

# Evergy files annual fuel cost update for Evergy Kansas Central customers

- While gasoline and other forms of energy have significantly increased with inflation the past two years, after this adjustment, Evergy Kansas Central's overall electric rates remain flat compared with 2017 prices.
- Evergy is requesting to delay some fuel costs to reduce the price increase for customers.
- Although electric costs in neighboring states have increased since 2017, Evergy Kansas Central's electric rates declined by 4.4 percent from 2017 through 2021.

KANSAS CITY, Mo. – March 18, 2022 — Evergy announced today that significant increases in natural gas and wholesale power prices in 2021 resulted in higher net fuel and purchased power costs than anticipated, so it has asked to delay recovering part of these costs to reduce the effect on customers.

On Friday, Evergy filed its Annual Correction Adjustment (ACA) for fuel and wholesale purchased power costs for Evergy Kansas Central customers with the Kansas Corporation Commission (KCC). The filing includes the company's estimated costs and its actual costs for the previous year. This year's annual ACA update includes an under-recovery of \$172 million, an increase of \$117 million over the amount currently being collected based on last year's ACA update. Evergy has asked the KCC to allow \$52 million of the \$172 million shortfall to be delayed, thereby reducing the effect on customers. If approved, the requested ACA would increase an average residential customer's monthly bill by about \$3 beginning in April.

From 2017 to 2021 prudent cost management and other measures resulted in Evergy Kansas Central's total rates (base rates, riders and other adjustments) decreasing about 4.4 percent. When adjusted for recent annual updates, including the ACA, the rates will be flat compared to 2017.

As part of Kansas' regulated electricity pricing, Evergy provides its actual fuel and purchase power costs to the KCC for review and passes through to customers the expense for fuel used to generate electricity with no profit margin for the company. Since fuel costs vary, those charges are adjusted annually to ensure that customers are paying only the actual costs. In 2021, the estimated costs collected from customers fell short of actual costs and the difference will be recovered on customers' bills in future periods.

Cost estimation models are processed about two months in advance of actual fuel and power purchases. The models underestimated the impacts of rising wholesale power and natural gas prices in 2021, during which inflationary pressures impacted the broader economy and particularly the energy sector in the back half of the year. In addition to the shortfall resulting from market volatility and inflation, the adjustment includes the effect of an expired power sales contract that provided additional revenue to offset expenses. Costs related to purchased power, fuel and other expenses incurred during winter storm Uri in February 2021 are not included in the ACA filing and are being evaluated through a separate proceeding. Under the requested waiver, delayed ACA costs would be considered as part of that process.

Evergy purchases fuel and power in the most economically prudent manner possible to effectively and efficiently meet customer needs. These costs are offset by revenues received for the power the company produces and sells in the wholesale market. An estimate of fuel and net purchased power costs is collected on customer bills and adjusted each quarter. Each March, a true-up is filed to resolve any under or over collection experienced in the prior calendar year. Evergy is reimbursed for these costs but does not profit from them. The ACA filing includes confidential market information that is not viewable by the public but is available to KCC Staff, which audits the supporting documents to ensure accuracy and prudence, as well as other parties to the proceeding. Costs collected under the ACA are subject to refund if the KCC finds they are not prudently incurred.

## **About Evergy**

Evergy, Inc. (NYSE: EVRG), serves 1.6 million customers in Kansas and Missouri. Evergy's mission is to empower a better future. Our focus remains on producing, transmitting and delivering reliable, affordable, and sustainable energy for the benefit of our stakeholders. Today, about half of Evergy's power comes from carbon-free sources, creating more reliable energy with less impact to the environment. We value innovation and adaptability to give our customers better ways to manage their energy use, to create a safe, diverse and inclusive workplace for our employees, and to add value for our investors. Headquartered in Kansas City, our employees are active members of the communities we serve.

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