



December 14, 2020

Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka KS 66614

RE: In the Matter of the Investigation into the Sustainability Transformation Plan of  
Evergy Metro, Inc., Evergy Kansas Central, Inc., and Evergy Kansas South, Inc.  
(collectively Evergy); Docket No. 21-EKME-088-GIE

To whom it concerns:

Pursuant to the Commission's Order Establishing Procedural Schedule in the above-referenced docket, Evergy is filing with the Commission and providing the attached materials to the parties in advance of the workshop regarding operational efficiencies and related benefits, scheduled for December 21, 2020.

Sincerely,

A handwritten signature in blue ink that reads "Cathryn Dinges".

Cathy Dinges,  
Corporate Counsel



# Sustainability Transformation Plan (STP)

*Operational Efficiency Workshop*

*Greg Greenwood*

*John Grace*



# 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



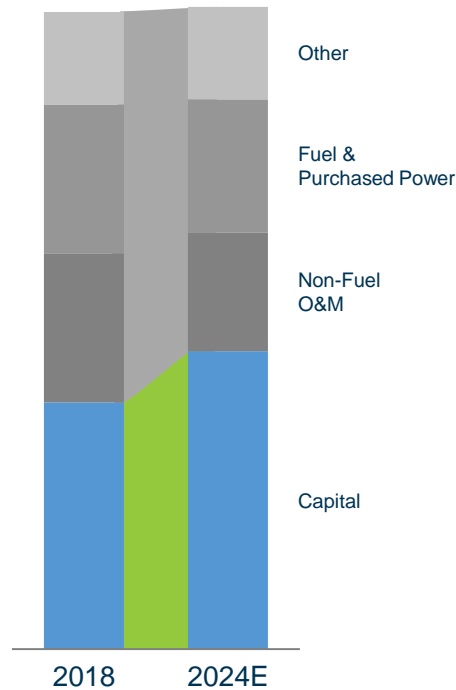
# Strengthened Customer Value Proposition

*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



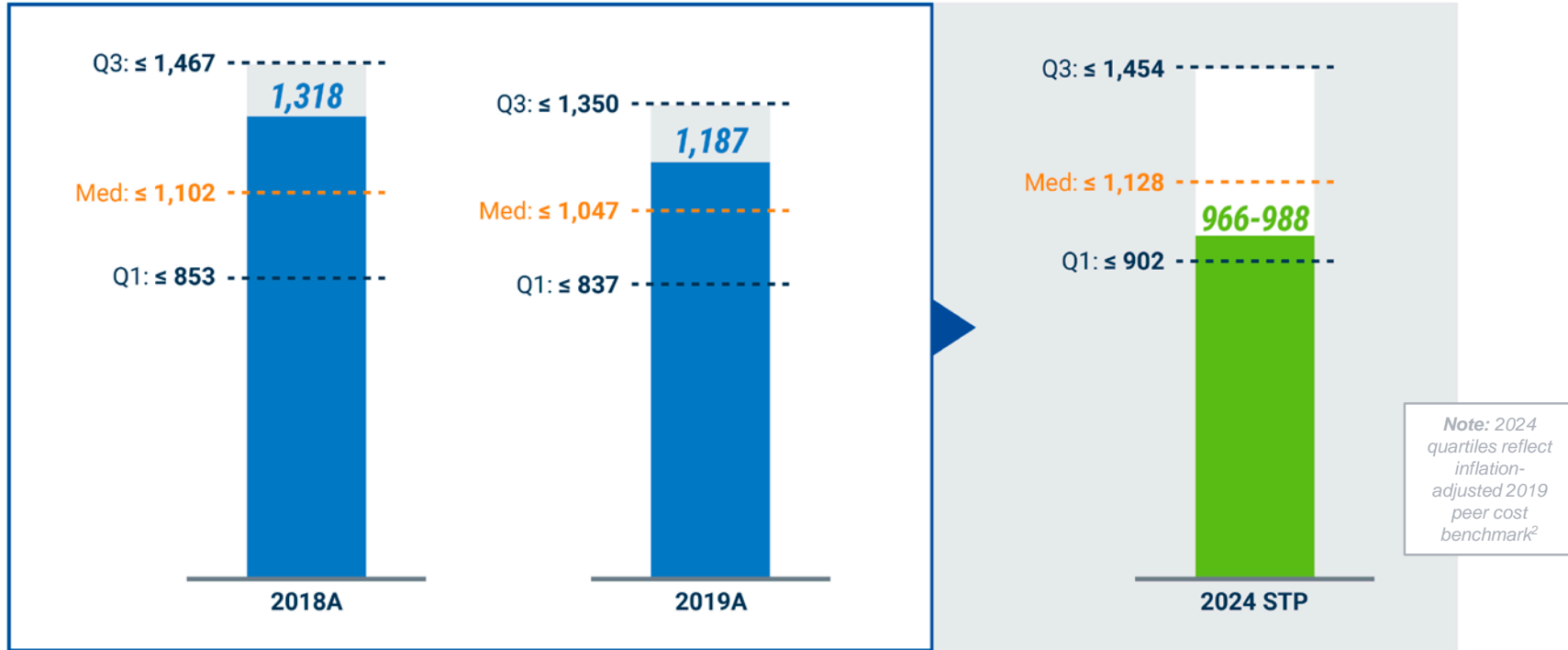
Operational efficiency efforts pursued to manage costs to our customers

Disciplined approach, focused on productivity improvements to maintain or improve our service levels

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

Improving from 3<sup>rd</sup> Quartile to 2<sup>nd</sup> Quartile levels

NFOM<sup>1</sup> (\$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

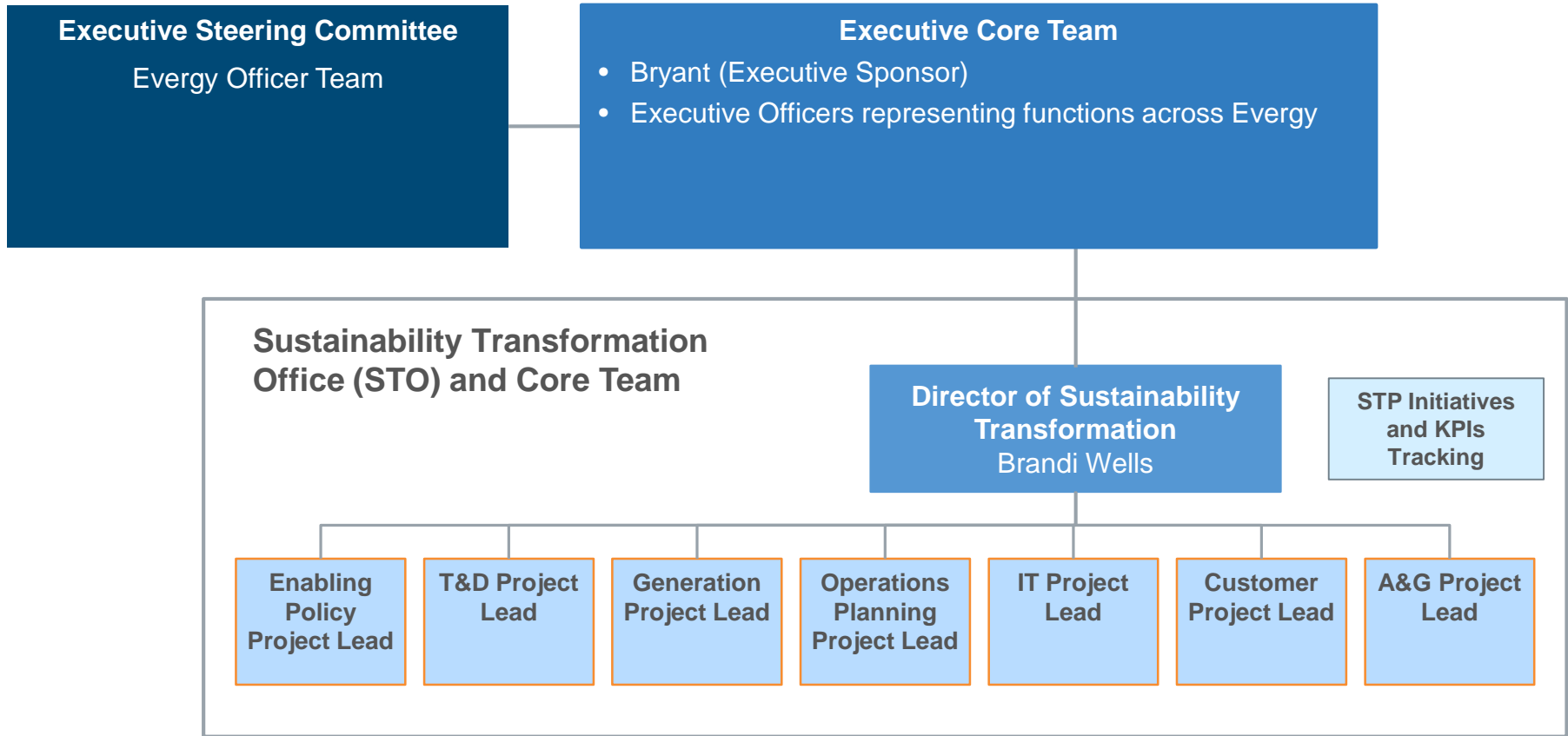
# Initiatives Tracked from Definition to Completion



**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

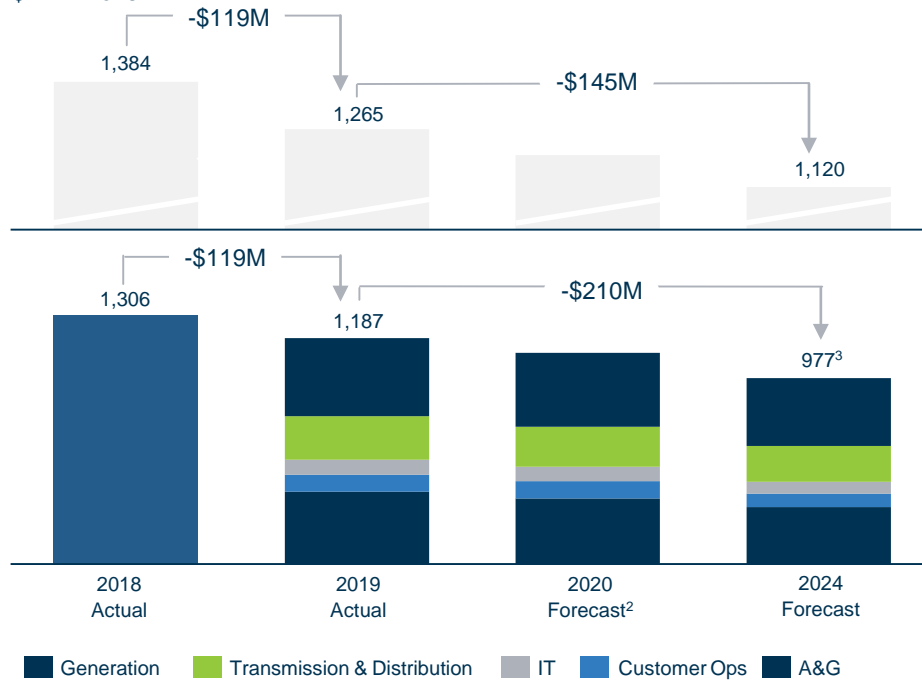
*Detailed cost initiatives identified, build on merger execution track record*

## Energy STP Operating Expenditures Plan

\$ in millions

F&PP

Non-Fuel O&M<sup>1</sup>



**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)
<b>Outage Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Move coal fleet to 3-year outage schedule; improve schedule adherence and reduce outage duration for nuclear</i></li></ul>	\$10 - \$20M
<b>Coal Contract Renegotiations</b> <ul style="list-style-type: none"><li><i>Ex: Renegotiate freight and commodity contracts</i></li></ul>	\$40 - \$65M
<b>Monitoring and Diagnostics</b> <ul style="list-style-type: none"><li><i>Ex: Use advanced pattern recognition models to predict performance of vibration equipment based on online sensor data</i></li></ul>	\$15 - \$25M
<b>Flexible Operations</b> <ul style="list-style-type: none"><li><i>Ex: Increase economic dispatch range of coal units and Wolf Creek to increase flexibility and capture additional margin</i></li></ul>	\$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)
<b>Nuclear Future State Staffing</b> <ul style="list-style-type: none"><li><i>Ex: Achieve target org chart at Wolf Creek</i></li></ul>	\$10 - \$20M
<b>Fossil &amp; Renewable Organization Efficiency</b> <ul style="list-style-type: none"><li><i>Ex: Increase employee productivity with supervisor coaching</i></li></ul>	\$15 - \$25M
<b>Preventive Maintenance Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Reduce replacement frequency for certain parts</i></li></ul>	\$10 - \$20M
<b>Outage Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Adhere to target nuclear outage schedules; move coal fleet to 3-year outage schedule</i></li></ul>	\$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)
<b>Vegetation Management Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Leverage digital platform to improve workflow between Evergy &amp; tree trimming contractors</i></li></ul>	\$12 - \$16M
<b>Field Force Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Synchronize and optimize direct-buried cable replacement policy</i></li></ul>	\$12 - \$16M
<b>Contractor Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Extend lifecycle of transmission poles by applying treatments to prevent decay</i></li></ul>	\$8 - \$12M
<b>T&amp;D Operations Planning Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Reduce streetlight maintenance costs</i></li></ul>	\$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)
<b>Chartered Efficiencies &amp; Commitments</b> <ul style="list-style-type: none"><li><i>Ex: Negotiating strategic enterprise agreements related to software costs</i></li></ul>	\$10 - \$20M
<b>IT Software</b> <ul style="list-style-type: none"><li><i>Ex: Rationalizing set of IT security tools by leveraging enterprise solutions</i></li></ul>	\$2 - \$5M
<b>IT Organization Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Reducing contractor and FTE positions through Voluntary Exit Packages (VEPs)</i></li></ul>	\$2 - \$5M
<b>IT Services</b> <ul style="list-style-type: none"><li><i>Ex: Increasing offshoring and negotiating for lower IT service contract rates</i></li></ul>	\$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)
<b>Customer Operations</b> <ul style="list-style-type: none"><li><i>Ex: Deploying digital self-service capability to reduce call volume leading to lower O&amp;M costs</i></li></ul>	\$2 - \$5M
<b>Metering Operations</b> <ul style="list-style-type: none"><li><i>Ex: Leveraging smart meters to reduce service order costs and field labor spend</i></li></ul>	\$1 - \$4M
<b>Contact Center Ops Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Optimize contact center hours of operation to customer</i></li></ul>	\$1 - \$3M
<b>Cost Allocation Manual Standardization</b> <ul style="list-style-type: none"><li><i>Ex: Consolidating billing services and credit management depts.</i></li></ul>	\$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)
<b>One-time Costs Normalization</b> <ul style="list-style-type: none"><li><i>Ex: Identify and reduce one-time costs such as bad debt expense and short-term incentives</i></li></ul>	\$15M
<b>Organization Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Optimize organization structure across support functions incl. Finance, HR, Supply Chain Compliance &amp; Regulatory</i></li></ul>	\$2 - \$5M
<b>Procurement Optimization</b> <ul style="list-style-type: none"><li><i>Ex: Reduce spend across categories through vendor rationalization and demand management</i></li></ul>	\$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. Each milestone includes a description, start and end dates, and associated financial impacts. A blue arrow icon is positioned to the left of the table.

Milestone	Plan	Forecast	Impact
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	0
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	\$178.00
implemented new Nalco contract language and pricing to achieve the immediate targeted savings of \$0.04M.	Jan-01-2020	Oct-01-2020	\$40.00
Renegotiated the MPW contract terms through 9/30/2023, realizing \$69K recurring yearly savings.	Sep-01-2020	Sep-01-2020	\$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	0
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	0
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	0

# 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