

# Kansas Rate Study FAQs

## RATE STUDY OVERVIEW AND CONTEXT

### What is the Kansas Rate Study?

When KCP&L and Westar Energy merged in 2018, we agreed to conduct a Rate Study as part of the merger agreement. The purpose of the study was to compile Kansas electric and peer utility rates, identify rate differences and outline major contributors to current rate levels. We kept that commitment when we filed the results of that study with the Kansas Corporation Commission on Jan. 14, 2019.

### What was the scope of the study?

The study reviewed rates from 2017 and included 35 investor-owned, vertically-integrated electric providers that served 11.1 million customers in Kansas, Missouri, Texas, Oklahoma, Colorado, Iowa, Minnesota, North Dakota, South Dakota and Arkansas.

### What events led up to the study?

Historically, our customers benefitted from lower rates compared to other utilities. That's because our plants were largely fueled by affordable coal, and our off-system energy sales to other companies helped offset our utility customer costs. These gave coal-based Kansas cost advantages. However, after decades of well-below-average customer prices, our energy costs increased from 2007-2017. When our electricity prices began to outpace our neighbors, some customers asked about causes behind these changes.

### What are some of the specific challenges that drove up rates?

From 2007 – 2017, the electric utility industry experienced upheaval from a variety of factors, and not all companies were impacted equally by these changes. Contributors included:

| Change   | Impact  |
|--|---|
| Natural gas prices plummeted because of the shale gas boom, and wind prices dropped because of technology advancements and tax credits.                | Our off-system sales from coal plants virtually disappeared. Previously, we used these to offset customer costs.  |
| Large environmental plant upgrades and wind energy investments were required by state and federal policy to reduce air emissions, like sulfur dioxide. | Negatively impacted utilities like ours that relied heavily on coal, while utilities that relied more on natural gas either benefitted or weren't impacted to the degree we were.                 |
| Built new generation in response to growth forecasts, and modernized our transmission system.  | Improved reliability, paved the way for growth, provided more access to competitive power markets and ensured we had adequate energy for decades. These investments were recovered in base rates. |

## RATE PRICING

### Where do KCP&L/Westar Energy prices stand now?

Now that we've concluded rate increases that were necessary to recover investments costs, we're ahead of the curve on environmental requirements, our rates align with the national average and we're entering a period of rate stability.

### What can customers expect for rates in the future?

We have good reasons to be confident about future rates. As part of our merger agreement, we committed to no base rate changes until December 2023. In fact, we lowered rates across our

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service territory in 2018 and began issuing credits related to the merger and Tax Cut and Jobs Act. Beyond 2023, customers can expect fewer and smaller rate increases.

Some of our peers are now entering or getting ready to enter a period of significant investments in generation, transmission and distribution. These factors will help close the gap in rates between us and our peers.

### What merger/federal tax bill credits are customers receiving?

The merger credits take two forms, a one-time, up-front credit, and for Kansas, four additional annual credits. Here’s a summary of when each merger or tax cut credit posted or will post in each of our service territories:

| Timing                | Customers | Credit Type     | Credit (millions) |
|-----------------------|-----------|-----------------|-------------------|
| Sept. 2018            | KCP&L-MO* | Up-front merger | \$14.9            |
|                       | GMO       | Up-front merger | \$14.2            |
| Dec. 2018             | Westar    | Up front-merger | \$23.1            |
|                       |           | Tax cut         | \$50.0            |
| Feb. 2019             | GMO       | Tax cut         | \$27.4            |
|                       | KCP&L-KS  | Up-front merger | \$7.5             |
|                       |           | Tax cut         | \$36.3            |
| Feb./March, 2019-2022 | Westar    | Annual merger   | \$8.6             |
|                       | KCP&L-KS  | Annual merger   | \$2.8             |

*\*KCP&L-MO customers won’t receive an up-front tax credit. However, those amounts will be reflected in base rates.*

### Can KCP&L/Westar increase rates whenever they want?

As regulated utilities, we follow a thorough, eight-month [process](#) to request rate changes. That process is determined by the state of Kansas, with oversight by the Kansas Corporation Commission, which strives to balance the needs of our customers and investors. The process gives stakeholders a chance to audit our filings and provide input, helping to ensure just and reasonable rates.

### What if I’m still struggling to pay my bill, even with the decrease in rates?

We understand customers are tired of increases and may be struggling to pay bills, even with the recently lowered rates. If you’re having trouble with your household utility bills:

- KCP&L customers: Visit [kcpl.com/assistance](http://kcpl.com/assistance) to see a list of payment assistance options available to qualifying customers, or call (816) 471-5275 to discuss payment options.
- Westar customers: Dial 211 for United Way, or visit [www.211Kansas.org](http://www.211Kansas.org). They can help find programs in your area that may assist in bridging the financial gap.

## OTHER STUDY QUESTIONS

### What was the result of KCP&L/Westar’s environmental upgrades?

Kansans can breathe easier with reduced emissions. By end 2020, we’ll:

- Provide nearly half of retail customer energy needs through emission-free sources.
- Shut-down more than 2,200 MW of end-of-life fossil generation.

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- Have more than 3,800 MW of wind.
- Reduce carbon emissions by 43% (vs. 2005 levels).

### **What else do KCP&L and Westar have planned for the future?**

The merger made us a stronger, more efficient company. Merger savings and efficiencies are on track with promised levels. And as we conclude a significant build and retrofit cycle, our investments stand poised to meet our customers' electric needs for many years to come. Looking forward, our goal is to help customers get the type of energy they want in a way that's sustainable over time, and we're well-positioned to meet those future needs.

In addition to customer benefits, we're honoring our commitment to no involuntary layoffs as a result of the merger. We've also made major investments in Topeka, Pittsburg and Wichita, affirming our commitment to Kansas communities, and our employees are also heavily involved in volunteering to make our communities great places to live.