



Eergy companies

PROMISES MADE, PROMISES KEPT

Westar Energy, KCP&L Merger Delivering Customer Benefits



When Westar Energy and Great Plains Energy (the parent company of KCP&L) merged in June 2018, the new company promised multiple benefits as a result of the merger. Six months later, the company is delivering on its promises, and customers are noticing.

- In December of 2018, **Westar customers began receiving credits** on their electric bills. These credits were the result of merger efficiencies and the reduction in federal income tax rates.
- Additional Kansas customers are scheduled to **receive credits** on their bills in February and March.
- KCP&L and Westar both completed rate reviews in 2018. As a result of ongoing merger savings and the reduction in federal income taxes, the **base price of electricity was reduced** for all KCP&L and Westar customers.
- Westar and KCP&L **have committed to no base rate changes for five years.**
- Since the merger was completed, in addition to maintaining the company's historic level of **charitable giving**, Eergy has made an additional \$4.0 million in investments to support key community development projects in Topeka, Wichita and Pittsburg.
- **No involuntary layoffs as a result of the merger.**
- **Employee presence and involvement** in Topeka, Wichita and other Kansas communities continue.
- The company promised to complete a **rate study**. Those **findings are outlined in this document.**

STABLE RATES, STRONG FUTURE

We understand that customers have limited resources and are fatigued by rate increases. The good news is that we're **entering a period of rate stability** because we:

- Merged KCP&L and Westar Energy to take advantage of economies of scale and reduce costs.
- Are ahead of the curve on environmental requirements and system modernization.
- Completed a long build cycle.
- Are giving 100% of federal tax benefits to customers.
- Are committed to growing Kansas' economy by providing affordable, reliable electric rates, and access to renewable energy.

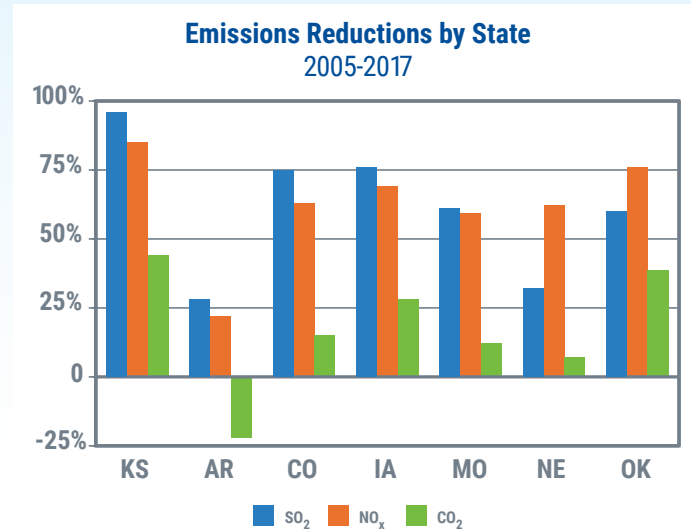
While we've moved past a period of rate increases to recover investments, some of our Midwest utility peers are entering or getting ready to enter a similar period of significant investments.

Also, as part of our merger agreement, we committed to **no base rate changes until December 2023**. Beyond that, customers can expect **fewer and smaller rate increases**. In fact, we've already begun **passing merger savings to Kansas customers** and will continue to do so in the years

ahead. Other utilities haven't made this commitment, which will help close the gap in rates between us and our peers.

Finally, Kansas can breathe easier from our environmental investments.

Now that we're a **stronger**, more **efficient** and **modernized** company, we're well-positioned to meet **future customer needs**.



Source: EPA Clean Air Market Division

KANSAS ELECTRIC RATE STUDY

KCP&L and Westar Energy are poised for the future as rates stabilize

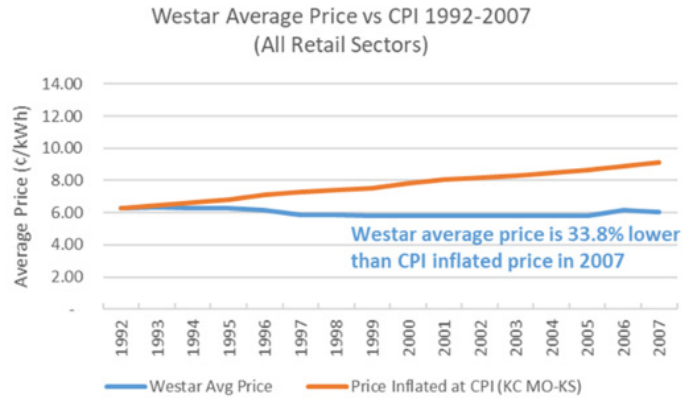
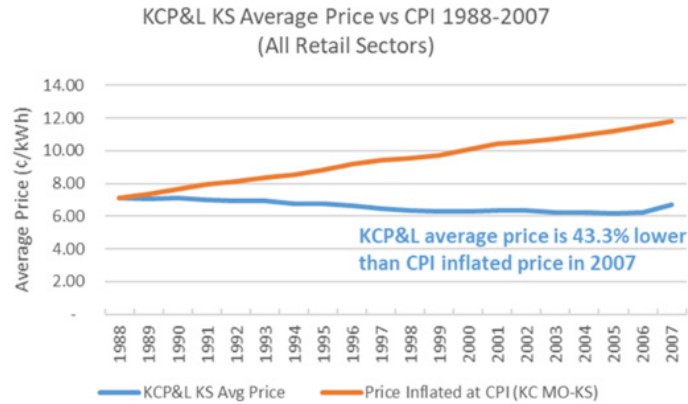


When our companies merged to form Eversource, we agreed to conduct a study to see how our rates compare to peer utilities, identify rate differences and better understand contributors to those differences. This summary provides context, key findings and conclusions from that study.

HISTORICAL PERSPECTIVE: LOW-COST COAL, STRONG SALES

In the 70s and 80s, electricity consumption matched economic growth. From 1988-2007, coal was inexpensive, there was no need for new generation and our sales were growing.

Plus, off-system sales (where we sold excess energy to other utilities) were robust, and these revenues reduced customer bills. As a result, rates were flat to declining for a long time and grew at rates significantly below the Consumer Price Index (CPI).*



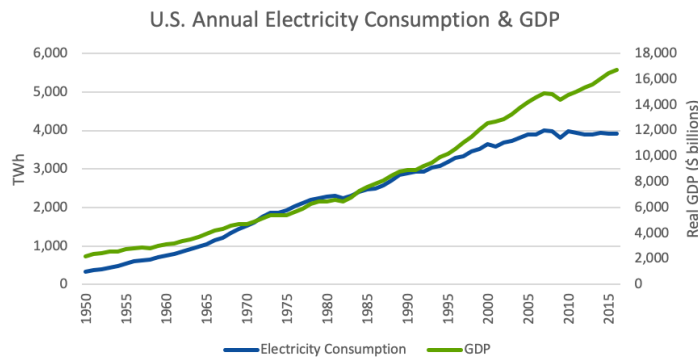
*Sources: EIA-861 (average retail prices) and Bureau of Labor Statistics (CPI). KCP&L prices shown start in 1988, following major expenditures for building the Wolf Creek nuclear plant. Westar prices shown start in 1992, following the merger of Kansas Gas & Electric and Kansas Power & Light.

DECADE OF CHANGE: NEW MARKET CONDITIONS, NECESSARY INVESTMENTS

From 2007–2017, the electric utility industry experienced upheaval from a variety of factors, but not all companies were impacted equally.

Electric sales drop

Despite forecasts that predicted increased demand, Kansas utilities saw flat to declining usage from 2008-2017 (a historical first). Compared to Gross Domestic Product, electricity consumption started declining in the mid-90s and grew worse during the Great Recession. Usage also declined from energy efficiency standards.

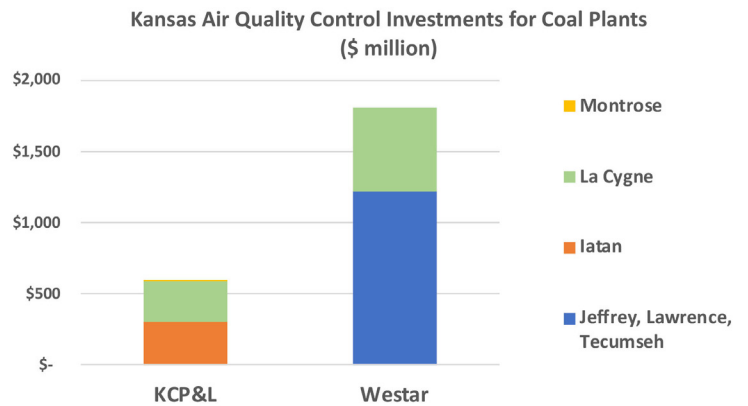


While overall sales volume for other study utilities was down by 0.7% in 2017 versus 2007, KCP&L-KS was down 5.5% and Westar was down 4.1%.

Heavy investments required

Starting in the mid-to-late 2000s, we made significant investments in response to increasing demand forecasts and other market changes. In total, federal environmental mandates, FERC-regulated transmission changes and fuel expense changes were responsible for about 60% of the increases our customers saw during the past 10 years.

- Kansas' energy portfolio was largely dependent on coal, so we made significant environmental retrofits to our power plants and retired older units to meet **federal, regional and state requirements to reduce emissions** like sulfur dioxide. Our peers who relied more on natural gas weren't impacted as much by these requirements, and some states forestalled action, hoping that pending legislation wouldn't pass.



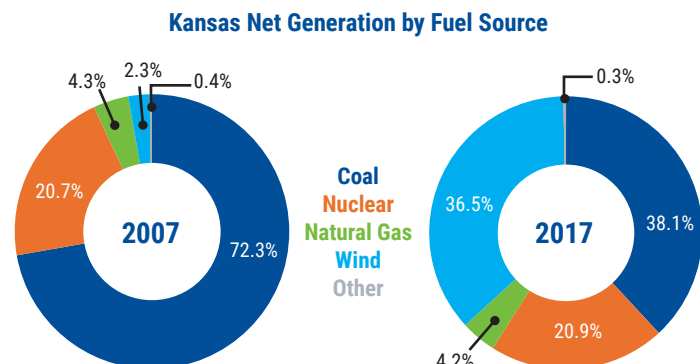
- We invested heavily in **new generation** units due to growth forecasts, and we made early wind investments to meet **renewable energy requirements**.
- **Transmission and distribution upgrades modernized our system**—bolstering reliability—and expansion helped bring low-cost, renewable power to Kansas, which is poised for economic growth.

COAL LOSES HISTORIC ADVANTAGE

Changing market conditions also had a disproportionate impact on coal-heavy companies like ours.

- Drilling innovations caused a **shale gas production boom** and sharp price decline starting in 2009. Utilities that relied heavily on gas benefited from this trend, which mitigated cost increases.
- Renewable energy standards led to **abundant wind energy**—which grew from 2,038 to 17,596 megawatts in the Southwest Power Pool from 2007 to 2017. Plus, tax credits and technology advancements caused wind prices to plummet.

Off-system sales for coal plants virtually disappeared because of these changes, which caused disproportionate price increases for Kansas utilities compared to utilities with less coal generation.



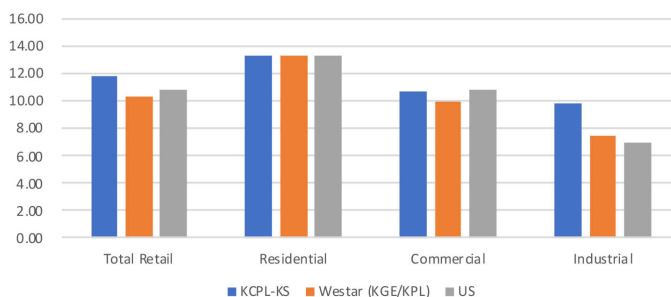
CUSTOMER MIX: SIZE MATTERS

Customer mix and usage significantly impact retail prices. Generally, residential customers cost most to serve, followed by commercial and industrial customers.

Costs vary because customers have different load profiles (maximum hourly usage and average hourly usage) and service requirements. Industrial customers typically use large amounts of electricity at steady levels and are supplied at higher voltages. Residential and commercial customers use much lower quantities, with more variable demand at lower voltages, which requires additional equipment.

KCP&L-KS not only has the lowest total industrial volume in the study group but also has the lowest usage per industrial customer. This region also has the smallest average industrial usage in the study group. Conversely, utilities with significant industrial volumes had the lowest average prices.

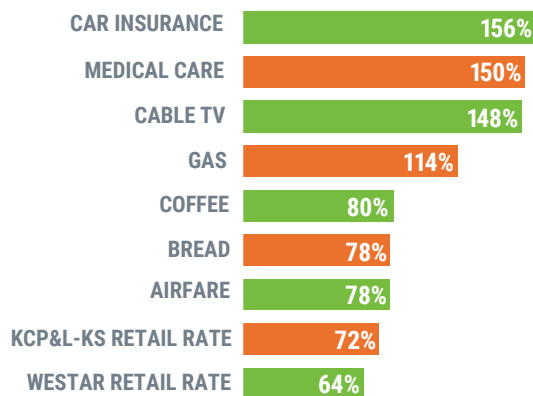
2017 Average Retail Price of Electricity (¢/kWh)
Source: EEI Typical Bill/Avg Rates Report, 12 Months Ending 12/31/2017



KANSAS IS COMPETITIVE

Despite these challenges, **our rates still align with the national average**. It's also important to note that over the past 25-30 years, electricity costs have risen less than inflation, especially compared to other household goods and services.

Percentage Increase in Price 1992-2017



Even though prices increased, major companies are locating in our service territory. Thanks to our reliable service and transmission investments, Kansas has attracted more than **\$4.3 billion** in industrial investments since 2010.

Investments Attracted - Cumulative (millions)

