ESG Powerfully

Conversations with AEP Managing Director - corporate sustainability Sandy Nessing,
Arizona Public Service VP Ann Becker,
Evergy General Counsel Heather Humphrey and Chief Compliance Officer Ellen Fairchild,
Northwestern Energy COO Brian Bird,
PPL Corp. COO Greg Dudkin and PPL Electric Utilities President Stephanie Raymond,
WEC Energy Group SVP Beth Straka,
and Xcel Energy SVP Frank Prager,
and sitting in on some of these, Guidehouse's Dan Hahn and Michelle Fay.

The term for this major driver of financial community investment in utilities is Environmental, Social and Governance. Though few spell out that ponderous name preferring the simpler acronym ESG. Major investors across the global economy are increasingly demanding the companies they invest in, including utilities, to exactingly report their progress on and make progress on combating climate change, diversifying the workforce and leadership, and other ESG priorities. Under the ESG microscope especially have been energy utilities with the expectation that they'll aggressively cut climate change gas emissions consistent with global, national, and state goals.

Electric utilities in the United States like American Electric Power, Arizona Public Service, Evergy, Northwestern Energy, PPL Corporation, WEC Energy Group, and Xcel Energy, as outlined below by execs from these companies, have quite decisively accelerated their progress on ESG priorities, through investment, innovation, and a clear intent to be recognized as leaders in ESG at the same time that they continue to deliver safe, reliable, and affordable utility service to the communities that depend upon them, powerfully.

Sandy Nessing

American Electric Power

PUF's Steve Mitnick: What's your role at AEP in ESG?

Sandy Nessing: I lead corporate sustainability and have responsibility for ESG disclosure, managing the risk associated with ESG and our ESG profile. ESG started to influence mainstream disclosure about six or seven years ago. Our CFO at the time called me after an investor meeting where he was asked about ESG for the first time. From that point forward we had our eyes on ESG.

It can be confusing because some people think sustainability and ESG are interchangeable. I don't see it that way. I see ESG as the non-financial metrics and the measurement of performance.

Sustainability is the long game. That's where your strategy is, the actions you take and where you get the big picture. They're connected but also different.

We respond to as many as a dozen or more surveys a year, both on the investor side, plus supply chain. Our large customers care about it because they are getting pressure from their investors, suppliers, and customers.

Credit rating agencies are looking at our ESG scores and profile, the banks, the insurance companies, the proxy advisors are too, but it's also coming up in new business development and in supply chain. We're in somebody else's supply chain, and they're in ours. Today, ESG is affecting all aspects of business.

I like to describe it this way: who is driving the car and who is in the passenger seat? Governance has always been in the driver's seat. Governance is critical to business success.

The E is primarily climate for us, but also encompasses water, air emissions, biodiversity, and other environmental issues. The E is in the front seat with G because climate is such a big issue for our company and our industry. But the events of 2020 – the pandemic, the social and racial unrest – pushed the S from the back seat to the front seat.

We are at an inflection point; we have a clean energy strategy on the table right now, and if regulators are supportive, by 2030 our generating portfolio will flip to 52% renewable energy.

What companies have now is ESG all in the front seat, coming at us at the speed of light. That's the landscape we operate in today. And it is constantly evolving, which makes it challenging to stay ahead of the curve. But that's what we have to do.

We're not just focused on what's happening here in the U.S. We also have to pay attention to what's going on in other parts of the world, particularly Europe, which is ahead of the U.S. in this space by at least a decade. This is important because our investors come from all over the world, and they have different expectations of us.

We are starting to see some of that international influence in the U.S. as the SEC prepares to initiate rulemaking for ESG disclosure. The EU's sustainable finance disclosure rule – SFDR – is a good example. Essentially, it requires asset managers to demonstrate that the financial products they sell as green, actually are green.

Although it's meant for asset managers, issuers – like AEP – are held accountable because we may be in their portfolios. The SEC is starting to look at this, too.

The release of our latest climate report, which is framed according to the Task Force for Climate-related Financial Disclosures, resulted in a nearly immediate boost in our ESG profile. What made it stand out was the level of transparency.

That's my role, watching all of those things and bringing that forward with a plan to manage them. Having controls in place to mitigate and manage risk, engaging with investors and third-party research organizations that are rating and ranking us, and trying to stay ahead of the curve on all of it.

One way we monitor ESG issues that could affect our business is through ESG materiality assessments. We did a full assessment last year, and just refreshed it. We use an AI tool that helps us look at what is happening on a global basis, since the risks are on a global stage. It's a valuable tool.

I can take that back to our risk executive committee, the executive management team or the board and say, here are what the relevant issues are today, but here's what's on the fringe that we need to keep an eye on.

PUF: AEP is a major company, historically used a significant amount of fossil fuels, and was aggressively addressing that. You probably get calls.

Sandy Nessing: Yes, we do. When I first came to AEP in 2006, our primary engagement with stakeholders was with NGOs. Climate was the main focus. There was a lot of pressure to address our carbon footprint, not just reducing carbon emissions, but through renewable energy and energy efficiency.

Fast forward to 2015 and that's when the shift began. Our engagement went from mostly NGOs to mostly investors and then a couple of years ago, large customers as they set their own sustainability goals. They care about these issues, too, and have expectations of us to help them meet their goals.

We have a core team that includes corporate sustainability, investor relations, and environmental services that meets with stakeholders on ESG issues and we bring others in as we need them. We're frequently on investor calls talking about our ESG performance.

That's an important part of what we do because we have to be out there telling our story, in terms of the transformation that is underway, not only in our industry, but within AEP. We have a legacy history of being a fossil heavy electric utility. We need to make sure the story of AEP's transformation is what leads.

We used to talk about ourselves as being the largest electric coal burning utility in the U.S., and we were the largest carbon emitter in the Western hemisphere. That was how people thought of us when they thought about AEP.

That's not who we are today. We've been going through this transformation for more than a decade and are a much different company.

As we work toward the future, we also have to thoughtfully and properly wind down the past. Affordable, reliable coal-fired generation made this country's economic growth and prosperity possible; we cannot forget our history in that regard.

We are at an inflection point; we have a clean energy strategy on the table right now, and if regulators are supportive, by 2030 our generating portfolio will flip to fifty-two percent renewable energy. We're in the process of writing a new chapter for our future.

For most of the people we talk to, whether it's an investor or a customer, or any stakeholder, we have to level set for them. The transition that's underway is a massive undertaking and it won't happen overnight.

It's not just flipping a switch and turning off a coal unit. It is a process that must account for the reliability and resilience of the entire electric power grid, the affordability of electricity for customers, and the people and communities affected by coal plant retirements.

This social and economic aspect of the energy transition that is playing out in the communities where our plants are located is significant. There are direct, indirect, and induced economic impacts.

We did an economic analysis of the retirement of a coal unit as part of our most recent climate report. We found that for every coal plant job that is eliminated when a plant closes, another two to three jobs are lost in the broader economy. Plants are like ecosystems in that way – there is a ripple effect from their closure through the local economy.

That impact will vary by the location and size of the plant, but on average, the financial effect is about one hundred sixty-five million dollars. That's huge.

When you think about where these power plants are located, typically in rural areas, they are the largest employer and taxpayer, with good paying jobs. Also, the impact employees have in the communities around the plant. Think about the scale of this impact as the whole country goes through this transformation.

We are successful when our communities are healthy and thriving. We share this perspective with our stakeholders because we want them to understand the whole picture, including how much we've already accomplished in a short period and the complexity of the transition that lies ahead.

PUF: How are you going to reach that 2030 goal, nine years from now, of fifty-two percent renewable energy?

Sandy Nessing: It is aggressive. We're working with our state regulators. Many states already have clean energy policies and/or mandates in place. In fact, many states have led the way – where the federal government did not – to implement a renewable portfolio standard or energy efficiency/demand side management standards.

The groundwork has been laid. Now we have to work through how we do it while maintaining reliability, making the grid more resilient, and keeping electricity affordable for our customers.

There is also an important competitive advantage that states have when they embrace clean energy. Without it, they would be hard-pressed to attract big tech companies that have one hundred percent clean energy goals.

A great example of the benefits of renewables for customers is AEP's North Central Wind Facilities in Oklahoma. This two billion dollar investment will deliver three billion dollars in benefits to customers over the life of the project. There is no fuel cost associated with wind and that's a major benefit for customers in managing their electricity costs, as well as being a win for the environment.

We are confident this is the right path forward and we'll work with our regulators to achieve the best results for customers.

PUF: How do you handle diversity and social questions?

Sandy Nessing: Diversity, equity and inclusion, workforce development, and how you care for your workers, are among the top ESG issues we are asked about on the social side. The pandemic has intensified that focus.

We get questions from investors about the diversity of our workforce, the diversity of our board of directors, and how we reflect the communities we serve. We also are asked about human capital management, which encompasses a range of issues from culture and pay equity to workforce development, hiring practices, and safety and health.

For every coal plant job that is eliminated when a plant closes, another two to three jobs are lost in the broader economy.

Some of these issues go beyond the S in ESG. For example, safety performance is also a proxy for governance. The result of this scrutiny of our social performance is that it is bringing parts of our organization to the table with external stakeholders for the first time.

Transparency is critical in managing your ESG profile. You may have a dozen policies that address key issues but if they are not public, you don't get credit for it. In fact, you lose standing when you're not transparent. There's a direct connection between transparency and ESG ratings and rankings.

For example, the release of our latest climate report, which is framed according to the Task Force for Climate-related Financial Disclosures, resulted in a nearly immediate boost in our ESG profile. What made it stand out was the level of transparency on transition and physical risks and opportunities associated with climate change. Our role is to help the organization get comfortable with that level of openness.

To help us move the ball forward on transparency and disclosure and manage risk, we established a corporate ESG committee three years ago. This cross-functional group meets monthly to monitor and evaluate emerging issues or trends as well as our risk mitigation strategies for ESG. The committee also works to integrate ESG within the corporate strategy.

PUF: There's a global competition for capital across industries and customers, whether it's the Googles, Amazons, Microsofts. Is this something that has to be a priority for the board?

Sandy Nessing: Absolutely, because your ESG profile can be a differentiator. It's important to stay on top of that, and make sure the ratings are based on accurate data. We invest a lot of time reviewing, correcting data, and questioning third party organizations about their sources and methodologies. It's a priority because of the impact a poor rating or ranking can have financially or reputationally.

The financial markets are also warming to ESG or sustainability-linked financing. There's a growing and competitive market for green bonds, social bonds, and sustainability-linked bonds.

We launched our first sustainable finance framework in August. We built into it green bonds, social bonds, and the ability to add sustainability-linked bonds in the future. Two days after launching, we issued our first green bonds to support the Oklahoma wind project.

Initially, the framework will largely support our clean energy transition. This includes renewable projects, as well as the transmission and grid modernization investments that support the growth of renewables. To give us more flexibility in how we might use the framework, we included options such as fleet electrification and broadband expansion.

When we convert our fleet to electric vehicles or extend broadband to unserved areas of our service territory, as we scale those pilots, this gives us an opportunity to seek capital funding to support them from new markets.

PUF: Where do you think ESG is going over the next two to four years?

Sandy Nessing: It's growing and will continue to intensify. We will see more regulation around ESG, in the U.S. at the SEC and through the EU's new taxonomy and sustainable finance regulations. Although we are U.S.-based, our investors are global, so we have to watch what is happening elsewhere.

The SEC's action in this space could help give clarity to what is material and narrow the list of metrics we are asked to disclose. I don't see any of these ratings, rankings or frameworks going away. There is some consolidation occurring, which is good. We see demand for more and targeted disclosure growing, as issues change and focus shifts.

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The spotlight on social issues will continue to intensify as well. The pandemic and the social and racial unrest of 2020 brought these issues to the forefront. We'll continue to be pressed on a spectrum of ESG issues that will continually evolve. The one constant about ESG is that it's always changing and moving. The target never is the same. ❍

Ann Becker

Arizona Public Service Company

Guidehouse's Michelle Fay: Ann, share with us the important things we should know about ESG at APS.

Ann Becker: Of course. Arizona Public Service Company announced its clean energy commitment at the beginning of last year. Our commitment is to provide one hundred percent clean, carbon free electricity by 2050, with appropriate milestones.

When we announced our clean energy commitment, our CEO Jeff Guldner also stood up a new organization within APS focused exclusively on sustainability. Before then, we had one person doing ESG reporting, and that was it. We now have a team of seven people who are dedicated full-time to ESG.

We still are focused on ESG reporting. Honestly, it's the most important thing we do. I call it our bread and butter. But we are doing a lot more than just reporting.

We have a team of smart people who are helping shape solutions to some of our most pressing challenges right now, like climate change. It's important to have public policies that support our clean energy commitment and help the environment.

There are creative solutions being floated right now to accelerate decarbonization. We need to find the right balance among clean, affordable, and reliable energy – we need all three, this doesn't work if any one of those elements is missing.

Finally, my team and I are focused on driving our company's ESG performance. We get in people's business and ask them tough questions.

It's great to have the full support of my officer team to play this change agent role for the company. It also helps that we're starting from a position of strength. We are the only North American electric utility company to get double A ratings from CDP in climate and water. But we know we can do more.

Last year, in partnership with EPRI, we conducted our first sustainability materiality assessment, which is a best practice in the ESG space. We engaged a group of about three hundred stakeholders, about one hundred fifty employees, and one hundred fifty external stakeholders, including customers, community leaders and others.

We asked our stakeholders two questions. What are the most important sustainability issues that APS should be focused on? And where do we have the greatest ability to make a difference, given our unique position in the state of Arizona?

We gathered and analyzed a lot of data, and we developed what we call our Priority Sustainability Issues or PSIs. We have twenty-three PSIs. The top four, which we call our Integral PSIs, are clean energy, safety and health, customer experience, and energy access and reliability. A lot of our focus going forward will be in these four areas. But all twenty-three PSIs are important and serve as our sustainability north stars.

Our next step with EPRI will be to talk with companies in our industry that do these things exceptionally well. We want to know what they're doing and how, and how they measure success. We want to learn from them and then improve ourselves.

PUF's Steve Mitnick: What drove the benchmarking and working with EPRI?

Ann Becker: We don't want our ESG team to just be a think tank. We want our ESG approach to be action-oriented and outcome-focused. We want to get better, and the best way to do that is to learn from the pros, the companies who do these things really well. EPRI is going to help us find some opportunities for improvement.

PUF: Why is ESG so important for business success??

Ann Becker: The focus on ESG started in the investment community, and strong ESG performance is certainly critical to ensuring access to capital, which allows us to keep our rates affordable. Today, more institutional investors are insisting that their companies have actionable plans to reduce and ultimately eliminate their carbon emissions.

Investors are using their dollars and votes to express these desires. We're all familiar with the research showing that companies with strong ESG performance routinely outperform their peers on almost every measure.

But the ESG mandate has expanded far beyond the investment community. The climate science is a clear mandate, on its own. The United Nations' climate experts at the Intergovernmental Panel on Climate Change have warned we need to get to a net-zero carbon economy by 2050. That's part of the reason we announced our clean energy commitment – we need to do our part; everyone needs to step up and do their part.

Last year, in partnership with EPRI, we conducted our first sustainability materiality assessment, which is a best practice in the ESG space.

Our employees also want us to be transparent about our environmental and social performance.

Often now, when I am interviewing job candidates, I get questions like, what are your values at APS? What matters to you? What are you doing to make a difference? These questions get to the heart of ESG.

The next generation, my kids' generation, want to work for employers whose values align with their personal values. One of the best ways to access and retain this talent pool is to have strong ESG performance, and to talk out loud and regularly about what matters to us and what we're doing about it – that resonates strongly with this generation.

We've also got customers who are demanding more clean energy. Arizona has become a hub for big tech companies, which is fantastic for Arizona. Growth is important to help spread the costs of the clean energy transition. A lot of the big tech companies want one hundred percent clean energy. We have a clear customer mandate.

Finally, I'll mention that our APS Promise is to do what is right for the people and prosperity of our state. This is our commitment to our customers, our employees, and our communities. We will do the right thing, every time. That, in a nutshell, is the best ESG mandate of all.

PUF: You operate in a difficult political environment. How does the board feel about what you're doing?

Ann Becker: Our board is keenly interested in and supportive of our ESG strategy and work. Our Corporate Governance and Public Responsibility Committee is officially responsible for ESG, but we routinely talk with the full board about these issues.

But you raise an interesting point because politics in Arizona is indeed complicated. We work in politically contentious times, and with a very diverse group of stakeholders.

We've got a Republican state legislature, two Democratic United States senators, and a public utilities commission that is generally evenly split at the moment. We've got people trying to characterize Arizona as red, blue, or purple. It makes navigating ESG complicated, but not impossible.

We have done the work to define our sustainability priorities, and clean energy is at the top of the list. It's important to solicit diverse perspectives and to listen carefully to all of these various perspectives, because they each contribute something valuable, worth hearing, and understanding. It takes all of us to develop solutions that are durable and effective.

For example, we are fully committed to decarbonizing by 2050. I'm proud that our commitment is to eliminate our carbon emissions entirely, not just to achieve net-zero, which allows for continued carbon emissions.

But even as we continue to integrate more renewable energy and to decarbonize our generation fleet, we remain focused on customer affordability and reliability. We can't simply charge forward and ignore these two important elements.

We already have a lot of at-risk and vulnerable customers who struggle to pay their bills. We have to keep them front and center, and we have to design solutions that keep electricity affordable for them.

And we have to keep the lights on. Reliability is a real concern here in the desert Southwest, where we have this uniquely challenging confluence of resource constraints, extreme heat, and growth that outpaces the rest of the nation. Our job, every day, is to find the right balance between clean, affordable, and reliable energy.

PUF: What do you find most rewarding about your job?

Ann Becker: The most rewarding work for me is the work that makes a meaningful difference in people's lives. Work feels incredibly impactful when you know it's changing lives. I'll share one example that makes me proud and grateful to work at APS.

When we started talking about closing our coal plants, we also talked about the economic impact of the plant closures in the rural communities near the plants. The people who live in these communities are our colleagues, our friends, and our family.

We have seen what happens when plants close around the country. The tax base disappears, which impacts the schools. Lease payments are gone, jobs are lost, there's a ripple effect that is incredibly painful for the people who live in these communities.

Our coal plants have been the primary economic engine and the way of life in these rural communities for more than fifty years. And let's not forget that the economic prosperity of Arizona was largely fueled by the energy these plants produced.

We decided to provide economic and transition support to these communities, to help them make this transition. We call this our Coal Community Transition commitment, or CCT.

Reliability is a real concern here in the desert Southwest, where we have this uniquely challenging confluence of resource constraints, extreme heat, and growth that outpaces the rest of the nation.

We've offered to provide a total of one hundred forty-four million dollars in transition support to the Navajo Nation, the Hopi Nation, and the areas around our Cholla Power Plant in northeastern Arizona. This includes cash payments, economic development, and transmission support.

We also are going to help get electricity to more people on the Nation, and we're going to solicit bids for six hundred megawatts of renewable energy projects on or near the Nation, because President Nez told us he wants more clean energy on the Navajo Nation.

It's a robust commitment, and it reflects input from a lot of perspectives – most importantly the Navajo Nation's. We spent a lot of time with leaders of the Navajo Nation, understanding their priorities and areas of concern. We deeply value our longstanding partnership with the Navajo Nation.

We're waiting for a final decision from our regulatory commission. A recent recommended opinion and order recommended CCT funding at about half of what we requested.

But we're going to continue to advocate for full funding, because we believe this is an important part of any plant decommissioning effort, and also because it's the right thing to do. We're not doing this because we have to, we're doing this because it's the right thing to do. That is rewarding. ❍

Heather Humphrey and Ellen Fairchild

Evergy

Guidehouse's Dan Hahn: What are the important things to know about ESG at Evergy?

Heather Humphrey: I'm general counsel and corporate secretary. Ellen is our chief compliance officer, and we lead Evergy's ESG team.

ESG to Evergy is a journey, and we have been on the journey for a while. In the last year and a half, from a pure strategy perspective, we have the benefit of having totally rethought, reengaged, and published our five-year plan and investment strategy, which includes a ton of renewables and environmental work.

While I say, it's a journey, it's not brand new to us. The reporting structure, the internal infrastructure, and how we think about sustainably doing business, for shareholders, customers, employees, and the communities we serve – these are not new concepts for us.

Ellen and I are making it our number one priority, along with our leadership team and the board, to make sure the work we're doing is getting out, being talked about, and understood so as we progress, we get credit for all the things we've done, and for what we are committed to doing going forward.

There's a healthy tension that the focus on ESG helps place on companies, as well as stakeholders to say, what's important? Let's define that. Let's talk about it. Let's make sure we're all on the same page, and you're holding us accountable to not just satisfy ourselves, but to be accountable to others.

PUF's Steve Mitnick: Ellen, what's your role in all this?

Ellen Fairchild: My role is more in the trenches. Part of my role is trying to figure out what are the best places to disclose information, to improve scores, because scores are important.

Also, how do we tell the story that resonates across all our stakeholders? Not just investors, but customers are starting to focus on ESG, and it's important for employees from a recruiting perspective.

PUF: Heather, Evergy is in Kansas and Missouri, and there's a diverse community. How do you and your board deal with all these constituencies in explaining what you're doing, and listening to them, too?

Being a Midwestern utility, and primarily coal-based, irrespective of the abundance of wind and renewables available, there are still hurdles and we wouldn't want to be getting there too hastily.

– Heather Humphrey

Heather Humphrey: I'm biased toward the utility industry. I've been in the industry for almost fifteen years. So much of the work we do is to collaborate, think about the future, and how we're going to continue to meet the needs of customers and stakeholders.

Due to the important place utilities have in society, we already have the internal DNA that drives us to meet all our stakeholders where they are. We always strive to do that, whether it's a regulatory proceeding, customer service or fortifying the grid.

Everything we do has to be driven by and talked about to constituents. They need to understand from their vantage point why what we're doing makes sense. ESG is like that.

We're fortunate in one way. The function that Ellen and I have with ESG is made easier because our company strategy is so ESG forward, leaning into ESG.

We could easily have found ourselves in the position of being the tail that's trying to wag the dog, from a reporting perspective, or from a compliance perspective. That's not the case at Evergy.

Ellen Fairchild: With the diverse territory we have, to Heather's point, when she talked about our five-year plan, it is based on investment in renewables. Part of that is because we are in Missouri and Kansas, and Kansas is the wind capital of the nation.

Over the next ten years, we plan to add four thousand megawatts of renewables, between solar and wind, and we're going to retire two thousand megawatts of coal. We're taking advantage of our service territory to transition from primarily a coal-based utility to a renewable company. We're in that sweet spot.

Our five-year plan is based on investment in renewables. Part of that is because we are in Missouri and Kansas, and Kansas is the wind capital of the nation.

– Ellen Fairchild

Shutting down coal impacts communities, but we're able to backfill that, because of where we sit with renewables. From a state and a regulatory perspective, it's more about a timing and transition conversation than about stranding communities and assets.

PUF: Do you get questions like, National Grid's doing this, and Southern California Edison's doing this, so why isn't Evergy going to become zero carbon by 2023?

Heather Humphrey: We have put a stake in the ground to be zero carbon by 2045. We took our time in committing to zero carbon, because we wanted to be conscientious and make sure the timing was right for our region and all our stakeholders. We've done that.

Being a Midwestern utility, and primarily coal-based, irrespective of the abundance of wind and renewables available, there are still hurdles and we wouldn't want to be getting there too hastily. We are not affected by what the coasts are doing, we're affected by what's right for Missouri and Kansas.

Twenty to twenty-five years ago, the calculus might have been something as simple as, can we get recovery? Or is this the cheapest way to get it done and get it recovered?

That is not the analysis today. Today, we are optimizing all the options around renewables, but it has to be in an economical way. That's how we get buy-in regionally.

We are not in part of the country that will tolerate paying a major premium for energy that when you turn on your light switch, feels like it's exactly the same as they received before a transition to clean energy. Fortunately, that doesn't have to be the way we deliver it.

Ellen Fairchild: We've done a lot since 2005, we've reduced carbon emissions by fifty-one percent. Half of our customers are served by emissions-free sources.

We're second among our Midwest peer utilities with our emission-free energy mix. While we can look at the coasts, we shouldn't diminish what we've done as a utility in the Midwest. We have a lot to be proud of.

We also have our Clean Charge Network, one of the largest EV charging networks in the nation. We get beaten up a little bit, but it's because maybe we haven't told our story well enough yet. That's why communication and getting our message out is top of our list.

PUF: What's most rewarding in this kind of work?

Heather Humphrey: When I think about renewable energy and ESG, it's not just the E, the social and governance components are equally compelling. What's next in this country, and in the world, as it relates to ESG and our part in doing better as a company and in total?

When you have an opportunity to make a difference, when you have this visibility to something bigger, that doesn't come along every day, and it is not something I take for granted. If you can do work that's satisfying, you're a lucky person.

Ellen Fairchild: I agree. You work in the utility industry because it's bigger than yourself. You work in it because we're critical infrastructure, and we support what goes on in the nation. You have this sense of pride, when your crews are out working, they're in the storms, and you see them go and do mutual assistance. It's the same with ESG, in that we have the ability as a utility to lead the energy transition for our region.

That's just the E part of ESG. The whole social and governance piece is critical as well. It's being a place where employees want to work, because they're valued, and they feel like we're making a difference in the world by the work we do.

Dan Hahn: Regarding ESG, can you give an example within the community around the S?

Heather Humphrey: As it relates to ESG, we've had a supplier diversity program, and it's been around a long time. In fact, it predates the most recent ESG movement. It is a great symbol of the core DNA at Evergy and shows that these issues have mattered to us for a while.

We believe in the community, and work with diverse suppliers, to help them earn business. That's not just to supply us, but to work with other entities in the region, and it has been a hugely successful program.

Ellen Fairchild: I have a lot of S stories, but I will touch on the employee piece. Employees are aligned about the value we provide. They're engaged. Even in a year of pandemic, we take an annual Gallup survey of employees, and we increased in 2020, by twenty percent from the previous year.

Also, during that time frame, our employees volunteered over twenty thousand hours and gave over a million dollars in community donations.

We made a specific plea to employees around the pandemic and giving. That's in addition to the over eight million dollars that the company gave in community support. ❍

Brian Bird

NorthWestern Energy

PUF's Steve Mitnick: What are some of the most important ESG initiatives your company has undertaken?

Brian Bird: I would argue that every ESG initiative NorthWestern Energy pursues is important.

The goal is sustainability, built on operational excellence, financial soundness, constructive policy, and cultural integrity.

The first initiative to mention is our focus on good governance. We were talking about governance long before ESG was a thing. Upon emergence from bankruptcy in 2004, it was important to regain trust from our stakeholders and we needed to be a leader on corporate governance.

Our recognition by Moody's Investor Services, which names NorthWestern Energy in the top five among fifty publicly traded North American utility and power companies on Best Governance Practices, is an acknowledgement of our success here.

NorthWestern Energy's electric generation is sixty-five percent carbon free, compared with the total U.S. electric power industry, which is about forty percent carbon free. The company's purchase

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of eleven hydro facilities in Montana in 2014 for eight hundred seventy million dollars was the catalyst of our clean generation portfolio. The hydro generation stabilized customers' rates, will do so for years to come, and accelerated our pursuit of a cleaner generation portfolio

Our employees call the communities we serve home, where we raise our families, and are committed to the health, welfare, and growth of the places we live. NorthWestern Energy's annual community giving, including economic development, exceeds $5.5 million.