, office real estate optimization



IT : Infrastructure and operating model efficiency, sourcing and procurement optimization



Customer Ops: Digital adoption and operating model efficiency, metering, contact center operations, account management



A&G: Organization optimization through attrition and scale efficiencies, procurement, benefits, digital transformation



Generation | Fuel & Purchased Power

Highest Value Initiative Areas

Area of Focus	2024 run-rate F&PP savings (\$M)
Outage Optimization <ul style="list-style-type: none"><i>Ex: Move coal fleet to 3-year outage schedule; improve schedule adherence and reduce outage duration for nuclear</i>	\$10 - \$20M
Coal Contract Renegotiations <ul style="list-style-type: none"><i>Ex: Renegotiate freight and commodity contracts</i>	\$40 - \$65M
Monitoring and Diagnostics <ul style="list-style-type: none"><i>Ex: Use advanced pattern recognition models to predict performance of vibration equipment based on online sensor data</i>	\$15 - \$25M
Flexible Operations <ul style="list-style-type: none"><i>Ex: Increase economic dispatch range of coal units and Wolf Creek to increase flexibility and capture additional margin</i>	\$2 - \$8M
Expected to contribute ~\$145M in 2024 run-rate savings	



Generation | Cost & Operational Excellence

Highest Value Initiative Areas

Area of Focus	2024 run-rate NFOM savings (\$M)
Nuclear Future State Staffing <ul style="list-style-type: none"><i>Ex: Achieve target org chart at Wolf Creek</i>	\$10 - \$20M
Fossil & Renewable Organization Efficiency <ul style="list-style-type: none"><i>Ex: Increase employee productivity with supervisor coaching</i>	\$15 - \$25M
Preventive Maintenance Optimization <ul style="list-style-type: none"><i>Ex: Reduce replacement frequency for certain parts</i>	\$10 - \$20M
Outage Optimization <ul style="list-style-type: none"><i>Ex: Adhere to target nuclear outage schedules; move coal fleet to 3-year outage schedule</i>	\$5 - \$10M

Expected to contribute 30 – 40% of 2024 NFOM run-rate savings



T&D | Cost & Operational Excellence

Highest Value Initiative Areas

Area of Focus	2024 run-rate savings (\$M)
Vegetation Management Optimization <ul style="list-style-type: none"><i>Ex: Leverage digital platform to improve workflow between Evergy & tree trimming contractors</i>	\$12 - \$16M
Field Force Optimization <ul style="list-style-type: none"><i>Ex: Synchronize and optimize direct-buried cable replacement policy</i>	\$12 - \$16M
Contractor Optimization <ul style="list-style-type: none"><i>Ex: Extend lifecycle of transmission poles by applying treatments to prevent decay</i>	\$8 - \$12M
T&D Operations Planning Optimization <ul style="list-style-type: none"><i>Ex: Reduce streetlight maintenance costs</i>	\$5 - \$9M

Expected to contribute 20 – 30% of 2024 NFOM run-rate savings

IT | Cost & Operational Excellence

Highest Value Initiative Areas

Area of Focus	2024 run-rate savings (\$M)
Chartered Efficiencies & Commitments <ul style="list-style-type: none"><i>Ex: Negotiating strategic enterprise agreements related to software costs</i>	\$10 - \$20M
IT Software <ul style="list-style-type: none"><i>Ex: Rationalizing set of IT security tools by leveraging enterprise solutions</i>	\$2 - \$5M
IT Organization Optimization <ul style="list-style-type: none"><i>Ex: Reducing contractor and FTE positions through Voluntary Exit Packages (VEPs)</i>	\$2 - \$5M
IT Services <ul style="list-style-type: none"><i>Ex: Increasing offshoring and negotiating for lower IT service contract rates</i>	\$2 - \$5M

Expected to contribute 8 – 12% of 2024 NFOM run-rate savings



Customer | Cost & Operational Excellence

Highest Value Initiative Areas

Area of Focus	2024 run-rate savings (\$M)
Customer Operations <ul style="list-style-type: none"><i>Ex: Deploying digital self-service capability to reduce call volume leading to lower O&M costs</i>	\$2 - \$5M
Metering Operations <ul style="list-style-type: none"><i>Ex: Leveraging smart meters to reduce service order costs and field labor spend</i>	\$1 - \$4M
Contact Center Ops Optimization <ul style="list-style-type: none"><i>Ex: Optimize contact center hours of operation to customer</i>	\$1 - \$3M
Cost Allocation Manual Standardization <ul style="list-style-type: none"><i>Ex: Consolidating billing services and credit management depts.</i>	\$1 - \$3M

Expected to contribute 8 – 12% of 2024 NFOM run-rate savings

A&G | Cost & Operational Excellence

Highest Value function Areas

Area of Focus	2024 run-rate savings (\$M)
One-time Costs Normalization <ul style="list-style-type: none"><i>Ex: Identify and reduce one-time costs such as bad debt expense and short-term incentives</i>	\$15M
Organization Optimization <ul style="list-style-type: none"><i>Ex: Optimize organization structure across support functions incl. Finance, HR, Supply Chain Compliance & Regulatory</i>	\$2 - \$5M
Procurement Optimization <ul style="list-style-type: none"><i>Ex: Reduce spend across categories through vendor rationalization and demand management</i>	\$2 - \$5M

Expected to contribute 15 – 25% of 2024 NFOM run-rate savings

Example of STP Chartered Savings Idea

Chemical Contract Renegotiations

Generation Operations

Goal: Reduce spend by \$1.3M per year on specialty and bulk chemicals related to power generation by re-evaluating supplier contracts. This will have no impact on generating station safety or reliability

Action plan:

- Finalize and implement new Specialty contract
- Consolidate, finalize and implement new bulk commodity chemical contract
- Evaluate benefits to a re-negotiated limestone contract to support
- Develop a tracking and system to monitor chemistry spend

Timeline:

- Specialty contract (complete)
- Bulk chemicals contract (Dec 2020)
- Limestone contract (Jan 2022)

The screenshot displays a project management interface for '1.2.3.1 Chemical Contract'. It features a 'Roadmap' tab with a table of milestones. The table includes columns for 'Milestone', 'Plan', and 'Forecast'. The milestones are as follows:

Milestone	Plan	Forecast
Updated our existing cycle chemistry training program that focuses on Flexible Operational efficiencies. Work with Safety and Training to develop site specific milestones and confirmation of knowledge transfer.	Dec-31-2020	Dec-31-2020
Nalco Services Contract finalized and implemented. Immediately unlocking \$178k savings/year and enabling \$432.3k in run-rate savings	Oct-01-2020	Oct-02-2020
Non-Labor NFGM Savings Recurring (excl. benefits) Recurring	\$175.00	\$175.00
Implemented new Nalco contract language and pricing to achieve the immediate targeted savings of \$0.04M.	Jan-01-2020	Oct-01-2020
Non-Labor NFGM Savings One-Time (excl. benefits) One Time	\$40.00	\$40.00
Renegotiated the MPW contract terms through 9/30/2023, realizing \$69K recurring yearly savings.	Sep-01-2020	Sep-01-2020
Non-Labor NFGM Savings Recurring (excl. benefits) Recurring	\$69.00	\$69.00
Bulk Chemical Sourcing: Defined which commodity the bulk chemical sourcing effort will target in order to provide the most value-add fleet wide.	Dec-31-2020	Dec-31-2020
Complete a storage capacity assessment for hydrated lime storage at JEC and Iatan. This assessment should include recommendations for silo management and enhanced tank level indicators. Additionally, the assessment should define the impact of JEC	Mar-31-2021	Mar-31-2021
Initiated development and implementation of a strategy to leverage the cost of lime based on fleet and quarry proximity.	Dec-31-2020	Dec-31-2020

Summary



Summary

STP Continues Progress Toward Cost Competitiveness

Builds on merger savings progress

Creates robust structure toward identifying and tracking cost savings

Maintains reliability and quality of service while reducing overhead costs

Stabilizes potential price increases consistent with inflation