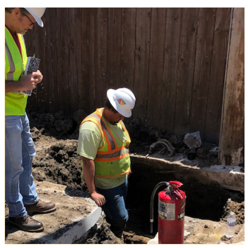
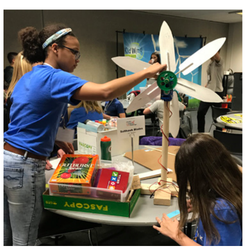
KANSAS CORPORATION COMMISSION

2023 | ELECTRIC SPECIAL CONTRACTS/REDUCED RATES BIENNIAL REPORT





Serving the people of Kansas by regulating the State's energy infrastructure, oil and gas production and commercial trucking to ensure public safety.

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January 31, 2023

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RE: Biennial Status Report to the Legislature pursuant to K.S.A. 66-101i and 66-101j

Pursuant to K.S.A. 66-101i and 66-101j (as amended by House Bill 2585 of the 2019-2020 Legislative Session), the Commission provides this status report to the Kansas Legislature on special contracts and customers receiving reduced electric rates. Currently, no entities are receiving service under special contracts pursuant to K.S.A. 66-101i. All entities described below have contracted for discounted tariff rates pursuant to K.S.A. 66-101j. These entities are taking service through the Limited Large Economic Development Rider (LEDR) Tariffs of Evergy Kansas Central or Evergy Kansas Metro, approved by the Commission on April 8, 2021, in Docket No. 21-EKCE-318-TAR.[1] This report covers activity occurring during Calendar Years 2021 and 2022and only identifies the customers as a number because the information provided in this report is confidential for each customer.

(1) <u>Number of entities with such contracts</u>

There are currently seven entities taking service under the LEDR. Four of those contracts (Customers #1, #3, #4, and #7) are served by Evergy Kansas Central, Inc. (Evergy Central) and three contracts (Customers #2, #5, and #6) are served by Evergy Kansas Metro, Inc. (Evergy Metro).

(2) <u>Number of entities with increased load</u>

Six of the entities (Customers #1, #3, #4, #5, #6, and #7) taking service under the LEDR had increased load in 2022.

One of the entities (Customer #2) opened a new facility in 2022.

[1] Docket information available at: https://estar.kcc.ks.gov/estar/portal/kscc/page/docket-docs/PSC/DocketDetails.aspx?DocketId=fce9f3a8-4de4-40f2-bec8-5294243402b2

(3) Number of entities with decreased load

None of the entities reported a decrease of load in 2022.

(4) Aggregate load and change in aggregate load on an annual basis

Aggregate average load for all entities taking service under the LEDR was 3,157 kW in 2021, and 6,896 kW in 2022. These entities used 8,507,350 kWhs in 2021 and 14,242,959 kWhs in 2022.

(5) Total subsidy and the subsidy for each individual contract

Customer #1 received discounts totaling $79,746 over 13 months that the LEDR was in effect.

Customer #2 received discounts totaling $236,932 over 11 months that the LEDR was in effect.

Customer #3 received discounts totaling $107,689 over one month that the LEDR was in effect.

Customer #4 received discounts totaling $151,955 over thirteen months that the LEDR was in effect.

Customer #5 received discounts totaling $206,863 over sixteen months that the LEDR was in effect.

Customer #6 received discounts totaling $116,713 over twenty months that the LEDR was in effect.

Customer #7 received discounts totaling $30,958 over six months that the LEDR was in effect.

Discounts under the LEDR totaled $930,857 for 2021 and 2022.

(6) Annual and cumulative rate increase on non-contract customers

Staff performed an evaluation of the rate impact to non-contract customers during 2021 and 2022 while the LEDR discounts were in effect. For the most part, the additional amount of usage attributable to these customers was too insignificant to affect the calculation of the billing rates under surcharges that would otherwise be lower due to the increased usage of these LEDR customers. Staff performed these calculations for the fixed cost portions of the Energy Cost Adjustment, the Energy Efficiency Rider (required by K.S.A 66-1283), the Transmission Delivery Charge (required by K.S.A 66-1237), and the Ad Valorem Tax Surcharge (required by K.S.A. 66-117(f)). For the period under review, the vast majority of Evergy's surcharge filings had only incorporated a single year of actual usage for the LEDR customers into the rate filings and true-up adjustments, resulting in no change to the retail rates charged for the surcharge. Staff expects these changes to be more beneficial in the future, as billing determinants for the LEDR customers increased by 3.5 times year-over-year in 2022. The increased billing determinants will be included in Evergy's filings in 2023, covering Evergy's 2022 financial period. Furthermore, K.S.A 66 101j requires that the discounts provided to these customers be deferred in a regulatory asset and recovered from all customers at the next rate case, with carrying charges accumulated at the Weighted Average Cost of Capital. This means that whatever rate benefits are accumulating for non-contract customers will eventually be paid for by those same customers when Evergy's rates are set next. The real benefit to non-contract customers will come after the expiration of the EDR discounts, when these customers start paying full tariff rates, thereby spreading the fixed costs of the system out over a larger number of billing determinants and customers.

(7) Estimated economic development impact

Customer #1 estimates $34,000,000 of new investment, of which $18,000,000 is real estate, and $16,000,000 is machinery and equipment. All investment will occur in the first two years.

Customer #2 estimates $118,000,000 of new investment, of which $88,000,000 is real estate, and $30,000,000 is machinery and equipment. All investment will occur in the first two years.

Customer #3 estimates $300,000,000 of new investment, of which $120,000,000 is real estate, and $180,000,000 is machinery and equipment. All investment will occur in the first two years.

Customer #4 estimates $215,000,000 of new investment, of which $140,000,000 is real estate, and $75,000,000 is machinery and equipment. Of this new total investment, $130,000,000 will occur in the first two years.

Customer #5 estimates $40,989,992 of new investment, of which $25,739,992 is real estate, and $15,250,000 is machinery and equipment. All investment will occur in the first two years.

Customer #6 estimates $38,000,000 of new investment, of which $11,000,000 is real estate, and $27,000,000 is machinery and equipment. All investment will occur in the first two years.

Customer #7 estimates $2,900,000 of new investment, of which $1,200,000 is real estate, and $4,100,000 is machinery and equipment. All investment will occur in the first two years.

(7)(A) Total employment

Prior to taking service under the EDR, Customer #3 retained 978 employees. The total number of employees including changes noted in (7)(B) is 1,202.

The total employment for the other six entities is as shown in Section (7)(B).

(7)(B) Change in employment

Customer #1 estimated hiring 146 new employees in the first two years, and another 135 employees in the following three years.

Customer #2 estimated hiring 127 new employees within the first two years.

Customer #3 estimated hiring 225 new employees within the first two years.

Customer #4 estimated hiring 300 new employees within the first two years.

Customer #5 estimated hiring 230 new employees within the first two years.

Customer #6 estimated hiring 60 new employees within the first two years.

Customer #7 estimated hiring 35 new employees through the end of 2022, and another 30 employees by the end of 2025.

(7)(C) Tax revenue generated

While tax revenue generated as a result of economic development spurred by special contract or discounted tariff rates is not directly available, Staff has estimated the average sales tax, state income tax, and unemployment tax impact of the increase in employment provided by this economic development.

Customer #1 generated an estimated $697,723 in tax revenue.

Customer #2 generated an estimated $432,562 in tax revenue.

Customer #3 generated an estimated $732,928 in tax revenue.

Customer #4 generated an estimated $631,200 in tax revenue.

Customer #5 generated an estimated $1,112,510 in tax revenue.

Customer #6 generated an estimated $374,520 in tax revenue.

Customer #7 generated an estimated $110,670 in tax revenue.

Combined, customers taking service under the LEDR generated an estimated $4,092,113 in tax revenue.

In addition to the estimates of sales, employment, and income taxes identified above resulting from increased Kansas employment of these entities, Staff worked with the Kansas Department of Revenue to identify an aggregate amount of State Taxable Income for these customers that have received discounted electricity rates during 2021 and 2022. The aggregate amount of this State Taxable Income for these entities was reported to be $131,549,883 for 2021. Because this taxable income is reported by business entity, and not by individual expansion or project, it is not possible to calculate the amount of this taxable income that was created or influenced by the discounted electricity rates

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