Capital Structure & Return on Equity Policy Workshop

November 20, 2024

evergy

Presentation Agenda

- **Section 1: Economic Development Opportunity and Infrastructure Investment**
  - Slides 10-18
    - *Speaker: Darrin Ives – Vice President, Regulatory Affairs*

- **Section 2: Capital Structure and Return on Equity (ROE) Fundamentals**
  - Slides 20-30
    - *Speaker: Geoffrey Ley – Vice President, Corporate Planning and Treasurer*

- **Section 3: Comparability of ROEs and Capital Structures in the Industry; Importance to Attract Capital**
  - Slides 32-39
    - *Speaker: Bryan Buckler – Executive Vice President, Chief Financial Officer*

- **Section 4: The Rating Agency and Fixed Income Investor Perspectives**
  - Slides 44-58
    - *Speaker: Todd A. Shipman – CFA (Consultant at Concentric Energy Advisors; former Sector Specialist for North American Utilities at S&P Global Ratings)*

- **Section 5: Industry Capital Needs and the Equity Investors' Perspectives**
  - Slides 60-69
    - *Speaker: Dan Ford – Vice Chairman of Natural Resources and Clean Energy Transition Group at Citigroup; former utility equity research analyst*

Capital Structure and ROE Workshop Background

- The current business expansion pipeline represents a generational opportunity for Kansas to grow its economy. HB 2527 was developed and passed to enhance Kansas' electric utilities' ability to attract competitively priced capital from investors to fund the needed infrastructure investment that enables this economic opportunity
- The original form of HB 2527 included provisions that would have provided better predictability around capital structure and authorized ROE to the Commission, company, customers, and investors
- Parties to the HB 2527 discussions agreed to remove these provisions and instead pursue an open workshop to further engage on these critical elements of ratemaking, outside the confines of a legislative session or rate case
- While Evergy's 2023 rate case was ultimately settled, the wide ranges between intervenor positions in testimony on capital structure and authorized ROE created uncertainty and drew considerable attention, highlighting the need for collaborative dialogue before the Commission

HB 2527 is supportive, enabling legislation creating opportunities for additional investment by Evergy in Kansas. While positive for investors, concerns remain after the 2023 Evergy Rate Case as to whether Kansas will have competitive frameworks for capital structure and ROE

Importance Of Kansas ROE And Capital Structure Competitiveness

In Evergy testimony in front of the KCC in support of the 2023 Kansas Rate Case settlement, Evergy's witness stated,

"*while resolved for purposes of this case, there remain some disagreements as to foundational policy issues that Evergy intends to continue to work on with the Parties after this proceeding.* ***The Company's goal is for Kansas to have policies in place that are supportive of economic development and growth opportunities for businesses and individuals in our state****. To help advance those objectives,* ***utilities in Kansas must have the financial strength and flexibility to be supportive partners in achieving these positive outcomes for Kansas****. We will be engaging with stakeholders to create clarity that* ***utilities in Kansas are afforded opportunities to maintain their financial strength consistent with industry peers with which we compete for financial investment****."*

Competitive frameworks for capital structure and ROE are critical enablers of continued infrastructure investment for the benefit of Kansas customers and economic growth

Regulatory Environment Evaluation After HB 2527

- The Kansas and Missouri regulatory environments are currently ranked by Regulatory Research Associates ("RRA") as "Average/3," which is in the bottom third of U.S. state regulatory commissions
  - 34 jurisdictions are viewed as more constructive than Kansas and Missouri, while 19 are viewed as the same or less constructive
- **RRA raised Kansas' ranking in July 2024 from "Below Average/1" to "Average/3"** due to the enactment of HB 2527, which RRA expects to help mitigate (though not necessarily eliminate) regulatory lag

RRA state regulatory evaluations — Energy*

(By category, jurisdictions to watch highlighted)

Above Average/1	Above Average/2	Above Average/3	Average/1	Average/2	Average/3	Below Average/1	Below Average/2	Below Average/3
Alabama	Florida	Iowa	Arkansas	Delaware	Illinois	Alaska	Arizona	Maryland
	Georgia	North Carolina	California	Hawaii	Kansas	New Jersey	Connecticut	
	Pennsylvania	Tennessee	Colorado	Idaho	Louisiana — NOCC	New Mexico	Dist. of Columbia	
		Wisconsin	Indiana	Kentucky	Maine	West Virginia		
			Michigan	Louisiana — PSC	Missouri	New Mexico		
			Mississippi	Massachusetts	Montana	West Virginia		
			Nebraska	Minnesota	Oklahoma			
			Nevada	New Hampshire	South Carolina			
			North Dakota	New York	Texas — PUC			
			Texas — RRC	Ohio	Vermont			
			Virginia	Oregon	Washington			
				Rhode Island				
				South Dakota				
				Utah				
				Wyoming				

Data compiled July 31, 2024.
NOCC = New Orleans City Council; PSC = Public Service Commission; PUC = Public Utility Commission; RRC = Railroad Commission.
*Within a given subcategory, states are listed in alphabetical order, not by relative ranking.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

As companies compete for financing to fund economic development, investors' evaluations consider long-term return prospects which are rooted in expected regulatory outcomes

Hope And Bluefield Standards

- The U.S. Supreme Court established the guiding principles for establishing a fair rate of return for a public utility in two seminal cases: Bluefield Water Works and Improvement Co. v. Public Service Comm'n. and Federal Power Comm'n v. Hope Natural Gas Co.
- The Hope and Bluefield decisions recognize that the fair rate of return on equity should be:
  - Commensurate with returns investors expect to earn on other investments of similar risk (the "comparable risk" standard)
  - Sufficient to assure confidence in the company's financial integrity (the "financial integrity" standard); and
  - Adequate to maintain and support the company's credit and to attract capital (the "capital attraction" standard)

A fair and reasonable return satisfies all three of these standards

Ratemaking Capital Structure – The "Stand-Alone Principle"

- The stand-alone principle is fundamental to traditional utility ratemaking in North America and has been applied consistently. Under the stand-alone principle only the revenues and expenses of the regulated utility are considered for purposes of determining the revenue requirement, not those of either the holding company within which a utility is held or other affiliates within the holding company family
- Because the return on capital is a component of the revenue requirement, the stand-alone principle holds true for the authorized return (i.e., the capital structure and the costs of both debt and equity) as it does with any other component of the revenue requirement
- Regulators have typically used a three-prong test for an operating company's actual capital structure to be deemed appropriate (e.g., Missouri PSC and the FERC):
    1. that the regulated entity issues debt in its own name;
    2. that the entity is rated as a stand-alone entity by a credit agency (has its own issuer credit rating or corporate bond rating); and
    3. that the company's capital structure is reasonably consistent with other capital structures previously approved by the regulator and those of the proposed proxy group companies

If all three tests are met, the operating company's capital structure is deemed most appropriate for ratemaking purposes

Background Takeaways

- Kansas has historically been one of the lower rated regulatory environments for utility investors, which creates impediments to raising capital for investments necessary to support economic development
    - The passage of HB 2527 signaled positive legislative and stakeholder support of future utility investment in the state and support for economic development
    - As a result, RRA raised Kansas' ranking in July 2024 from "Below Average/1" to "Average/3" due to the enactment of HB 2527, which RRA expects to help mitigate (though not necessarily eliminate) regulatory lag

- Investors continue to raise questions about the relative competitiveness of the Kansas regulatory environment and supportiveness of financial strength of Kansas utilities
    - Clarity of the Commission's financial policy regarding ROE and Capital Structure and alignment of that policy in supporting economic development and utility investment necessary for the economic development are likely necessary to demonstrate to investors that Kansas will provide a fair and reasonable return on investor capital deployed in Kansas

Economic Development and Infrastructure Investment

Speaker: Darrin Ives

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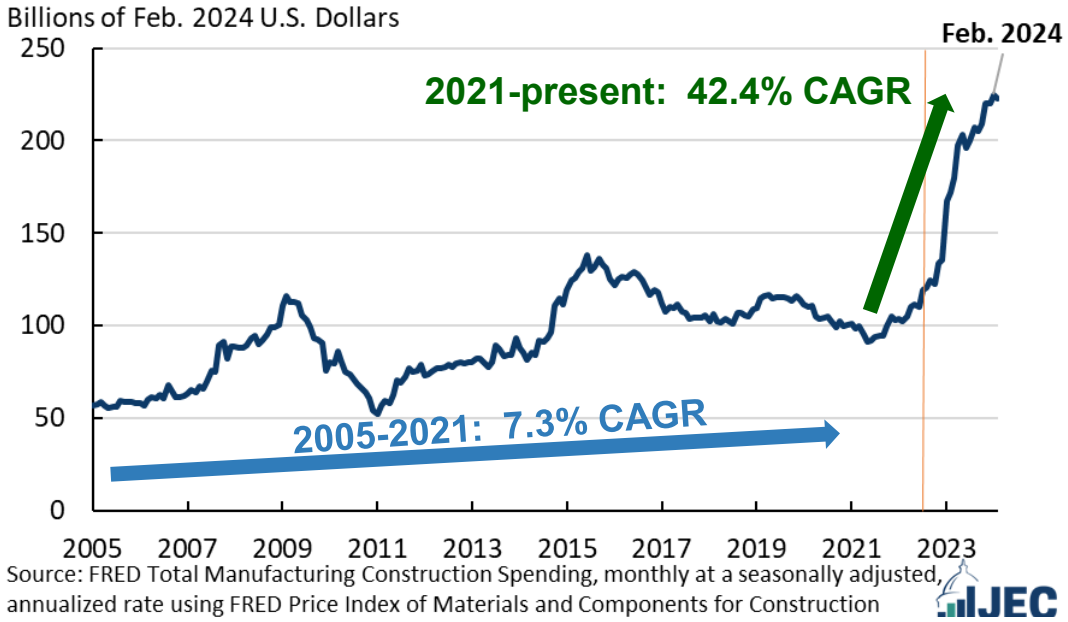
Economic Development Opportunity

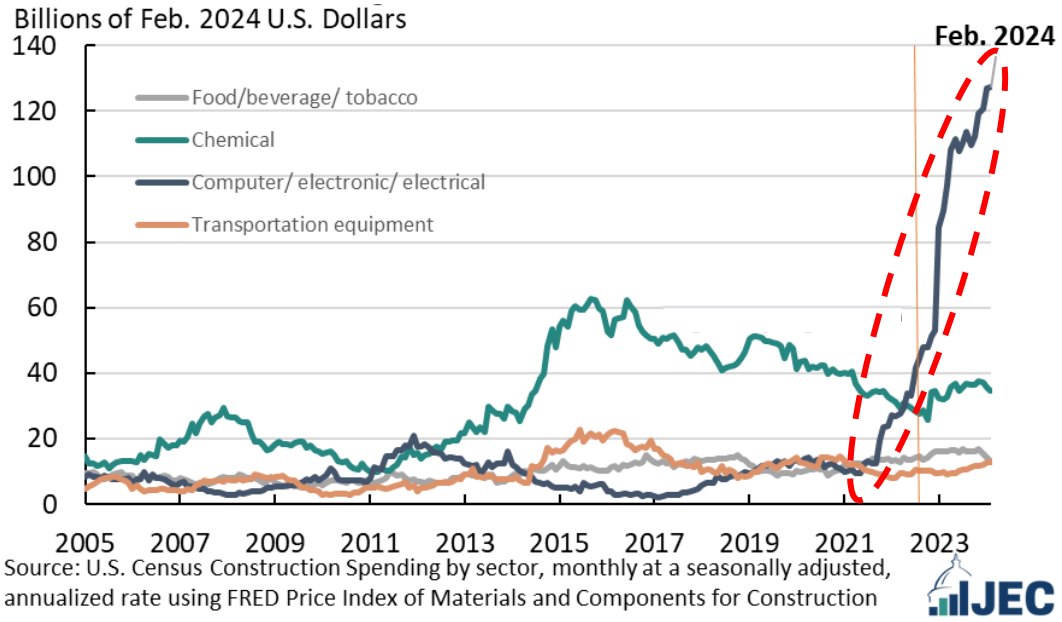
Total US Manufacturing Construction Spending



Source: FRED Total Manufacturing Construction Spending, monthly at a seasonally adjusted, annualized rate using FRED Price Index of Materials and Components for Construction

JEC

Total US Manufacturing Construction Spending By Sector



Source: U.S. Census Construction Spending by sector, monthly at a seasonally adjusted, annualized rate using FRED Price Index of Materials and Components for Construction

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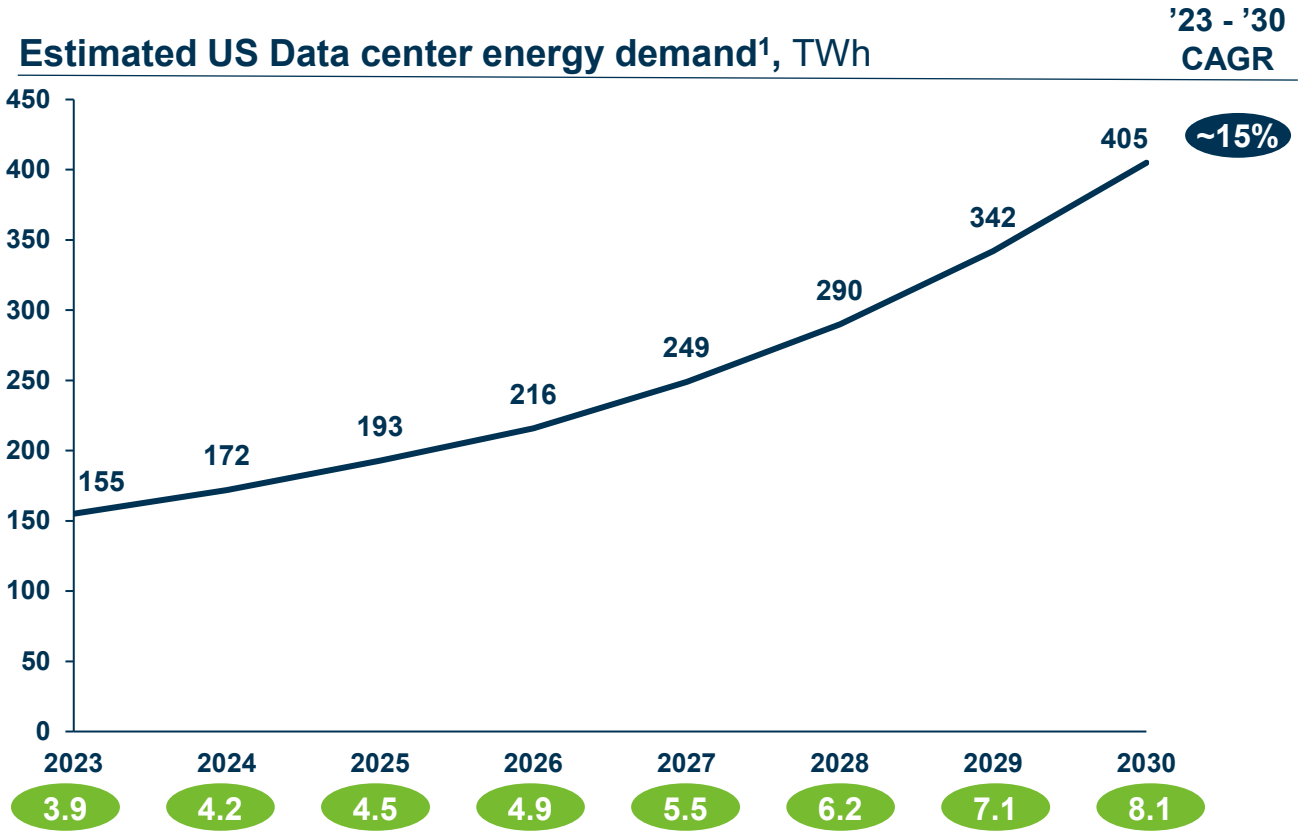
The US is experiencing a renaissance in development of its domestic industrial economy, primarily driven by AI and cloud computing data centers and advanced manufacturing

US Data Centers Are Powering A New Growth Era



- Artificial intelligence workload and continued cloud migration are expected to significantly increase the demand for new US data centers
- Data center customers are requesting very large load ramps over a short period; ability to quickly & efficiently add capacity will be essential for competing for these businesses
- Industry experts are forecasting 2023 to 2030 data center demand to grow by ~250 TWh, at a CAGR of 15%, doubling its share of total US power demand to ~8%

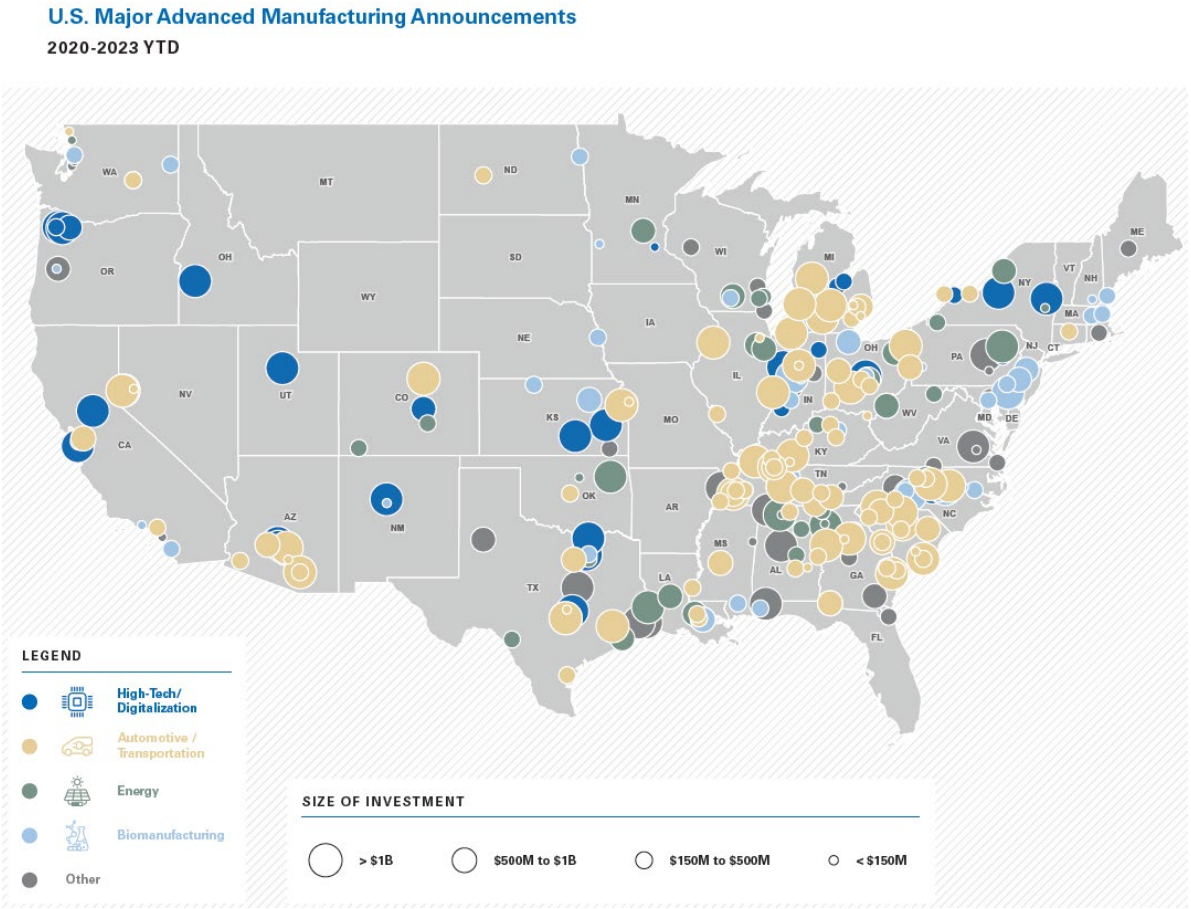
1. Energy consumed by Data Centers from the grid. Energy consumption is calculated in hours by year based on power, power usage effectiveness and utilization.

Source: McKinsey Energy Solutions Global Energy Perspective 2023; McKinsey Data Center demand model

X.X % of total US power demand

Data centers and advanced manufacturing have energy requirements that exceed those of traditional industrial customers; electric demand for US data centers is expected to grow ~250 TWhs over the next 6-7 years

Economic Development Is An Opportunity For Kansas



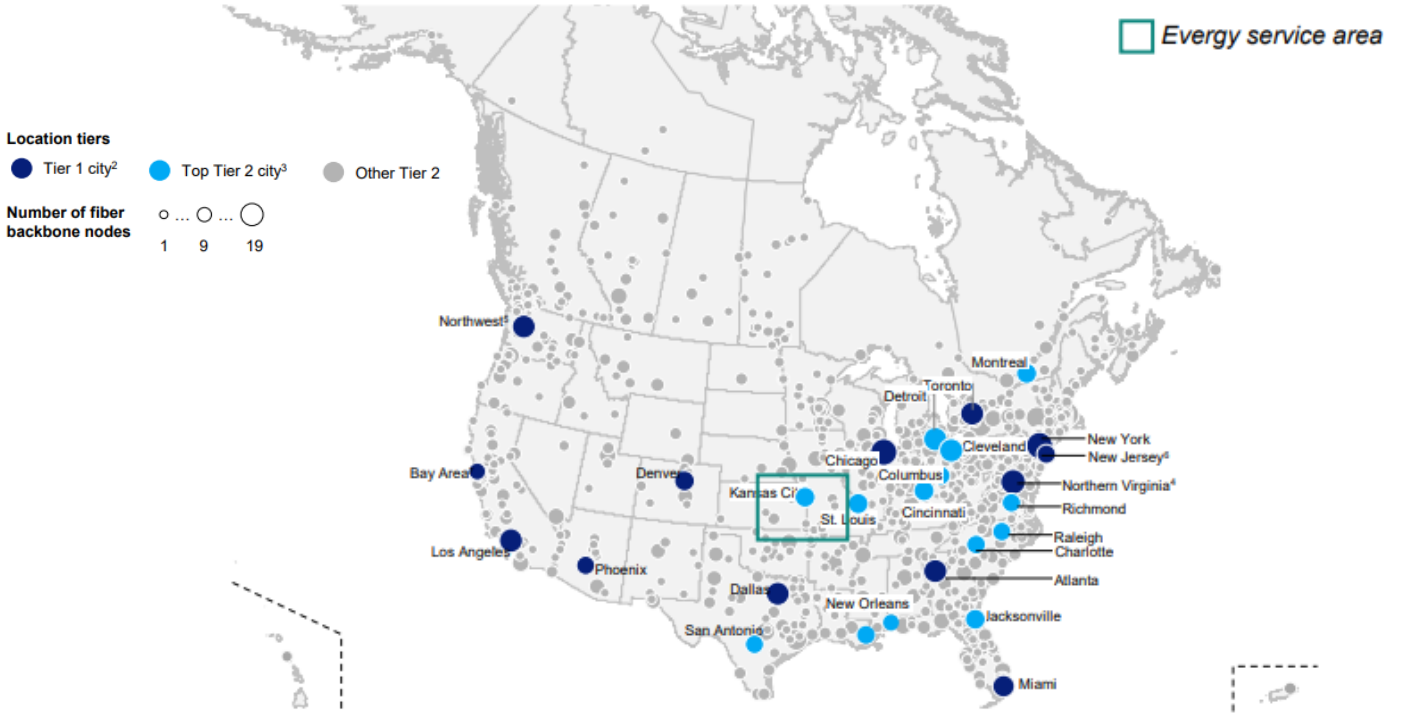
- Kansas has participated in the economic development renaissance the past few years
- The most recent example was the announcement of the Panasonic EV battery plant in 2023
- Several companies are currently and actively evaluating Kansas for advanced manufacturing and data centers
- Being at the forefront of this generational opportunity is likely to define the 21st century economies of states that "win" these customers

Kansas has an opportunity to expand on its recent economic development wins, most recently Panasonic, to establish the state's economic foundation for the remainder of the 21st century

Source: Newmark Group, Inc.; "Manufacturing Momentum (Part 1 of 3): Advanced Manufacturing Ascendency in North America", September 21, 2023

Data Centers Are Interested In Our Region

Tier-1 & Tier-2 Cities: Based on Access to Fiber and Energy Costs*



1. Based on the top 20 US Telcos and the top 6 Canadian Telcos; 2 As defined by JLL 2016 Colocation report; 3 All non-Tier 1 Cities with > 10 fiber backbones, and less expensive cost of electricity over a Tier 1 city within 400 miles of location or within 600 of 2 or more Tier 1 cities; 4 Based on Washington D.C. energy cost index; 5 Based on Seattle energy cost index; 6 Based on Newark energy cost index; 7 Based on San Francisco energy cost index

Source: Telegeography, Census Bureau Population Estimates Program, American Community Survey

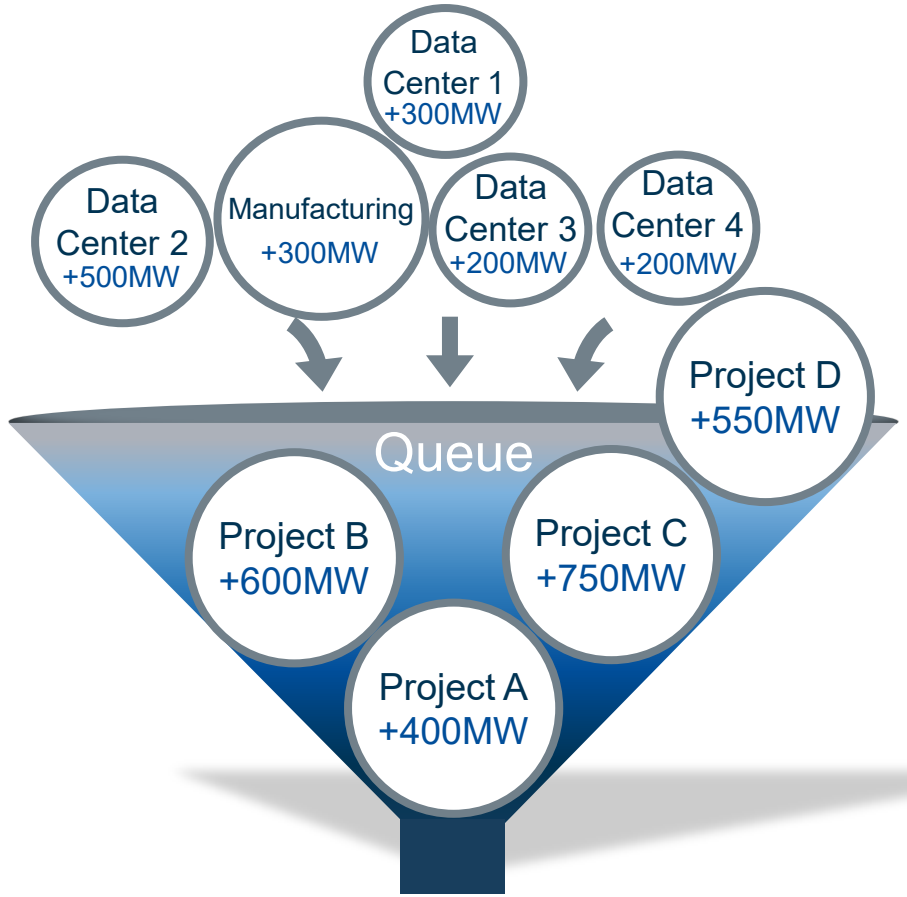
** Map sourced from McKinsey & Company presentation – April 2024.*

- Tier-1 locations for DCs (e.g. Northern Virginia) are facing power capacity constraints, leading DC industry to prioritize Tier-2 locations
- Tier-2 cities are expected to become a large piece of market growth with winning locations likely being determined by areas with:
  - Excess generation and transmission capacity
  - Favorable energy prices
  - Increased fiber density
  - Local tax incentives

Data centers are looking to expand beyond their traditional footprint; our region is expected to benefit

Evergy's Large Customer Pipeline Is Robust

- Currently, our pipeline includes over 20 customers with more than 6 GWs of incremental demand
- Existing Evergy customers receive a relative benefit in electric rates as current system fixed costs are spread over a wider usage base
- Benefits to the broader Kansas economy from large customer acquisitions:
  - Job creation
  - Larger tax base to pay for schools, roads, services, etc.
  - Development of ancillary businesses and services
  - Improved economic resiliency by further diversifying Kansas' economic industrial base



Evergy is working with many prospective large load customers who are evaluating Kansas and Missouri locations. A handful are in the late stages of working with Evergy to assess feasibility toward meeting their requirements as they aim for project announcements beginning in 2025

Evergy Customer Benefits From Economic Development

- To attract these new large customers and support Kansas' economic development goals, significant incremental investment by Evergy will be required to serve their needs and those of existing customers
  - New generation assets to provide electricity to new customers and maintain required reliability margins for peak demand
  - Transmission and distribution investments for new connections
- These investments will require funding of debt and equity from investors to finance assets needed to support new and existing customers

New, large load customers will provide benefits to existing customers and the broader Kansas economy, and Evergy will play a pivotal role in executing on these opportunities

Evergy's 2025E-2029E Infrastructure Investment Plan

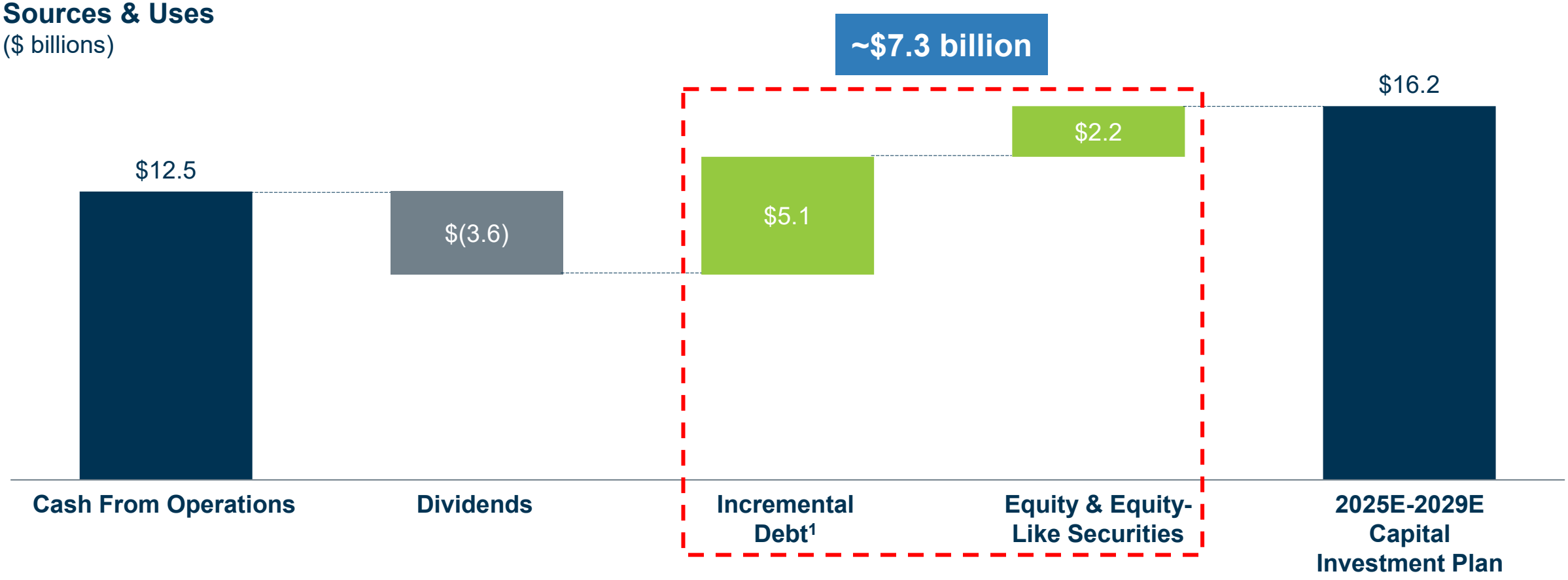
$ in millions	2025E	2026E	2027E	2028E	2029E	Total
New Generation/Renewables	472	852	1,158	1,557	1,228	**5,267**
General Facilities, IT, and Other	156	160	227	256	262	**1,062**
Transmission	528	555	682	710	728	**3,203**
Distribution	984	1,139	925	918	941	**4,907**
Legacy Generation	344	344	331	354	363	**1,736**
Total	**2,484**	**3,050**	**3,323**	**3,795**	**3,522**	**16,174**

Note: Approximately $9.6 billion, or ~60%, of our $16.2 billion capital plan is allocable to Kansas Central and Kansas Metro

Significant investment in generation resources and transmission & distribution infrastructure is required to meet new customers needs while improving reliability, complying with environmental rules, and meeting system reserve margins

2025E – 2029E Financing Plan

Sources & Uses
($ billions)



In 2025-2029, we expect to need ~$7.3 billion of incremental financing to fund this capital plan; ~$2.2 billion is expected to be Evergy equity or equity-like securities

[1]Debt issuances incremental to debt needed to fund $3.8 billion of long-term debt maturities in 2025-2029E

Economic Development Competitive Environment

- Kansas is competing with many states for large, new customers, including data centers and advanced manufacturing facilities, such as the Panasonic battery manufacturing facility being constructed in De Soto, KS
- These prospective customers value 1) reliability and 2) speed to market to serve their load
- Customer analysis of reliability and speed includes the assessment of whether the utility can raise the capital needed to fund critical infrastructure investments needed to enable their projects
- Evergy will be competing for capital available from debt and equity investors to raise the ~$7.3 billion needed to fund these investments, and investors will prioritize capital allocation to utilities in states where they observe the strongest risk-adjusted return prospects

A regulatory environment that supports a fair and competitive capital structure and ROE directly supports Evergy's ability to compete for large new customers that bring significant benefits to the Kansas economy

Capital Structure And ROE Fundamentals

Speaker: Geoffrey Ley

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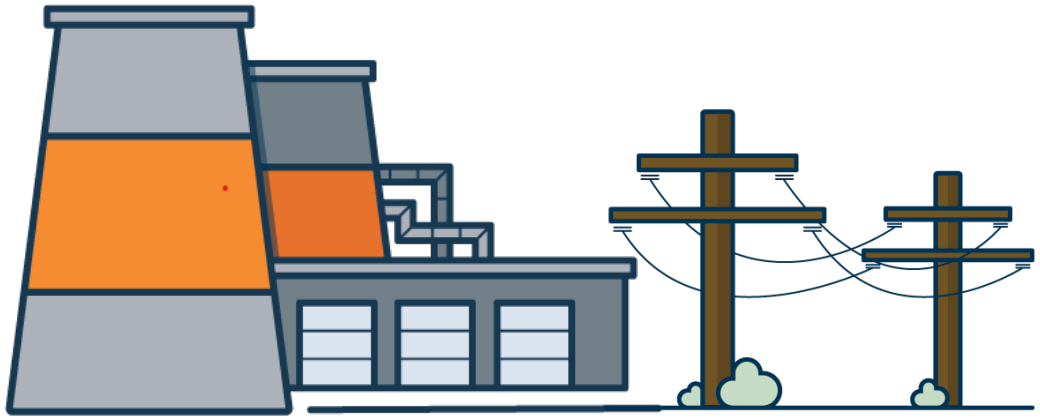
What Is Capital Structure

Evergy Electric Utility Companies



Long-term Debt Issuances (debt)	Shareholder's Equity (equity)

At least $7.3 billion of equity and debt capital will be needed from investors over the next 5 years to fund Evergy's electric infrastructure

Capital structure is the mix of long-term funds used to finance an entity

Capital Structure Financing Sources

	Operating Utility (e.g., Evergy Kansas Central; Evergy Metro)	Parent Company (e.g., Evergy, Inc.)
Long-term Debt	• **First Mortgage Bonds**	• **Unsecured Bonds** • *Subordinated Debt*
Equity	• **Retained Earnings** • **Equity Contributions from Parent**	• **Retained Earnings** • **Common Equity (shares of EVRG)** • *Preferred Equity* • *Minority Interests* • *Proceeds from Asset Sales*

Current financing sources for Evergy and its subsidiaries

Other common financing sources not currently used by Evergy and its subsidiaries

Operating utilities are typically financed with a mix of first mortgage bonds, retained earnings, and equity contributions from Parent companies; Parent companies have access to a broader array of sources of debt & equity financing

To Whom Are Capital Structure And ROE Important?

Customers: a capital structure and ROE that support competitive rates and a financially healthy utility with ready access to capital markets to fund beneficial investments supporting economic growth and grid reliability

Equity Investors: compared to other, similar investment opportunities, a competitive return on equity through earnings per share and dividend growth that is predictable based on constructive regulation

Debt Investors: an equity ratio and ROE which allow robust cash flow needed to service interest and principal payments over long investment horizons (5 – 30 years) to enhance recovery prospects in downside scenarios

Rating Agencies: provide information upon which debt investors, banks and vendors rely to judge the riskiness of a company. Consistent with debt investors, prefer an equity ratio and ROE which support robust cash flow and ample access to debt & equity markets given the capital-intensive nature of the business

Banks: providers of liquidity facilities used to finance capital investments and working capital; similar views to debt investors and rating agencies on preference for an equity ratio and ROE which support robust cash flow to repay borrowings

Vendors: provide short-term financing to utilities through payment terms which are generally determined based on credit ratings, offering longer payment terms to entities with better credit ratings, which reduces costs to customers

Capital structure and ROE are important to many constituents, including customers and shareholders, and signal the relative attractiveness of investing in Kansas vs. other states

Credit Ratings And Investors

Increasing Credit Risk

Moody's	S&P	
Aaa (1 / 2 / 3)	AAA (+ / -)	Investment Grade
Aa	Aa	
A	A	
Baa	BBB	
Ba	BB	Non-investment Grade
B	B	
Caa	CCC	
Ca	CC	
C	C	
n.a.	D	Default

- Investors across all industries use credit ratings as an input to how they price debt of a company
- Debt investors want to understand the certainty of payment of principal and interest for the bonds in which they invest
  - A key metric for utility debt investors and rating agencies is FFO/Debt – a measure of a company's cash from operations over its debt – higher FFO/Debt means the company should have adequate cash flow to make debt payments
- Equity investors want to ensure that companies have high enough credit ratings to allow access to debt & credit markets
- Consolidated utilities are typically rated Baa/BBB, and operating utilities typically have A-rated debt issuances

Credit rating agencies are a key constituent to whom capital structure matters; due to the capital-intensive nature of utilities, cash flow metrics are the key determinant of debt ratings and pricing

Peer Corporate (Parent Co/Consolidated) Credit Ratings

Denotes Regional Peer

Moody's Sr. Unsecured Credit Ratings

Portland General Electric Company	A3	Duke Energy Corporation	Baa2
ALLETE, Inc.	Baa1	Entergy Corporation	Baa2
Ameren Corporation	Baa1	**Evergy, Inc.**	Baa2
Consolidated Edison, Inc.	Baa1	Eversource Energy	Baa2
NextEra Energy, Inc.	Baa1	Exelon Corporation	Baa2
OGE Energy Corp.	Baa1	IDACORP, Inc.	Baa2
PPL Corporation	Baa1	NiSource Inc.	Baa2
Pinnacle West Capital Corporation	Baa1	NorthWestern Corporation	Baa2
Wisconsin Energy Corporation	Baa1	Otter Tail Corporation	Baa2
Xcel Energy Inc.	Baa1	Public Service Enterprise Group	Baa2
AVANGRID, Inc.	Baa2	Sempra Energy	Baa2
Alliant Energy Corporation	Baa2	Southern Company	Baa2
American Electric Power Company, Inc.	Baa2	Unitil Corporation	Baa2
Avista Corporation	Baa2	Edison International	Baa2
Black Hills Corporation	Baa2	FirstEnergy Corp.	Baa3
CMS Energy Corporation	Baa2	TXNM Energy, Inc. (formerly PNM)	Baa3
CenterPoint Energy, Inc.	Baa2	PG&E Corporation	Ba1
DTE Energy Company	Baa2	Hawaiian Electric Industries, Inc.	B1
Dominion Energy, Inc.	Baa2		

S&P Issuer Credit Ratings

Alliant Energy Corporation	A-	OGE Energy Corp.	BBB+
American Electric Power Company, Inc.	A-	Pinnacle West Capital Corporation	BBB+
Consolidated Edison, Inc.	A-	Portland General Electric Company	BBB+
Eversource Energy	A-	Public Service Enterprise Group	BBB+
NextEra Energy, Inc.	A-	Sempra Energy	BBB+
PPL Corporation	A-	Southern Company	BBB+
Wisconsin Energy Corporation	A-	Unitil Corporation	BBB+
Xcel Energy, Inc.	A-	Xcel Energy Inc.	BBB+
Ameren Corporation	BBB+	ALLETE, Inc.	BBB
AVANGRID, Inc.	BBB+	Avista Corporation	BBB
Black Hills Corporation	BBB+	Edison International	BBB
CMS Energy Corporation	BBB+	FirstEnergy Corp.	BBB
CenterPoint Energy, Inc.	BBB+	IDACORP, Inc.	BBB
DTE Energy Company	BBB+	IPALCO Enterprises, Inc.	BBB
Dominion Energy, Inc.	BBB+	NorthWestern Corporation	BBB
Duke Energy Corporation	BBB+	Otter Tail Corporation	BBB
Entergy Corporation	BBB+	TXNM Energy, Inc. (formerly PNM)	BBB
Evergy, Inc.	**BBB+**	PG&E Corporation	BB
Exelon Corporation	BBB+	Hawaiian Electric Industries, Inc.	B-
NiSource Inc.	BBB+		

Evergy's Consolidated Baa2 / BBB+ ratings are strong investment grade ratings and are consistent with peers and regional peers; strong investment grade ratings are important determinants of cost of debt and maintaining robust access to debt capital markets

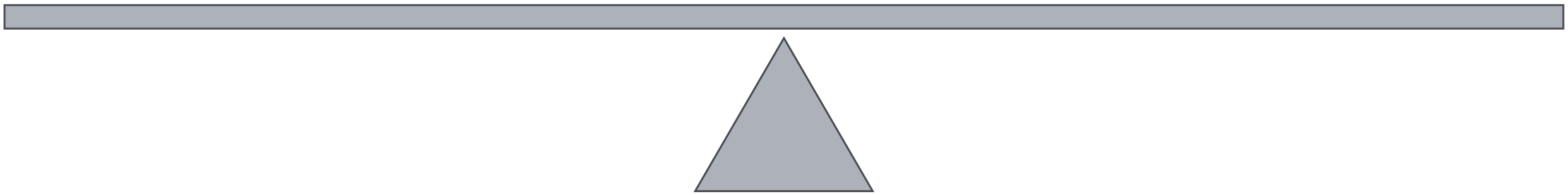
Balancing Relationship Between Capital Components

Utility Long-term Debt

- Requires mandatory debt service payments (interest and principal)
- Cost to customers less than equity
- Debt holders can force a company into bankruptcy if payments are missed

Utility Equity (Owners of the company)

- Flexible dividends (subsidiary dividends can be shaped for capital investments; can manage parent dividend growth)
- Cost to customers is higher than debt
- The more equity, the more financial strength of companies to ensure long-term viability of operations



Utilities must balance mix of long-term debt and equity to ensure financial stability of the company to balance affordable rates for customers and meet shareholder return requirements to maintain access to capital

Capital Structure Role In Customer Rates

Return on Rate Base = % Long-term Debt in Long-term Capital Structure ✖ Wtd. Avg. Cost of Long-term Debt + % Equity in Long-term Capital Structure ✖ Authorized Return on Equity (pre-tax)

All shareholder returns are derived from this component of revenue requirement

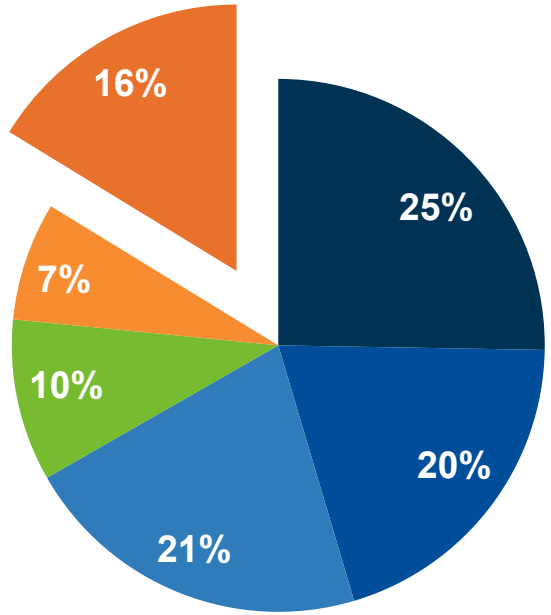
Utility Annual Revenue Requirement

- Operating Expenses
- \+ Depreciation & Amortization
- \+ Taxes Other Than Income Taxes
- \+ Other Expenses
- \+ **Return on Rate Base** ✖ Rate Base
- = **Total Utility Annual Revenue Requirement**

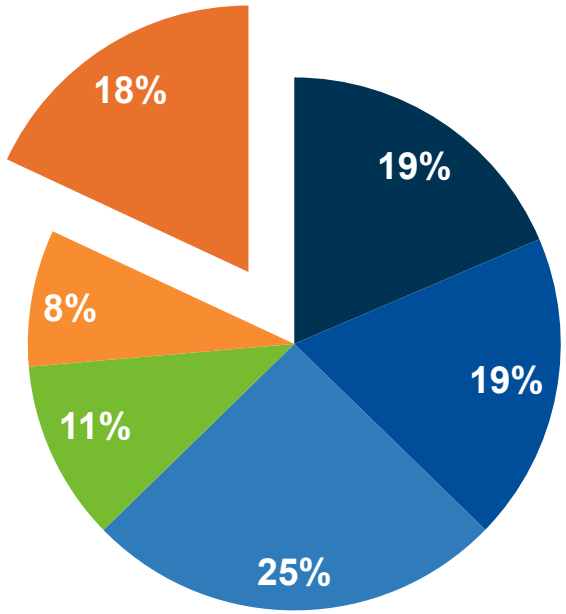
Customer rates are determined based on utility revenue requirement; return on rate base is one of many inputs that feeds the calculation of revenue requirement

Revenue Requirement – EKC & EKM In 2023 Rate Cases

Evergy Kansas Central (EKC)



Evergy Kansas Metro (EKM)

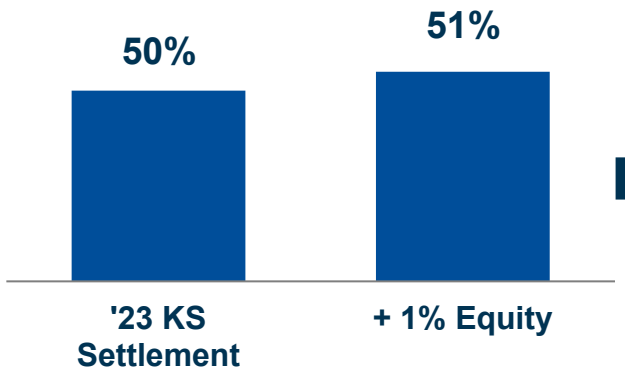


- Non-fuel Operating Expenses
- Fuel & Purchased Power
- Depreciation & Amortization
- Taxes Other than Income Taxes
- Rate of Return – Debt
- Rate of Return – Equity

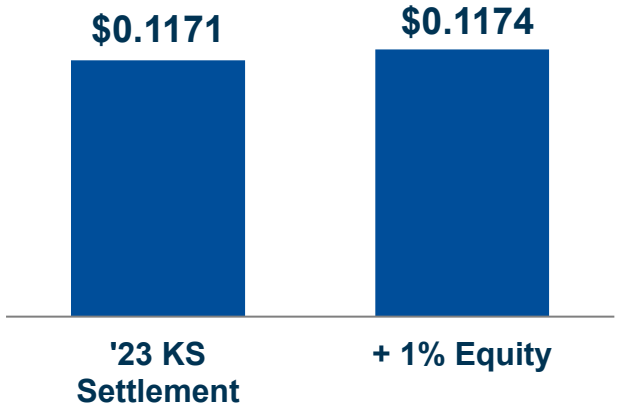
The equity return component, which is responsible for investor returns, represents ~16-18% of Kansas Central's and Kansas Metro's total revenue requirement

Illustrative Example: Equity Ratio Impact On Customers And Shareholders

Equity Ratio[1]



Average Retail Rates ($/kWh)



- $6.5 million increase in revenue[2]
- $0.0003 increase in average retail rates
- 0.2% increase in average retail rates

- Equates to ~$70 million of equity value that can be used for further infrastructure investments[3]
- From the equity investor perspective, a significant driver and comparator across jurisdictions

[1] Reflects Evergy's interpretation of the black-box settlement filed in docket 23-EKCE-775-RTS for Kansas Central and Kansas Metro combined; based on 9.4% ROE stated for the TDC, Evergy's filed cost of debt of 4.37%, and pretax return on rate base of 8.144%

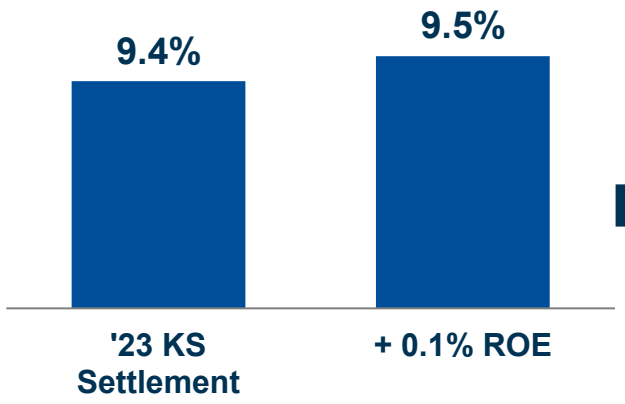
[2] $8.631 billion of retail rate base multiplied by the change in pretax return on rate base due to a 1% increase in the equity ratio (8.220% - 8.144%) = $6.5 million

[3] $6.5M of revenue equates to $5.1M of earnings, or $0.02 per share with 230.6M shares outstanding. Utility stocks trade at a multiple of earnings per share (PE multiple). Evergy is currently trading at ~16x 2024 earnings. $0.02 earnings per share x 230.6 million shares x 16 P/E = $73.8 million

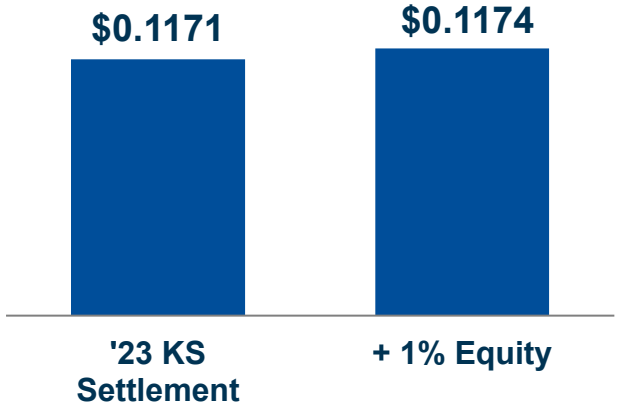
A 1% increase in equity capitalization would increase retail rates 0.2%, or $0.0003/kWh, and impact earnings by 0.5%, increasing equity value by ~$70 million

Illustrative Example: Authorized ROE Impact On Customers And Shareholders

Allowed ROE Ratio[1]



Average Retail Rates ($/kWh)



- $7.0 million increase in revenue[2]
- $0.0003 increase in average retail rates
- 0.2% increase in average retail rates

- Equates to ~$70 million of equity value that can be used for further infrastructure investments[3]
- From the equity investor perspective, a significant driver and comparator across jurisdictions

[1] Reflects Evergy's interpretation of the black-box settlement filed in docket 23-EKCE-775-RTS for Kansas Central and Kansas Metro combined; based on 9.4% ROE stated for the TDC, Evergy's filed cost of debt of 4.37%, and pretax return on rate base of 8.144%

[2] $8.631 billion of retail rate base multiplied by the change in pretax return on rate base due to a 0.1% increase in the authorized ROE (8.208% - 8.144%) = $5.5 million; plus impact on TDC rate base $3.272 billion x 68.9% of TDC rate base subject to KCC jurisdictional ROE with a 0.1% increase in authorized ROE (8.229% - 8.162%) = $1.5 million; total impact to customers of $7.0 million ($5.5 million + $1.5 million)

[3] $7.0M of revenue equates to $5.5M of earnings, or $0.02 per share with 230.6M shares outstanding. Utility stocks trade at a multiple of earnings per share (PE multiple). Evergy is currently trading at ~16x 2024 earnings. $0.02 earnings per share x 230.6 million shares x 16 P/E = $73.8 million

A 0.1% increase in authorized ROE would increase retail rates 0.2%, or $0.0003/kWh, and impact earnings by 0.5%, increasing equity value by ~$70 million

Section Takeaways

- Utilities are capital intensive businesses that rely heavily on external debt and equity capital to finance their infrastructure investment programs
- Company earnings and shareholders returns are driven by the equity return component of the revenue requirement embedded in customer rates
    - Equity returns are approximately 16% to 18% of Evergy Kansas Central's and Evergy Kansas Metro's total revenue requirement
- A 1% change in equity capitalization or 0.1% change in authorized ROE equates to a ~0.2% change in average customer rates and ~$70 million of shareholder value, highlighting the relative importance of the issue for equity investors as they consider the relative competitiveness and attractiveness of the jurisdictions in which they choose to invest
- All else being equal, an increase in equity capitalization and/or authorized ROE results in higher internally generated cash flow, mitigating external financing needs and costs
    - Importantly, a below average ROE or equity capital structure can result in an adverse signal to investors which results in equity and debt capital diverting to other states

Comparability of ROEs and Capital Structures in the Industry; Importance to Attract Capital

Speaker: Bryan Buckler

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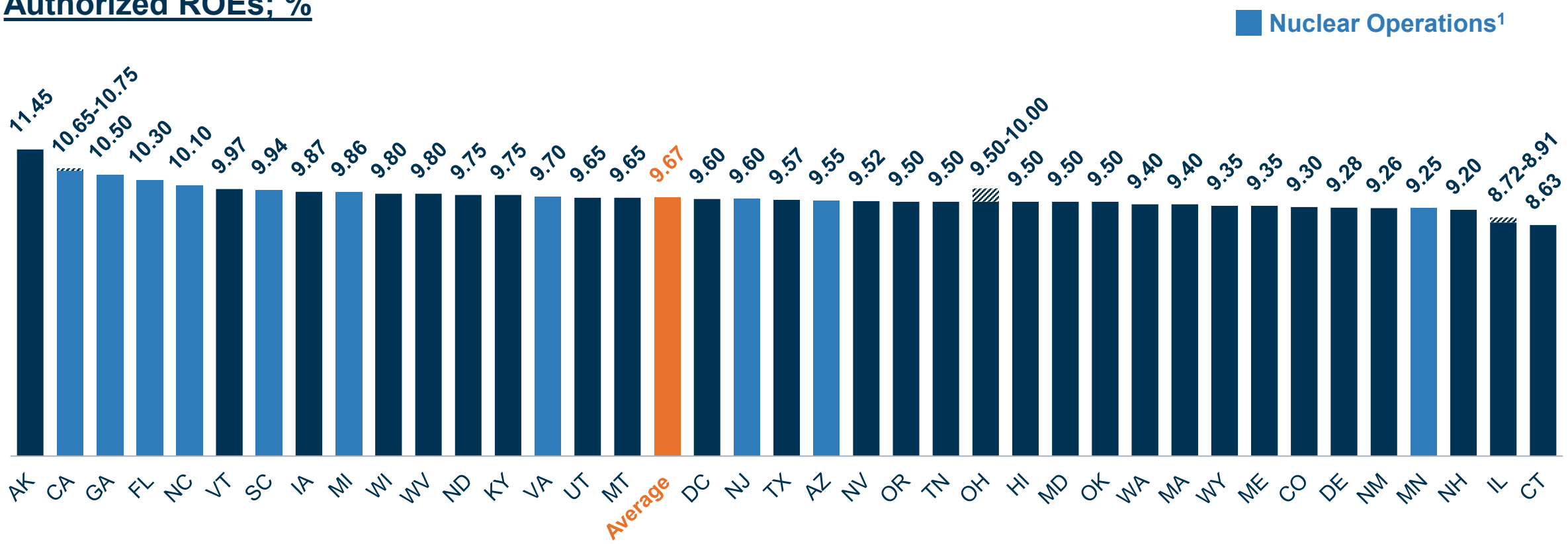
Regulated Utility Authorized ROEs By State

Authorized ROEs; %



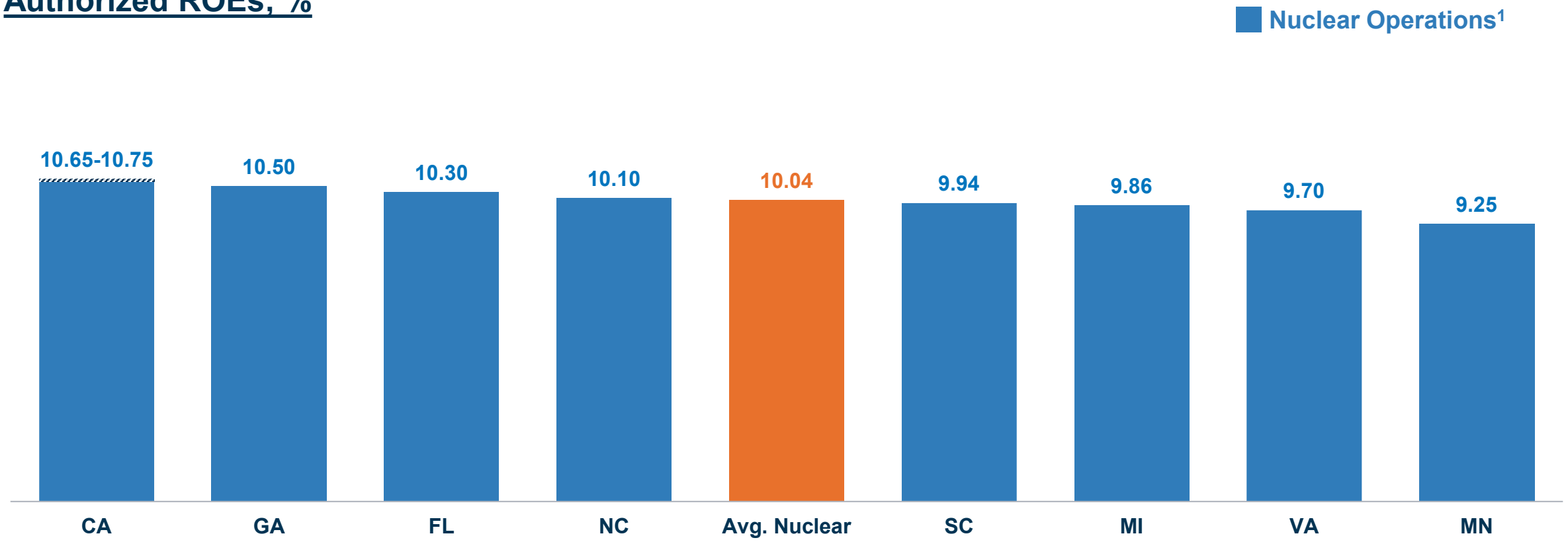
The average US utility authorized ROE is 9.67%

[1] *States with investor-owned regulated utilities that are vertically integrated and have nuclear operations*

Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available.

Regulated Utility Authorized ROEs With Nuclear Operations

Authorized ROEs; %



Utilities with nuclear operations have more risk than those which do not; states with nuclear operations in investor-owned, vertically integrated utilities have an average authorized ROE of 10.04%

[1] *States with investor-owned regulated utilities that are vertically integrated and have nuclear operations*

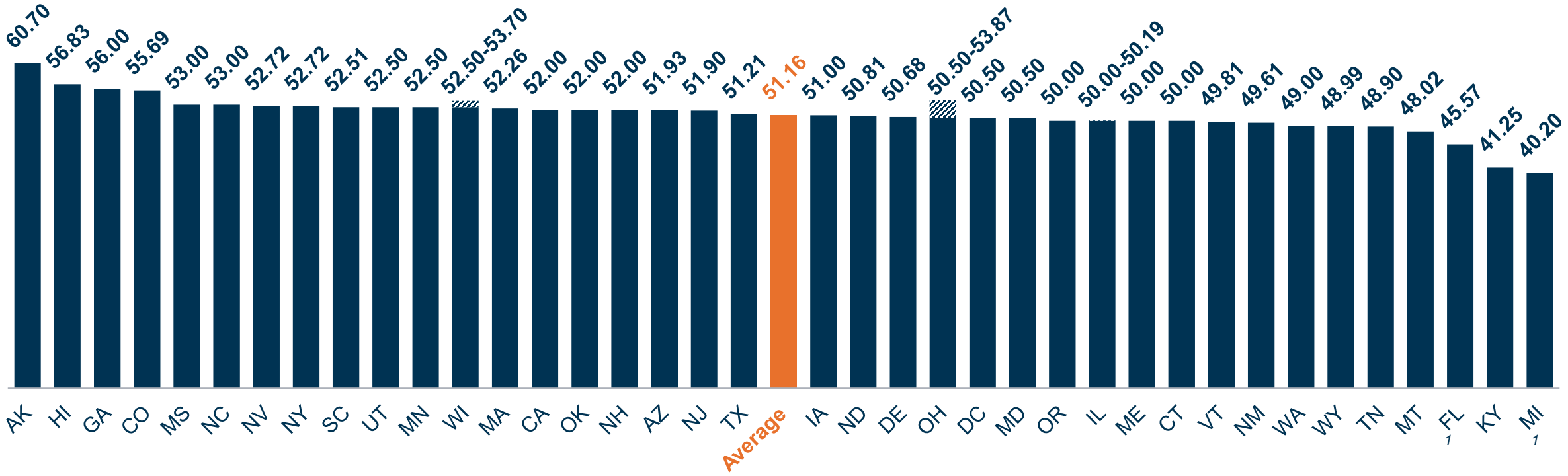
Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available.

ROE Section Takeaways

- As recognized in Hope and Bluefield, ROE, and its relative level with companies of comparable risk is important to investors and customers
- Providing a fair and reasonable return commensurate with the returns that investors expect aligns not only with regulatory policy established under Hope and Bluefield but also with the fundamental Kansas case law in review of KCC orders
- ROEs of utilities that include nuclear operations are typically higher (~37 bps) than the average ROEs granted across the industry and in excess of 50 bps higher than Kansas

Regulated Utility Authorized Equity Capitalization By State

Authorized Equity Capitalization; %



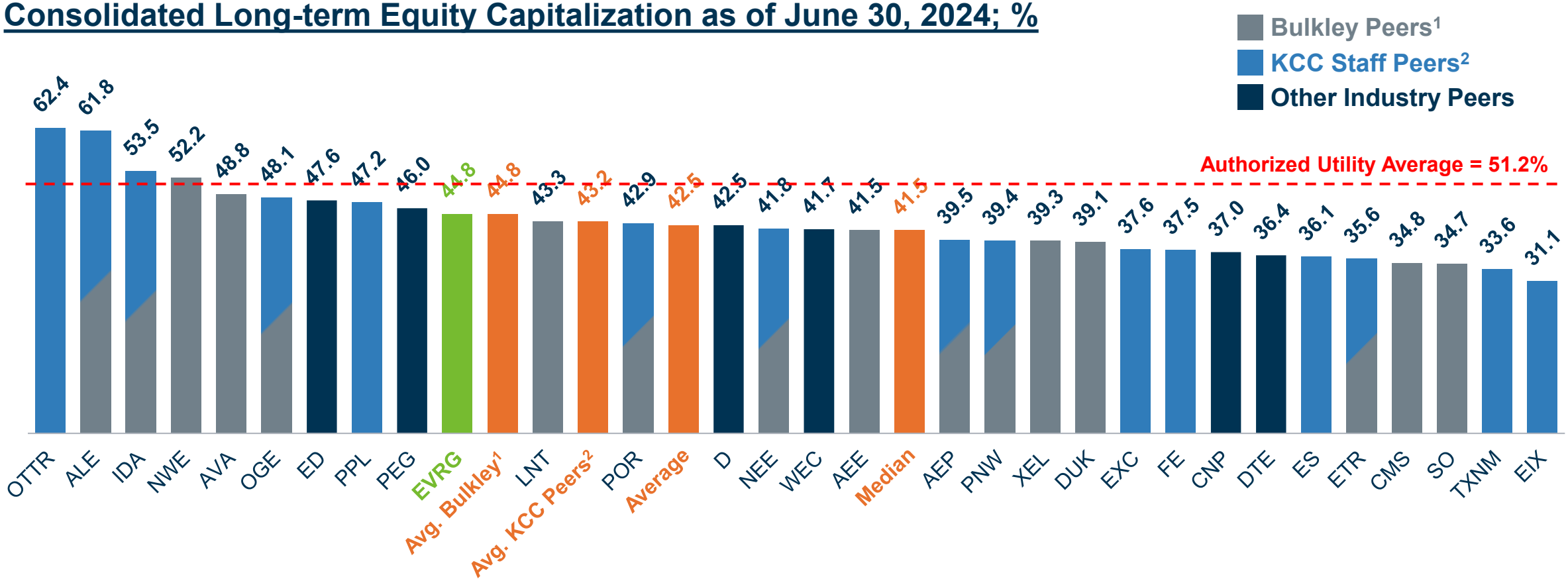
The average US authorized equity capitalization for regulated utilities is 51.16%

[1]On an adjusted basis, equity ratio believed to be ~50% for Michigan and 53%+ in Florida

Source: S&P Capital IQ. Excludes data from rate cases settled via black-box or where no data was available. Florida, Indiana, and Michigan are "zero-cost" jurisdictions whose capital structure calculations are not directly comparable with others due to calculations that include credits and deposits not include in other states

Consolidated Long-term Equity Capitalization

Consolidated Long-term Equity Capitalization as of June 30, 2024; %



Evergy's consolidated long-term equity capitalization has a higher level of equity content than industry averages and most industry peers

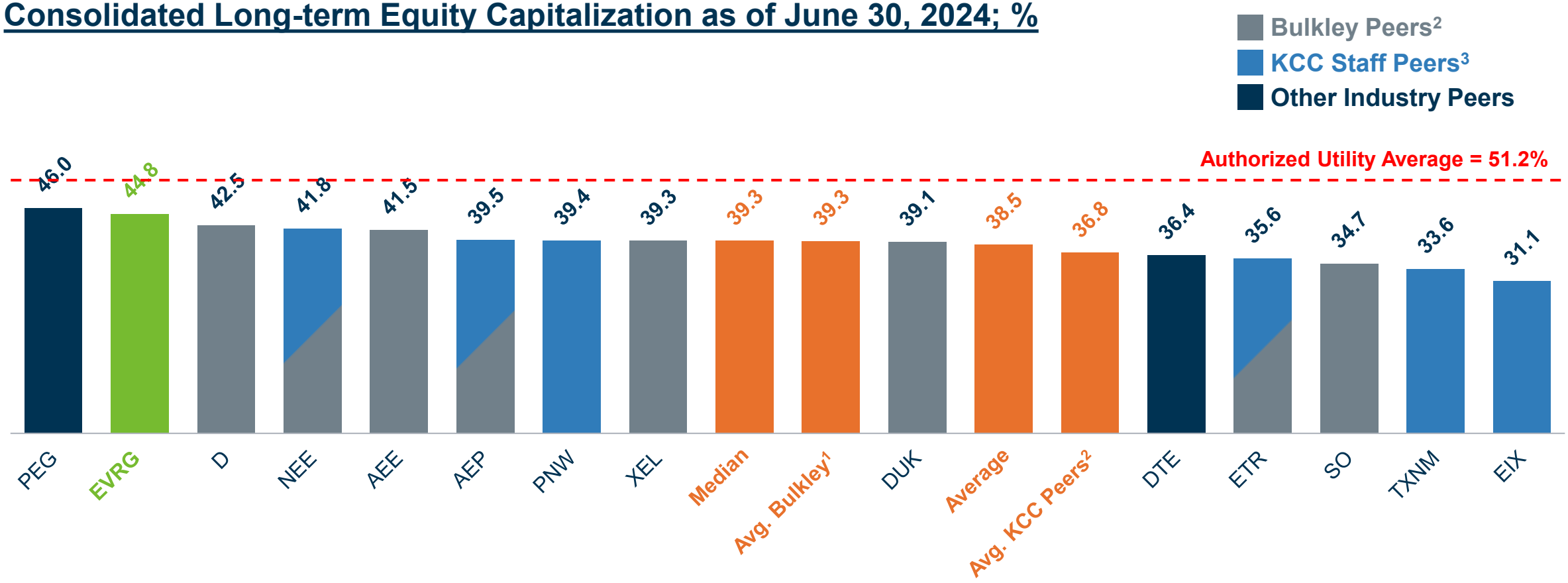
Source: 2024 Q2 Form 10-Q Filings

[1] *Industry peers specified in Ann Bulkley's testimony in Docket No. 23-EKCE-775-RTS*

[2] *Industry peers used in KCC Staff's annual report for Docket No. 19-KCPE-096-CPL "In the Matter of the Capital Plan Compliance Docket for Kansas City Power and Light Company and Westar, Inc. Pursuant to Commission Order in 18-KCPE-095-MER"*

Consolidated Long-term Equity Capitalization – Nuclear[1]

Consolidated Long-term Equity Capitalization as of June 30, 2024; %



Evergy's consolidated long-term equity capitalization is the 2nd highest among industry peers who have nuclear operations as part of their fleet

Source: 2024 Q2 Form 10-Q Filings

[1] *Investor-owned utility holding companies that own vertically integrated regulated utilities and have nuclear operations*

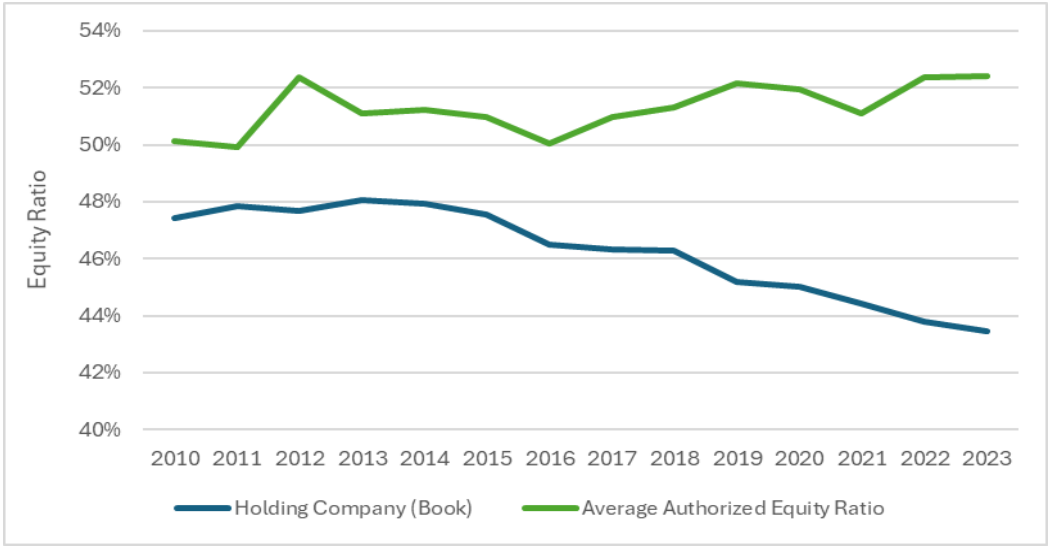
[2] *Industry peers specified in Ann Bulkley's testimony in Docket No. 23-EKCE-775-RTS*

[3] *Industry peers used in KCC Staff's annual report for Docket No. 19-KCPE-096-CPL "In the Matter of the Capital Plan Compliance Docket for Kansas City Power and Light Company and Westar, Inc. Pursuant to Commission Order in 18-KCPE-095-MER"*

Ratemaking Capital Structure – Operating Company vs. Consolidated

- The use of the operating company capital structure for ratemaking purposes is nearly universal with state commissions.
  - **Review of 29 holding companies including Evergy peers, in 109 rate cases there was not a single instance where a Commission explicitly imputed holding company debt to the operating company.**
- The few exceptions to that approach most often substitute a hypothetical capital structure which is intended to approximate the capital structure of the industry, typically as shown by the proxy group of the utility companies used to estimate the return on equity.
- Average authorized equity ratios for vertically integrated electric utilities have been well above electric holding company equity ratios in every year since at least 2010, supporting the conclusion that U.S. regulatory commissions do not generally rely on holding company capital structures when determining the appropriate ratemaking capital structure.

Average Authorized Equity Ratio for Vertically Integrated Electric Utilities vs. Average Holding Company Book Equity Ratios



Source: Regulatory Research Associates. Authorized equity ratios for vertically integrated electric utilities. Excludes limited issue rider cases. Excludes decisions from states that include non-investor supplied capital in the ratemaking capital structure (Arkansas, Florida, Indiana, Michigan). Includes decisions that use short-term debt in the ratemaking capital structure. Holding company average excludes pure play natural gas holding companies and holding companies whose electric operations are primarily T&D.

In review of rate cases involving investor-owned utilities, operating capital structures are consistently used across jurisdictions to establish rates and have significantly higher equity capitalization than holding companies

Capital Structure Section Takeaways

- Provided that the “Standalone Principle” and Hope & Bluefield criteria have been met, it is standard for utility ratemaking to be based on actual operating utility capital structures
  - In a comprehensive review of rate cases across the industry, utility operating company capital structures are used to establish rates
  - The "capital attraction" standard of Hope and Bluefield is critical for companies like Evergy to deliver the infrastructure needed in Kansas
- Capital structure is important to more than just equity investors
  - Credit rating agencies prefer operating utilities with robust equity layers to absorb potential financial shocks and to withstand periods when credit/debt markets are unavailable
- Significant equity capital will be required for Evergy to finance infrastructure needed to enable the generational economic development pipeline ahead of us, which will yield benefits to existing customers and the Kansas economy
  - Evergy is not alone with respect to its capital needs and will have to compete with other utilities who are also investing to position their states/jurisdictions to capitalize on economic development opportunities and meet the needs of large new customers

Appendix to Company Presentation

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Utility Investor Analyst Comments On Kansas After 2023 Rate Case Outcome Leading To HB2527 Initial Filing

Downgrading to NEUTRAL from Buy: We are downgrading EVRG to NEUTRAL from BUY on the back of the environment in Kansas and the uncertainty regarding pathways forward to improve the jurisdiction despite shares showing a noticeable valuation discount and our constructive stance around management/the EVRG core story which remains a solid regulated utility in both KS and MO – this is a call against Kansas, not EVRG hence why KS is in the negative category in our regulatory analysis section earlier on in this report. In our view, Kansas' actions last year were some of the most draconian in the space, with the prospects for double leverage questions to reappear in the next case, absent a legislative solution this winter which can prolong the issue. Given legislation is such a jump ball for utility policy, we believe it is prudent to step to the sidelines at this time – if the company is not successful legislatively, clarity on double leverage may have to wait until the next case, creating a yearlong structural overhang in the interim (dead money). However, we note that legislative traction in Kansas this winter could be a catalyst to revert our thesis ***– put differently, this could be a short-term call for us given the Committee turnaround deadline is 2/23, and we would potentially look to revisit if the data points heading into floor voting was positive.*** Importantly, we stress that we remain positive on management and Missouri as a jurisdiction. We believe management did a good job last fall ripping the band aid off post-KCC and resetting growth expectations in the NT – we simply remain skeptical in the NT that the state of KS can yield a sensible legislative outcome that would warrant multiple compression… this downgrade is more geared towards the deteriorated backdrop in KS vs. any negative perceptions around EVRG. ***– Guggenheim, January 22, 2024***

Utility Investor Analyst Comments On Kansas In Response To KCC Staff ROE/Capital Structure Testimony Filing

We continue to share investor concern around the Kansas baseline and the potential for the KCC to remain sympathetic to Staff's surprising leverage arguments. ***– Guggenheim, September 2023***

Loss of confidence in Kansas regulatory environment.

We thought EVRG took all the right steps into the Kansas case – keeping rates flat for 5 years amidst rampant inflation and rising regional peer rates, regularly reviewing the capex plan with the KCC, agreeing to lower transmission ROEs, and even declining to sell the company back when Elliott was involved. But that seemed to go unappreciated with KCC Staff testimony at the end of August. This saw a recommended **rate decrease** and an equity ratio that imputed parent debt unlike most other states (and Kansas itself when EVRG was over-equitized coming out of the GXP/WR merger).

Execution on cost control has been strong and we like the mgmt. team… EVRG has seemingly done all the right things in Kansas – keeping rates flat and aligning with stakeholders on a variety of issues. But if rates can't be raised and ROEs/equity ratios are weaker than peers, we struggle to see investor sponsorship for the jurisdiction. ***– Wolfe Research, September 10, 2023***

The global settlement removes the immediate overhang of a protracted case process that, in our view, could have seen the Commission finishing not far removed from Staff's draconian opening mark. By not fighting Staff's earlier surprise double leverage look-through, the issue seems to remain open for another day, a prospect that we believe will remain an overhang … ***– Guggenheim, October 2023***

Kansas good for customers, bad for shareholders

The state is clearly very sensitive to rates and imputing parent debt into equity ratios remains unresolved. EVRG is talking to a legislative strategy to improve cost of capital and capital structure in KS, with a tie to economic development / infrastructure investment, but it's early days and broad stakeholder support is TBD. ***– Wolfe Research, November 7, 2023***

The Rating Agency and Fixed Income Investor Perspectives

Speaker: Todd A. Shipman

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CONCENTRIC ENERGY ADVISORS

KANSAS WORKSHOP

CAPITAL STRUCTURE AND RETURN ON EQUITY

TODD A. SHIPMAN, CFA ON BEHALF OF EVERGY INC.

November 20, 2024

My Background and Experience

- Almost 40 years analyzing or working in the industry
- Specialized in evaluating regulatory decisions and behavior right from the start
- 21 years at S&P Global Ratings
- Sector Specialist for North American (U.S. & Canada) utilities team
- Created or collaborated on all criteria now in use for utilities across the globe
- Utility consulting and expert testimony since 2018

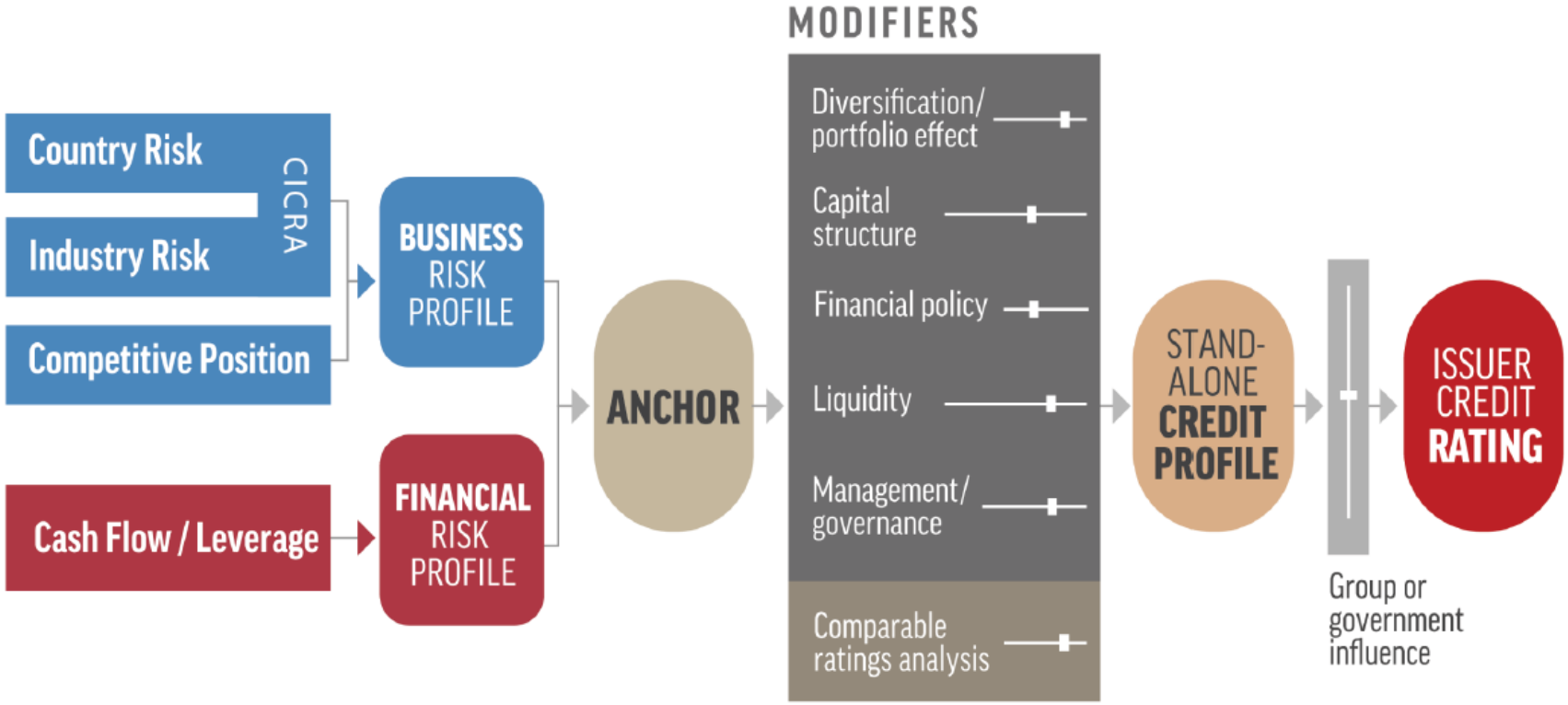
Why Do Credit Ratings Matter?

- A credit rating summarizes credit risk – the ability and willingness of an issuer to pay on time and in full
- Fixed income investors use ratings to price risk – the terms on which they are willing to provide debt capital to a utility or other issuer
- Has a lasting effect on the embedded cost of debt
- Also used by equity investors and other parties as a risk proxy

Affinity of Rating Agencies and Utility Regulators

- Ratings are a ***comprehensive*** view of a utility's financial health and strength
- Ratings are ***long-term*** in nature
- Ratings are ***independent*** opinions – no skin in the game
- Therefore an ideal benchmark to assist regulators as they navigate among the competing interests of a utility's stakeholders in a balanced manner

Evolution of Rating Criteria



Stand-Alone Credit Profiles (SACP) and Issuer Credit Ratings (ICR)

- The SACP is not rating, but a step (an important step) in the credit analysis on the way to the final rating outcome.
- An SACP is an opinion of an issuer's creditworthiness "in the absence of extraordinary intervention from its parent or affiliate".
- Investors generally focus on the final rating, but utilities are considered naturally insulated due to the comprehensive regulation of its operations and finances.
- Thus, utility investors in my experience consult the SACP as well as the ICR when making investment decisions.

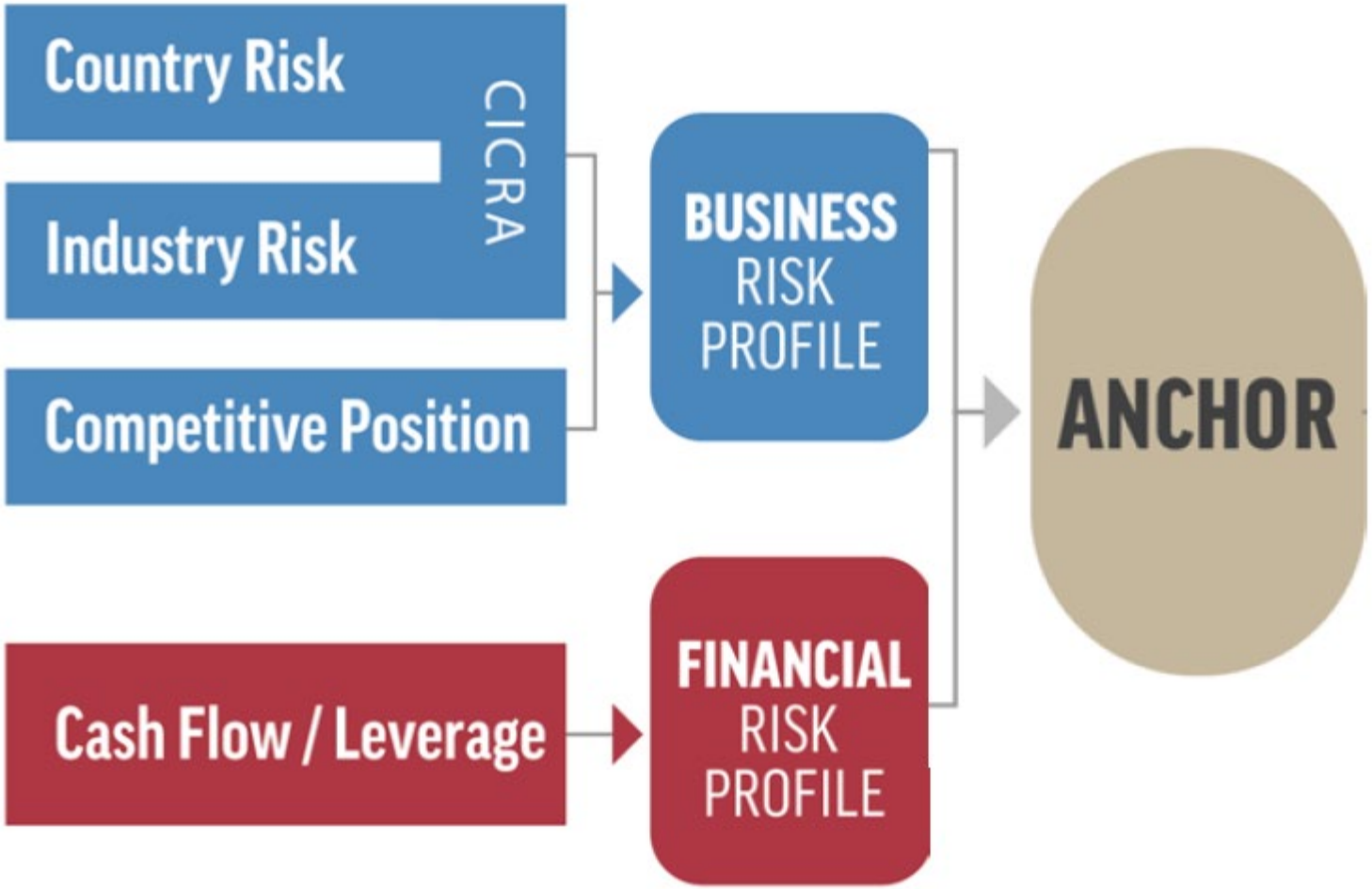
Importance of Capital Structure and ROE to Utility Ratings

- Stronger balance sheet and competitive returns have an obvious impact on FINANCIAL RISK.
- Just as important: the subtler meme of a regulator's capital structure/return on equity decisions have an impact on BUSINESS RISK
- This signaling effect reveals in a concise, shorthand way the regard a jurisdiction has for the investors who are furnishing the capital needed for safe, reliable service and to achieve public policy goals.
- A profound and durable impact on a utility's cost of capital.

Interlude


THE WALL STREET JOURNAL.
"A reasonable rate of return? What fun is that?"

Why and How It Affects Credit Quality and Ratings



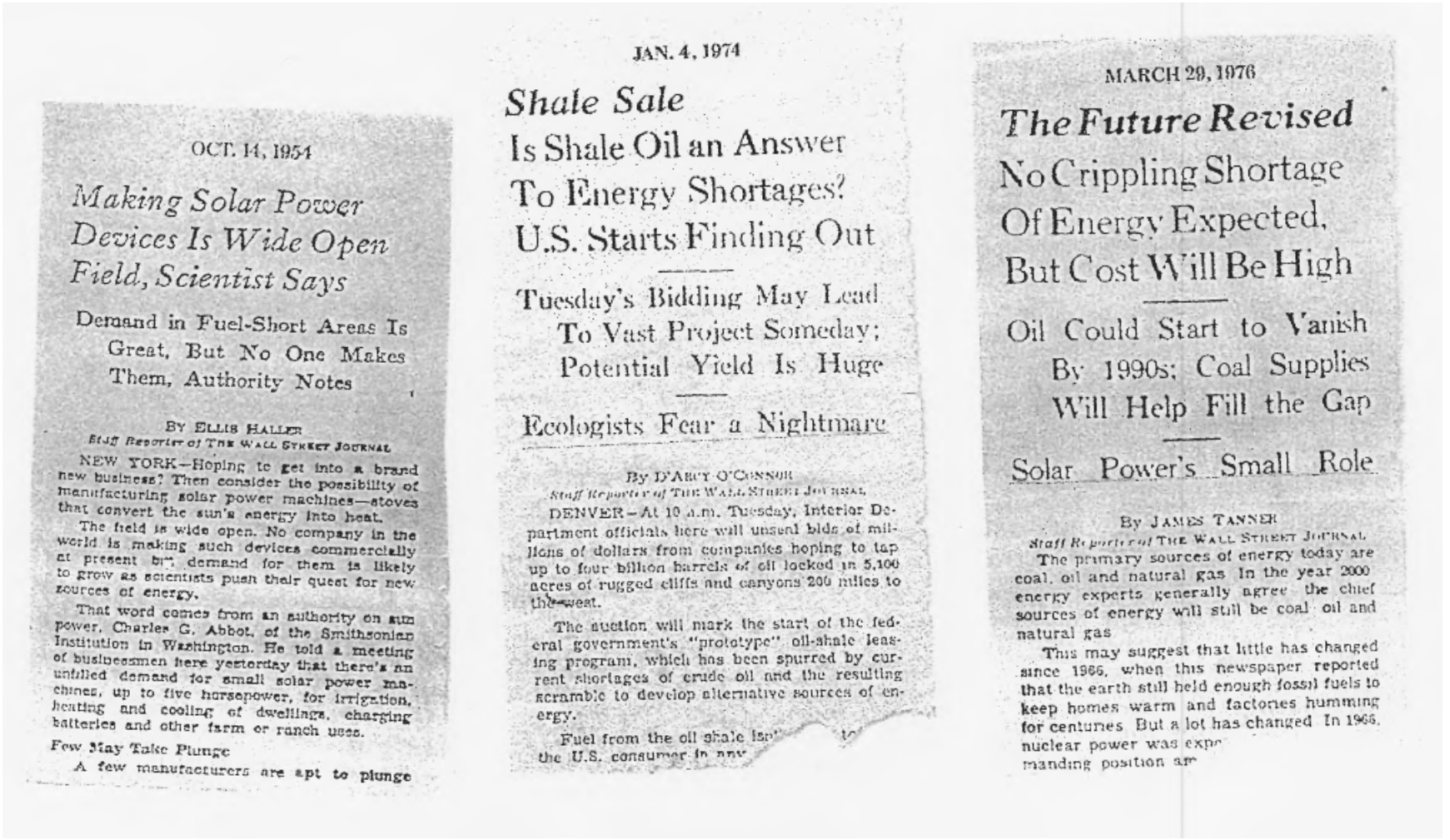
How Regulation Affects A Utility's Risk Profile

- Regulatory risk has an outsized effect on the assessment of utility credit quality

- Not just a matter of the nuts-and-bolts of ratemaking – investors and rating agencies reward CONSISTENCY and PREDICTABILITY

- Fixed income investors and therefore rating agencies tend to have a long-term horizon, so those two principles matter A LOT

Why A Long-Term Perspective is Useful



OCT. 14, 1954

Making Solar Power Devices Is Wide Open Field, Scientist Says

Demand in Fuel-Short Areas Is Great, But No One Makes Them, Authority Notes

By Ellis Haller
Staff Reporter of The Wall Street Journal

NEW YORK—Hoping to get into a brand new business? Then consider the possibility of manufacturing solar power machines—stoves that convert the sun's energy into heat.

The field is wide open. No company in the world is making such devices commercially at present but demand for them is likely to grow as scientists push their quest for new sources of energy.

That word comes from an authority on sun power, Charles G. Abbot, of the Smithsonian Institution in Washington. He told a meeting of businessmen here yesterday that there's an unfilled demand for small solar power machines, up to five horsepower, for irrigation, heating and cooling of dwellings, charging batteries and other farm or ranch uses.

Few May Take Plunge

A few manufacturers are apt to plunge

JAN. 4, 1974

Shale Sale

Is Shale Oil an Answer To Energy Shortages? U.S. Starts Finding Out

Tuesday's Bidding May Lead To Vast Project Someday; Potential Yield Is Huge

Ecologists Fear a Nightmare

By D'Arcy O'Connor
Staff Reporter of The Wall Street Journal

DENVER—At 10 a.m. Tuesday, Interior Department officials here will unseal bids of millions of dollars from companies hoping to tap up to four billion barrels of oil locked in 5,100 acres of rugged cliffs and canyons 200 miles to the west.

The auction will mark the start of the federal government's "prototype" oil-shale leasing program, which has been spurred by current shortages of crude oil and the resulting scramble to develop alternative sources of energy.

Fuel from the oil shale isn't [illegible] to the U.S. consumer in any

MARCH 29, 1976

The Future Revised

No Crippling Shortage Of Energy Expected, But Cost Will Be High

Oil Could Start to Vanish By 1990s; Coal Supplies Will Help Fill the Gap

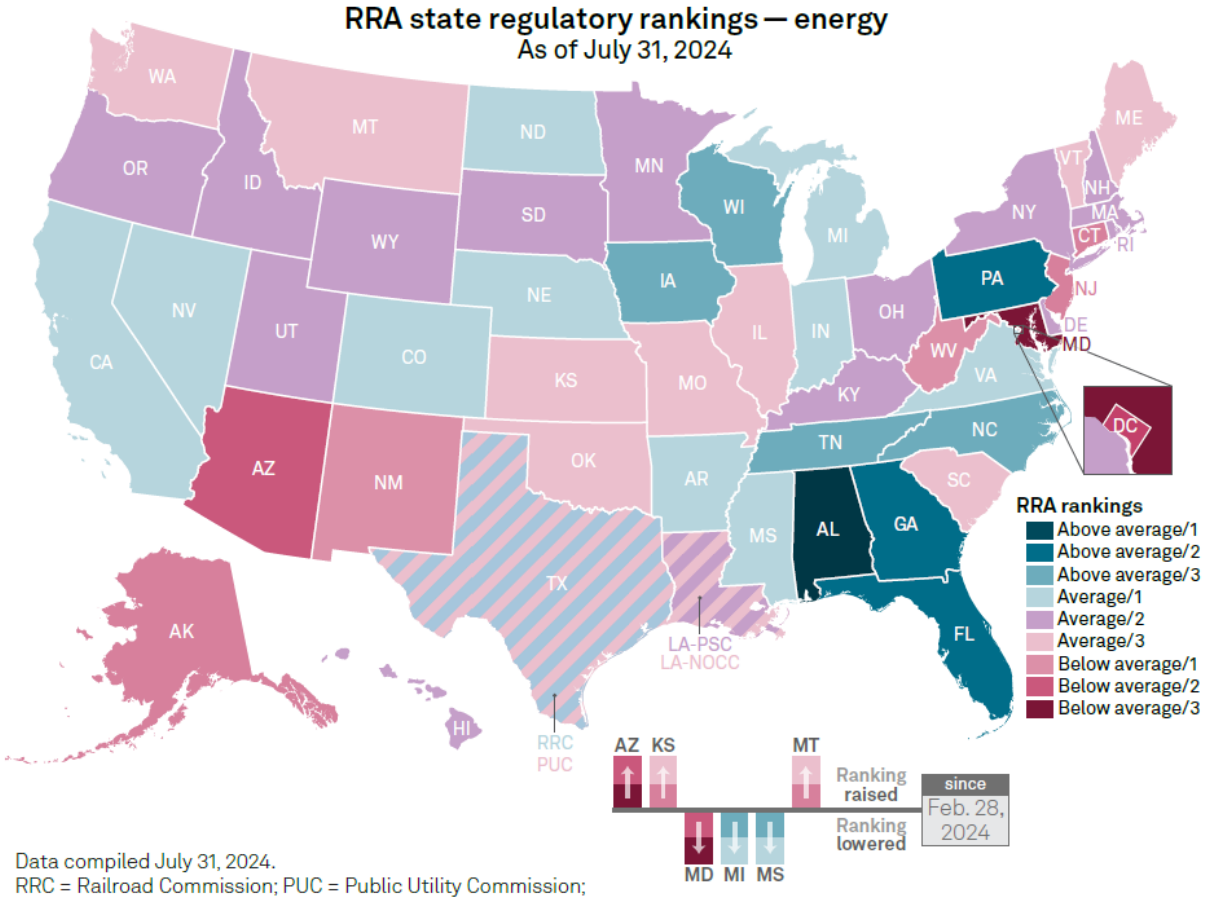
Solar Power's Small Role

By James Tanner
Staff Reporter of The Wall Street Journal

The primary sources of energy today are coal, oil and natural gas. In the year 2000 energy experts generally agree the chief sources of energy will still be coal, oil and natural gas.

This may suggest that little has changed since 1966, when this newspaper reported that the earth still held enough fossil fuels to keep homes warm and factories humming for centuries. But a lot has changed. In 1966, nuclear power was expe[illegible] manding position are

Regulatory Environment – Equity and Debt Perspective



Data compiled July 31, 2024.
RRC = Railroad Commission; PUC = Public Utility Commission;
PSC = Public Service Commission; NOCC = New Orleans City Council.
Map credit: Joe Felizadio.
Source: Regulatory Research Associates, a group within S&P Global Commodity Insights.

A Credit Analyst's (Pragmatic) Approach to Capital Structure and ROE

- Evaluate the various decisions affecting the revenue requirement calculation
- Determine the utility's ability to earn its authorized return
- Compare the results to peers
- Derive a conclusion on the rate case outcome and its effect on your opinion of the regulatory environment overall and regulatory risk of the utility

Realities of Return On Equity & Capital Structure

- Regulators aren't establishing the cost of equity capital – they're trying to discern what it is
- Utilities have to compete for capital – with other utilities and other corporate issuers
- Signaling Effect – already covered
- Policy Effect – do you want to encourage or discourage investment in the state? Progress or *status quo* on desirable public policy goals?
- The paradox of utility regulation and ROE – reward risk-taking or risk management?
- Companies have a fiduciary duty to allocate capital prudently while containing risk

Thank You

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857-260-0656

Industry Capital Needs and the Equity Investors' Perspectives

Speaker: Daniel F. Ford

evergy

Dan Ford's Background

- Daniel F. Ford is Vice Chairman of Natural Resources and a Managing Director in the Investment Bank at Citigroup Global Markets, Inc.
- Preceding Citigroup, he was a Consultant for Power, Utility and Power Technology companies. Before that, Mr. Ford was Managing Director and Head of North American Power and Utilities Equity Research at UBS from January 2018 until December 2021. At UBS, Mr. Ford was responsible for covering a group of over 60 energy, utility and environmental service stocks comprising over $750B in market capitalization
- Prior to joining UBS, Mr. Ford served as Managing Director at Barclays from September 2008. Before that he covered Power, Utility and Environmental service stocks at Lehman Brothers, ABN AMRO, HSBC Securities, Dean Witter, Merrill Lynch and Morgan Stanley
- With more than 25 years of experience in the industry, Mr. Ford has received several awards for his work. Most recently, he was placed 3rd in the 2021 Institutional Investor All-Star Analyst Survey. He had been ranked continuously in that survey from 2001 to 2021
- Mr. Ford holds a bachelor's degree in economics from Dartmouth College. He served on the Advisory Council for the Electric Power Research Institute (EPRI), as Chair and served on the Board for EPRI as an external director

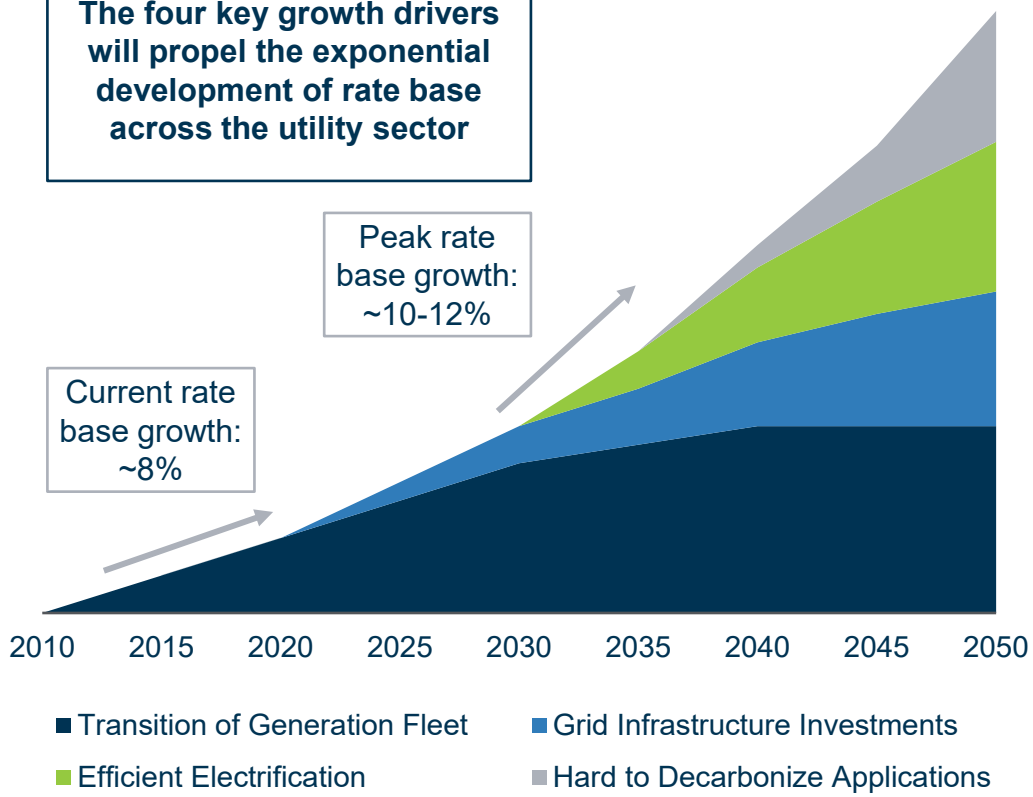
Generational Capital Cycle Underway

Utility investors likely to reward rate base growth that strives to meet requirements for customer service quality and an environmental profile of the future,yet is affordable for customers.

Rate Base Growth Drivers

1. Transition of The Generation Fleet
   - Transition from traditional fossil fleet to renewable generation
   - Ongoing since the 2010s and expected to peak by 2040
2. Grid Infrastructure Investments
   - Driven by reliability needs, load growth (data centers) and onshoring (CHIPS Act of 2022)
   - Ramping up between 2020 and 2050
3. Efficient Electrification
   - Electric vehicles and energy efficient appliances
   - Starts now but accelerates at the end of the decade and peaks around 2050
4. Hard to Decarbonize Applications
   - Small modular reactors, hydrogen, deep rock geothermal and other unproven technologies that are not yet economically viable
   - Likely to reach large-scale adoption starting in 2035

The four key growth drivers will propel the exponential development of rate base across the utility sector



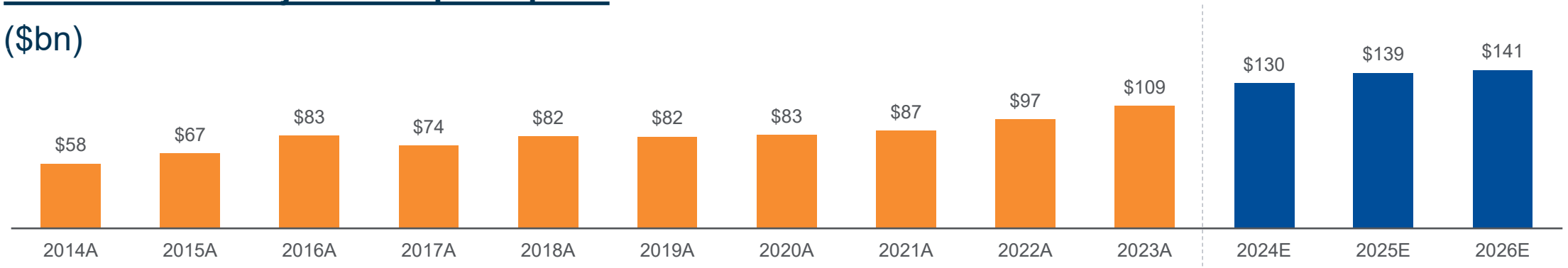
Utility Capital Outlays Responding to Electrification of US Economy

Increased Capital Expenditures are Expected to Drive Equity Needs

- The sector's average ~$137bn per year CapEx spend through 2026 is roughly 66% higher than the previous decade's average level

Historical vs. Projected CapEx Spend

($bn)



Increased Capital Expenditure Programs Will Require Significant Equity

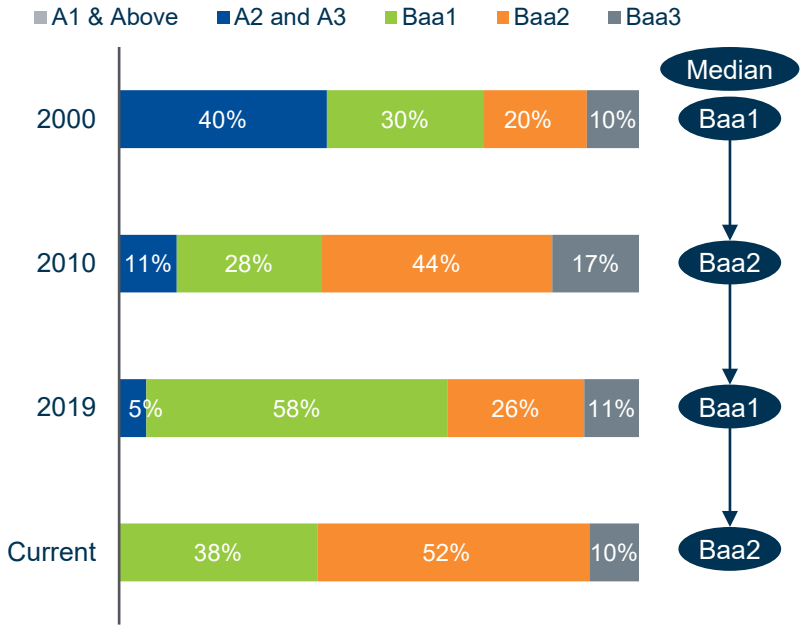
Source: FactSet. Note: Market data as of October 29, 2024

Balance Sheet Strength Rewarded as Capex Accelerates

With two companies already on negative outlook and an additional twelve expected to be at or near their downgrade thresholds, utilities' debt capacities are currently constrained.

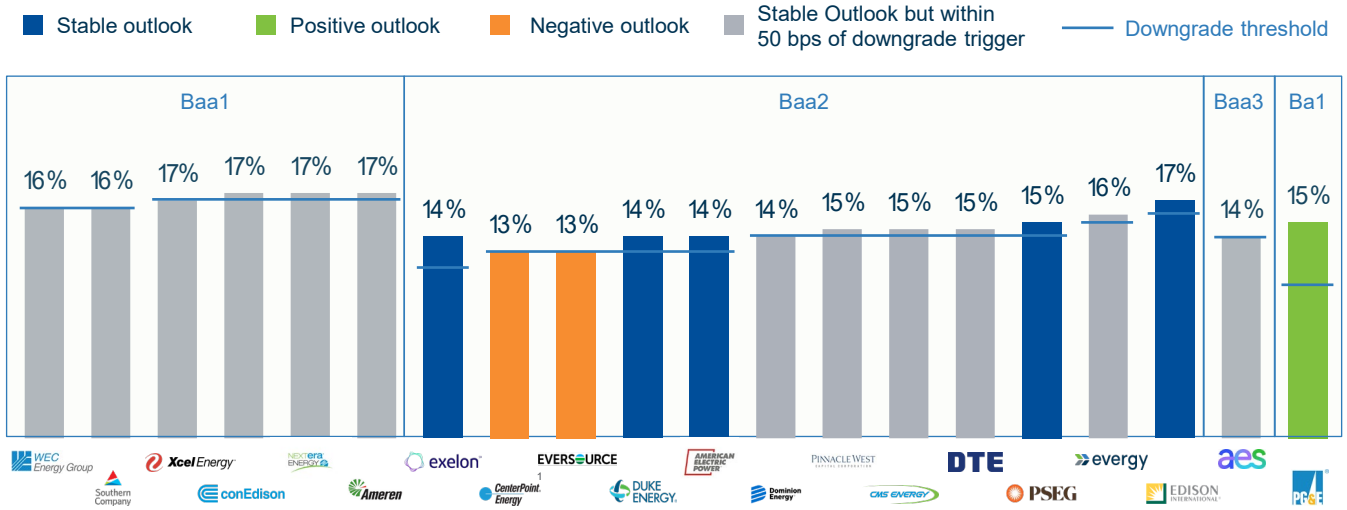
Ratings Have Migrated Towards Baa2

(Distribution of Ratings for Regulated Utilities)



Many Utility Companies Operating Close to Downgrade Trigger

(Current Moody's Downgrade Thresholds and CFO-preWC / Debt Forecasts)



P/E Multiple 2025E

18.2x	20.9x	16.5x	18.3x	21.6x	17.5x	15.0x	16.9x	13.4x	18.0x	16.3x	17.3x	18.3x	19.3x	17.3x	21.5x	14.9x	14.8x	7.9x	13.6x

Top 25% percentile of sector CFO pre-WC / Debt yields a 16.6x 2025 P/E average multiple
Bottom 25% percentile of sector CFO pre-WC / Debt yields a 15.0x 2025 P/E average multiple

Source: Moody's, Factset. Note: Market data as of October 29, 2024

Equity Is Coming … Can the Industry Attract the Volume?

~$137 billion
Annual cash flow outspend

×

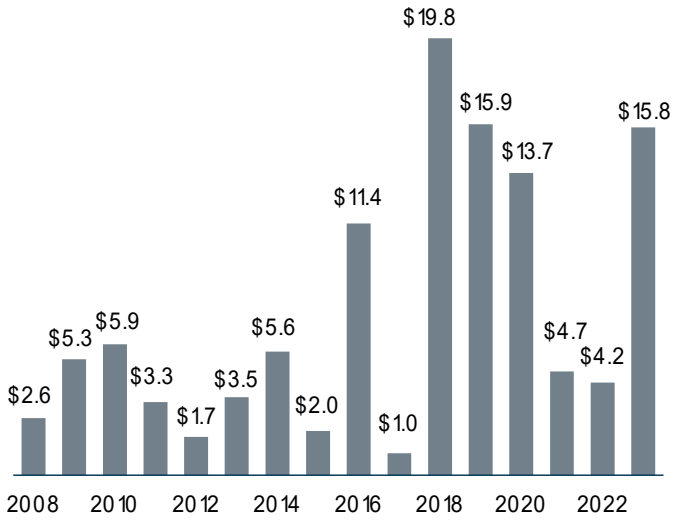
25% – 30%
Equity

=

$34 – $41 billion
Annual equity or asset sales

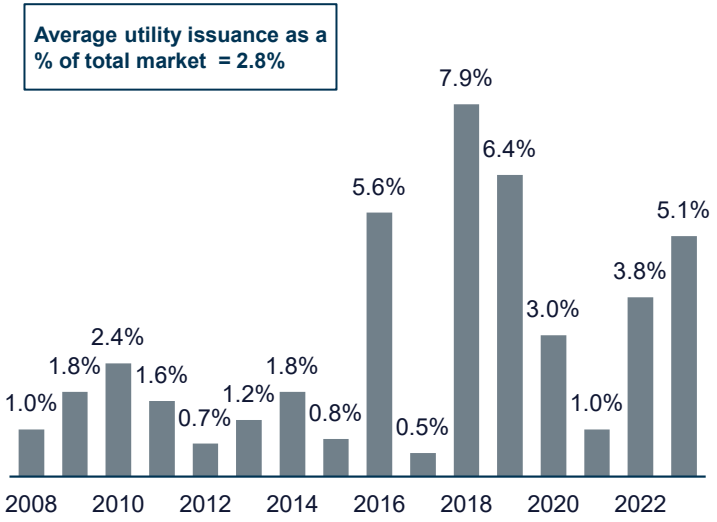
>$30 Billion Annually Will Exceed Historic Levels …

(Utility Sector Equity Issuance in $ in Billion)



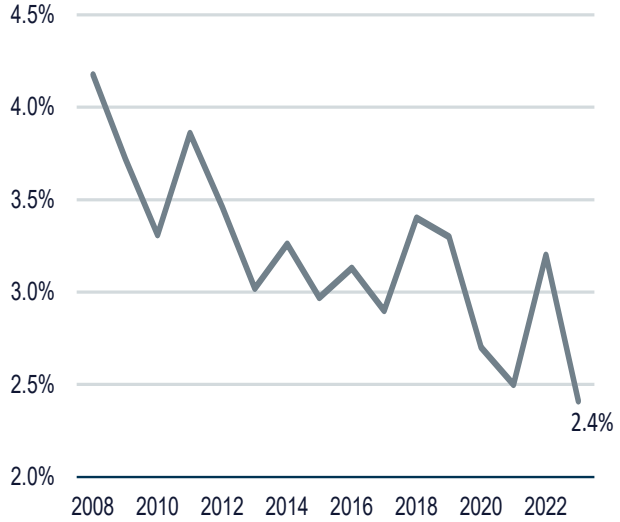
…And May Become Outsized Relative to Market

(Utility Issuance as a % of Total Market)



Outstripping the Sector Market Weighting

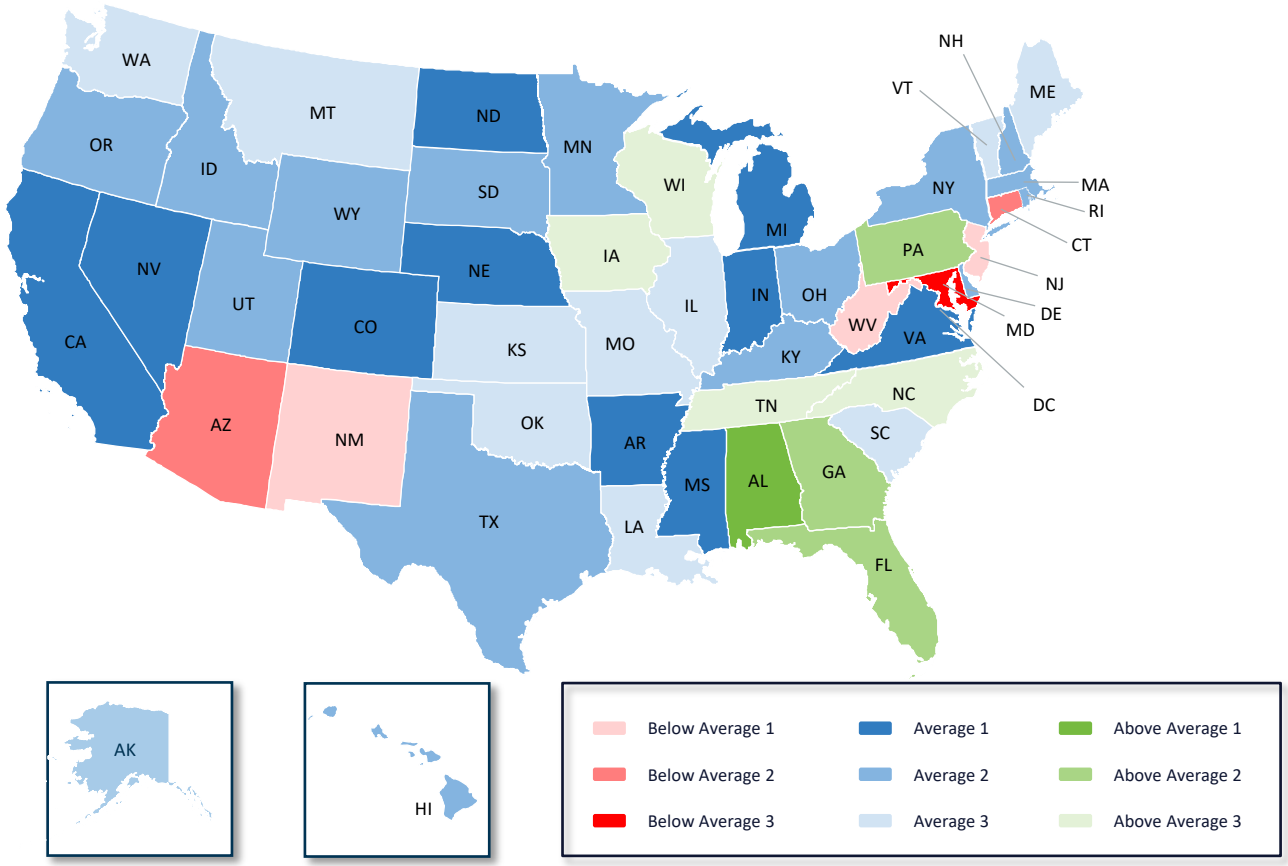
(Utility Sector Weighting in the S&P 500)



Source: Bloomberg, Dealogic. Note: Data includes US listed offerings > $25 million (ex-SPAC IPOs)

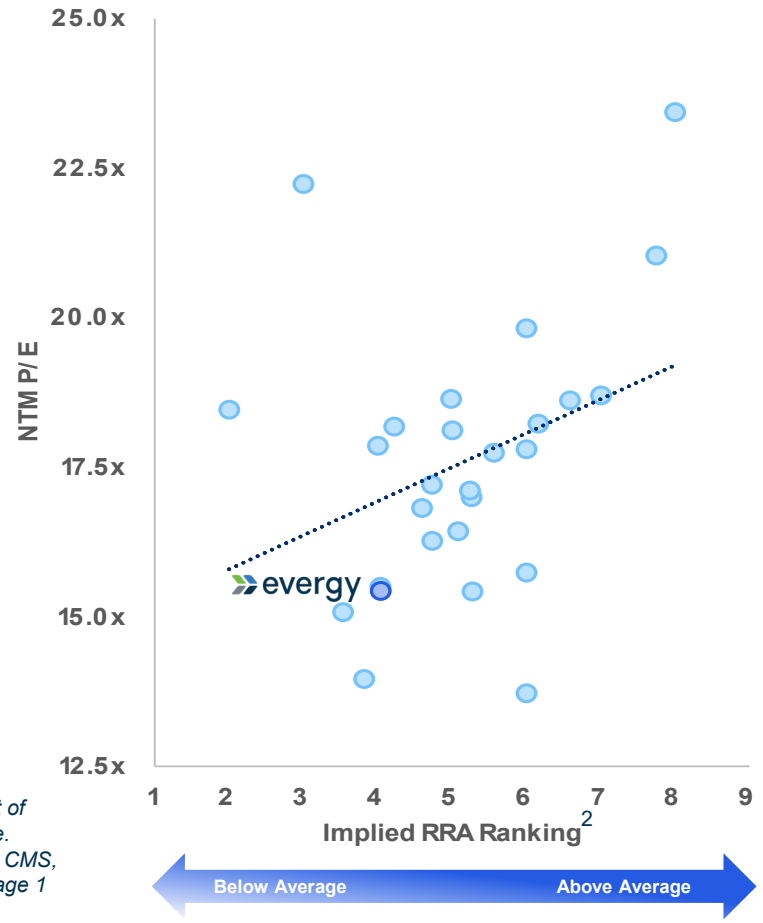
Regulatory Assessment Key Factor in Investment Process

RRA Ranking



Regulatory Strength Leads to Higher Utility Valuations

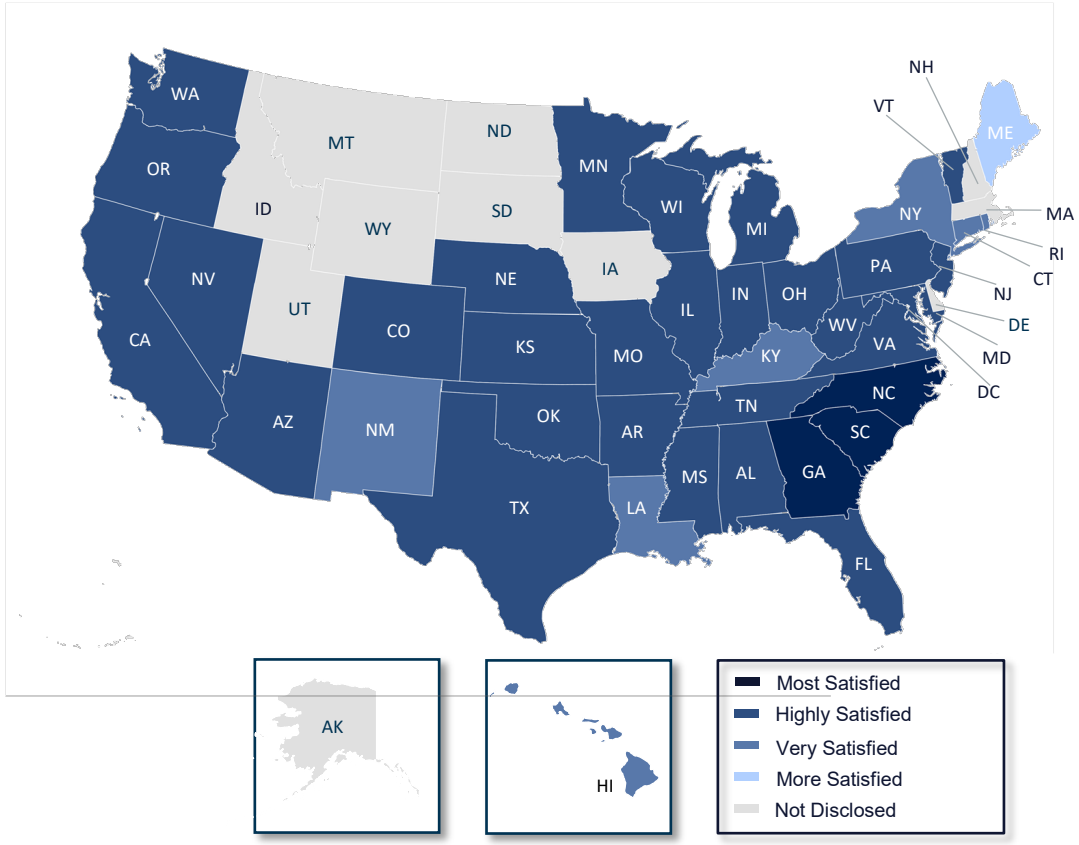
NTM P/E to Implied RRA Ranking[1]



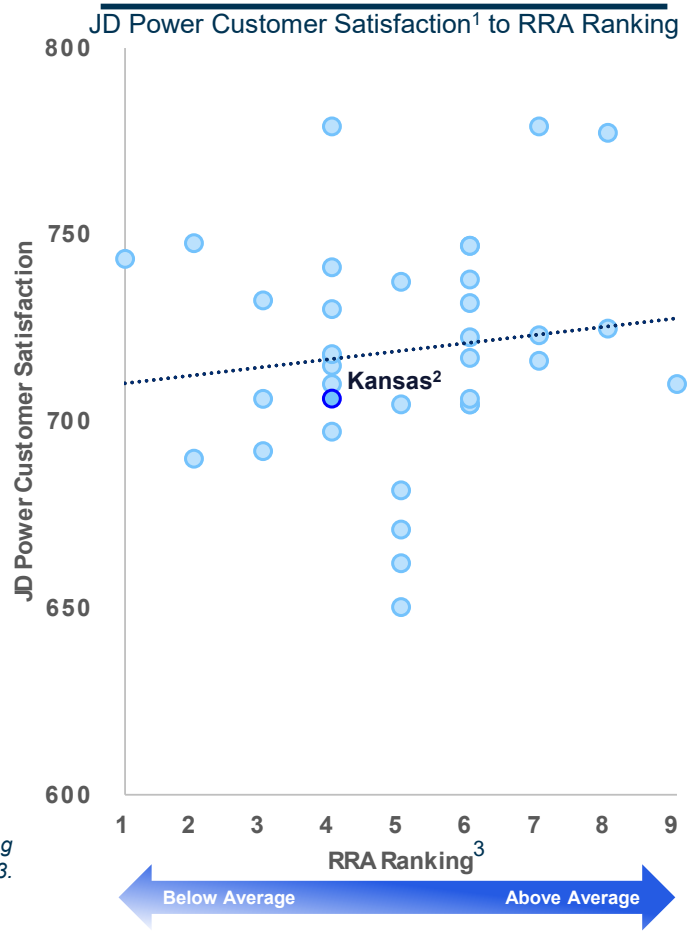
Source: FactSet, SNL, RRA. Note: Market data as of October 29,2024. 1. Implied RRA Ranking is based on weighted average of rate base for a peer set of electric and multi utility companies. Multi state utility RRA Rankings proportionately attribute each states RRA ranking based on % rate base in each state. Sample consists of rated electric and multi utility companies including, NEE, SO, DUK, AEP, SRE, PEG, EXC, ED, XEL, EIX, WEC, DTE, FE, PPL, AEE, CMS, LNT, D, ETR, CNP, EVRG, PNW, OGE, MDU, IDA, AGR. 2. Scale ranges from RRA ranking of 1 = Below Average 3 to RRA Ranking of 9 = Above Average 1

Utility Customer Satisfaction Aligned with Regulatory Assessment as Well

JD Power Satisfaction Survey



Regulatory Strength Leads to Higher Customer Satisfaction



Source: SNL, RRA, JD Power. 1. State level JD Power Customer Satisfaction reflects simple average of satisfaction scores for single state utility operating companies. Utilities with operations in multiple states are excluded from the analysis. 2. Kansas JD Power Customer Satisfaction reflects that of Evergy. 3. Scale ranges from RRA ranking of 1 = Below Average 3 to RRA Ranking of 9 = Above Average 1

Virtuous Cycle of Well Functioning Regulated Utility Model

High customer satisfaction leads to constructive regulatory relationships and higher relative valuations.

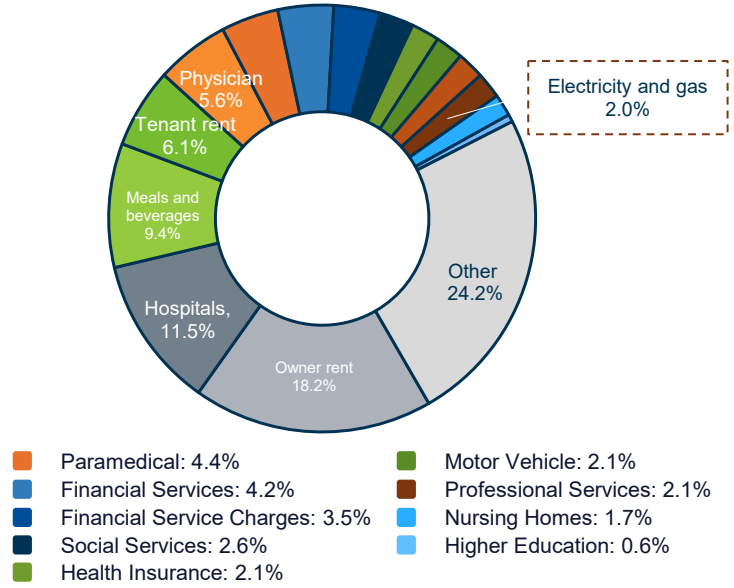
RRA Rating	Below Average [4]	Average [5]	Above Average [6]
Average JD Power Score[1]	719	715	743
Average ROE[2]	9.4%	9.5%	10.0%
Average Equity Layer[2]	51.1%	50.9%	54.9%
Average NTM P / E Multiple[3]	16.1x	16.4x	19.7x

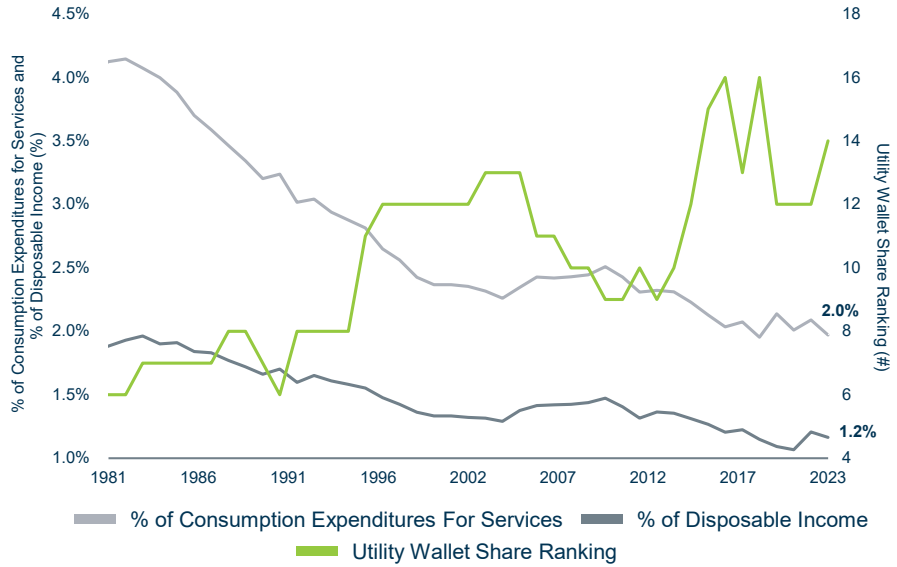
Source: FactSet, SNL, RRA, JD Power. Note: Market data as of October 29, 2024. 1. State level JD Power Customer Satisfaction reflects simple average of satisfaction scores for single state utility operating companies. Utilities with operations in multiple states are excluded from the analysis. Kansas JD Power Customer Satisfaction reflects that of Evergy. 2. Average ROE and average Equity Layer reflect simple averages of state level ROE / Equity layer within each RRA rating category. State level ROE / Equity Layer reflects the most recent state level ROE / Equity Layer as of January 1, 2024. 3. Represents a simple average of publicly traded utilities with operations in states within the available dataset, sorted according to RRA rankings. 4. States include AZ, CT, MD, NJ, NM, WV. 5. States include AR, CA, CO, HI, IL, IN, KS, KY LA, MI, MN, MO, MS, NE, NY, OH, OK, RI, SC, VA, WA. 6. States include AL, FL, GA, NC, WI

Electric Bills Have Headroom But Bill Inflation is a Risk to the Virtuous Cycle

Although electricity is near all time affordability levels, with uncertainty persisting in the economic outlook, customer affordability will remain a focus for investors.

Electricity Expenditures as a % of Total Household Expenditure For Services and Disposable Income





Electricity represents 2% of consumer spending on services and ranks 12th on the list of household burdens

Source: Bureau of Economic Analysis, Bureau of Labor Statistics and Federal Reserve Economic Data and FactSet

Section Takeaways

The Future is Electric:

- Utilities are in the early stages of a generational capital build cycle as electricity takes a larger share of the modernizing economy

Funding Access Increasingly Competitive:

- External capital needs are multiples of utility representation in the market. Scarcity pricing is likely to result. Maintaining access to affordable capital is important to states meeting electric infrastructure needs of the future

Regulation Key Differentiator to Capital Access and Terms:

- Capital supportive regulation correlates with satisfied customers and funding access on a favorable basis

Affordability Key:

- Customer affordability is essential to the energy transition. Access to low cost of capital helps enable this outcome

Concluding Remarks

Speakers: Darrin Ives and Bryan Buckler

evergy

Final Thoughts

Clarity of Financial Policy to Support Economic Development:

- Alignment of Commission and State financial policies is important to demonstrate to investors that Kansas will provide a competitive return on investor capital deployed. Investor capital is critical to supporting economic development through infrastructure investment

Historic Economic Development Opportunity:

- Large load customers across multiple industries, including datacenters, are targeting our region at previously unseen levels which could bring significant benefits to the Kansas economy and will require substantial investment by Evergy

Critical Impact of Competitive Equity Capitalization and Authorized ROE's

- Competitive equity capitalization and returns provide the necessary cash flow to attract additional capital for future investments while benefitting customers
- Utilities with nuclear operations across the industry have historically been granted higher ROEs given their importance to power supply

Use of Utility Operating Company Capital Structures

- It is the utility industry norm to use the capital structure of the utility company (i.e., without reference to the parent company) to establish base rates appropriately aligning equity capitalization with risk profile of investment

Final Thoughts (Continued)

Financial Health and Long-term Horizon:

- Fixed income investors assess the financial risk of companies which impacts their willingness to provide debt capital at competitive rates. Equity capitalization and ROE play critical roles
- Rating agencies assess financial health and provide more favorable ratings to utilities who receive consistent and predictable regulatory treatment, which can result in lower costs for customers

Equity Funding Becoming Increasingly Competitive:

- Competitive returns are critical to accessing capital
- Access to capital at competitive terms is vital during generational capital cycle for utilities
- ROE and equity capital structure compared to the national average is key to whether investors choose Kansas or another state for infrastructure investments

Thank You for the Opportunity to Advance This Discussion Today