

**Evergy Missouri West, Inc.**

**Unaudited Consolidated Financial Statements for the Three Months Ended  
and Year to Date June 30, 2021 and 2020**

# EVERGY MISSOURI WEST, INC.

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## GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report.

<b><u>Abbreviation or Acronym</u></b>	<b><u>Definition</u></b>
<b>AAO</b>	Accounting authority order
<b>ACE</b>	Affordable Clean Energy
<b>AFUDC</b>	Allowance for funds used during construction
<b>AROs</b>	Asset retirement obligations
<b>BSER</b>	Best system of emission reduction
<b>CAA</b>	Clean Air Act Amendments of 1990
<b>CCRs</b>	Coal combustion residuals
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>COVID-19</b>	Coronavirus
<b>CPP</b>	Clean Power Plan
<b>D.C. Circuit</b>	U.S. Court of Appeals for the D.C. Circuit
<b>ELG</b>	Effluent limitations guidelines
<b>EPA</b>	Environmental Protection Agency
<b>Evergy</b>	Evergy, Inc.
<b>Evergy Kansas Central</b>	Evergy Kansas Central, Inc., a wholly-owned subsidiary of Evergy
<b>Evergy Metro</b>	Evergy Metro, Inc., a wholly-owned subsidiary of Evergy
<b>Evergy Missouri West</b>	Evergy Missouri West, Inc., a wholly-owned subsidiary of Evergy
<b>February 2021 winter weather event</b>	Significant winter weather event in February 2021 that resulted in extremely cold temperatures over a multi-day period across much of the central and southern United States
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GHG</b>	Greenhouse gas
<b>MECG</b>	Midwest Energy Consumers Group
<b>MDNR</b>	Missouri Department of Natural Resources
<b>MPSC</b>	Public Service Commission of the State of Missouri
<b>NAAQS</b>	National Ambient Air Quality Standards
<b>NAV</b>	Net asset value
<b>OCI</b>	Other comprehensive income
<b>OPC</b>	Office of the Public Counsel
<b>SERP</b>	Supplemental Executive Retirement Plan
<b>SIP</b>	State implementation plan
<b>SPP</b>	Southwest Power Pool, Inc.

**EVERGY MISSOURI WEST, INC.**  
**Consolidated Balance Sheets**  
(Unaudited)

	<b>June 30 2021</b>	December 31 2020
<b>ASSETS</b>	(millions, except share amounts)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2.2	\$ 28.0
Receivables, net of allowance for credit losses of \$3.8 and \$3.7, respectively	51.3	36.8
Related party receivables	1.6	1.6
Accounts receivable pledged as collateral	52.0	50.0
Fuel inventory and supplies	64.5	57.5
Income taxes receivable	5.0	26.8
Regulatory assets	29.6	21.3
Prepaid expenses and other assets	5.9	5.8
Total Current Assets	212.1	227.8
PROPERTY, PLANT AND EQUIPMENT, NET	2,795.4	2,652.9
<b>OTHER ASSETS:</b>		
Regulatory assets	603.2	323.0
Goodwill	351.6	351.6
Other	22.1	27.9
Total Other Assets	976.9	702.5
<b>TOTAL ASSETS</b>	<b>\$ 3,984.4</b>	<b>\$ 3,583.2</b>

**EVERGY MISSOURI WEST, INC.**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2021	December 31 2020
(millions, except share amounts)		
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 468.4	\$ 429.4
Notes payable and commercial paper	248.0	65.0
Collateralized note payable	52.0	50.0
Accounts payable	71.7	115.6
Related party payables	233.6	236.1
Accrued taxes	31.4	7.4
Accrued interest	9.8	6.8
Regulatory liabilities	6.2	6.2
Asset retirement obligations	5.5	7.8
Other	4.4	6.6
Total Current Liabilities	1,131.0	930.9
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net	752.6	642.3
Deferred income taxes	374.4	305.7
Unamortized investment tax credits	2.5	2.6
Regulatory liabilities	281.5	282.3
Retirement benefits	24.2	23.8
Asset retirement obligations	14.6	11.7
Other	20.5	21.6
Total Long-Term Liabilities	1,470.3	1,290.0
Commitments and Contingencies (Note 8)		
<b>EQUITY:</b>		
Common shareholder's equity		
Common stock-1,000 shares authorized, \$0.01 par value, 10 shares issued, stated value	1,257.7	1,257.7
Retained earnings	128.2	107.7
Accumulated other comprehensive loss	(2.8)	(3.1)
Total Shareholder's Equity	1,383.1	1,362.3
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,984.4</b>	<b>\$ 3,583.2</b>

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**EVERGY MISSOURI WEST, INC.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
	(millions)			
<b>OPERATING REVENUES</b>	<b>\$ 200.2</b>	\$ 191.0	<b>\$ 396.4</b>	\$ 373.1
<b>OPERATING EXPENSES:</b>				
Fuel and purchased power	<b>65.0</b>	55.9	<b>165.7</b>	123.5
Operating and maintenance	<b>43.8</b>	46.9	<b>92.6</b>	96.9
Depreciation and amortization	<b>31.7</b>	26.5	<b>58.3</b>	52.7
Taxes other than income tax	<b>13.2</b>	12.6	<b>25.7</b>	24.2
Total Operating Expenses	<b>153.7</b>	141.9	<b>342.3</b>	297.3
<b>INCOME FROM OPERATIONS</b>	<b>46.5</b>	49.1	<b>54.1</b>	75.8
<b>OTHER INCOME (EXPENSE):</b>				
Investment earnings	<b>1.4</b>	1.9	<b>1.2</b>	2.6
Other income	<b>0.2</b>	0.1	<b>0.9</b>	0.2
Other expense	<b>(4.0)</b>	(3.4)	<b>(7.5)</b>	(7.4)
Total Other Expense, Net	<b>(2.4)</b>	(1.4)	<b>(5.4)</b>	(4.6)
Interest expense	<b>14.4</b>	14.4	<b>27.6</b>	28.8
<b>INCOME BEFORE INCOME TAXES</b>	<b>29.7</b>	33.3	<b>21.1</b>	42.4
Income tax expense (benefit)	<b>4.7</b>	(58.8)	<b>0.6</b>	(58.9)
<b>NET INCOME</b>	<b>\$ 25.0</b>	\$ 92.1	<b>\$ 20.5</b>	\$ 101.3
<b>COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	<b>\$ 25.0</b>	\$ 92.1	<b>\$ 20.5</b>	\$ 101.3
<b>OTHER COMPREHENSIVE INCOME</b>				
Defined benefit pension plans				
Amortization of net losses included in net periodic benefit costs	<b>0.2</b>	0.1	<b>0.3</b>	0.2
Income tax expense	<b>—</b>	(0.1)	<b>—</b>	(0.1)
Amortization of net losses included in net periodic benefit costs, net of tax	<b>0.2</b>	—	<b>0.3</b>	0.1
Change in unrecognized pension expense, net of tax	<b>0.2</b>	—	<b>0.3</b>	0.1
Total other comprehensive income	<b>0.2</b>	—	<b>0.3</b>	0.1
<b>COMPREHENSIVE INCOME</b>	<b>\$ 25.2</b>	\$ 92.1	<b>\$ 20.8</b>	\$ 101.4

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**EVERGY MISSOURI WEST, INC.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

<b>Year to Date June 30</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	(millions)	
Net income	\$ 20.5	\$ 101.3
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	58.3	52.7
Net deferred income taxes and credits	62.5	(37.0)
Allowance for equity funds used during construction	(0.3)	—
Payments for asset retirement obligations	(1.7)	(2.2)
Changes in working capital items:		
Accounts receivable	(13.7)	(22.8)
Accounts receivable pledged as collateral	(2.0)	2.0
Fuel inventory and supplies	(7.0)	(5.2)
Prepaid expenses and other current assets	(9.9)	19.2
Accounts payable	(51.1)	(40.0)
Accrued taxes	45.8	0.6
Other current liabilities	3.4	(6.5)
Change in other assets	(265.5)	10.1
Changes in other liabilities	5.7	8.3
Cash Flows from (used in) Operating Activities	(155.0)	80.5
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(200.0)	(116.0)
Cash Flows used in Investing Activities	(200.0)	(116.0)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>		
Short term debt, net	183.0	73.6
Collateralized short-term borrowings, net	2.0	(2.0)
Proceeds from long-term debt	497.7	—
Retirements of long-term debt	(348.5)	(1.1)
Net money pool borrowings	(5.0)	—
Cash dividends paid	—	(35.0)
Cash flows from Financing Activities	329.2	35.5
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(25.8)</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	28.0	1.2
End of period	\$ 2.2	\$ 1.2

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**EVERGY MISSOURI WEST, INC.**  
**Consolidated Statements of Changes in Equity**  
(Unaudited)

	Common stock shares	Common stock	Retained earnings	AOCI - Defined benefit pension plans	Total equity
		(millions, except share amounts)			
<b>Balance as of December 31, 2019</b>	10	\$ 1,276.9	\$ 6.2	\$ (1.7)	\$ 1,281.4
Net income	—	—	9.2	—	9.2
Change in unrecognized pension expense, net of tax	—	—	—	0.1	0.1
<b>Balance as of March 31, 2020</b>	10	1,276.9	15.4	(1.6)	1,290.7
Net income	—	—	92.1	—	92.1
Dividend declared on common stock	—	(19.2)	(15.8)	—	(35.0)
<b>Balance as of June 30, 2020</b>	10	\$ 1,257.7	\$ 91.7	\$ (1.6)	\$ 1,347.8
<b>Balance as of December 31, 2020</b>	10	\$ 1,257.7	\$ 107.7	\$ (3.1)	\$ 1,362.3
Net loss	—	—	(4.5)	—	(4.5)
Change in unrecognized pension expense, net of tax	—	—	—	0.1	0.1
<b>Balance as of March 31, 2021</b>	10	1,257.7	103.2	(3.0)	1,357.9
Net income	—	—	25.0	—	25.0
Change in unrecognized pension expense, net of tax	—	—	—	0.2	0.2
<b>Balance as of June 30, 2021</b>	10	\$ 1,257.7	\$ 128.2	\$ (2.8)	\$ 1,383.1

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

**EVERGY MISSOURI WEST, INC.****Notes to Unaudited Consolidated Financial Statements**

The term "Evergy Missouri West" is used throughout this report and refers to Evergy Missouri West, Inc. and its consolidated subsidiaries, unless otherwise indicated. Evergy Missouri West is a wholly-owned subsidiary of Evergy, Inc. (Evergy). Evergy also owns Evergy Metro, Inc. (Evergy Metro) and Evergy Kansas Central, Inc. (Evergy Kansas Central), both integrated, regulated electric utilities.

**1. ORGANIZATION AND BASIS OF PRESENTATION****Organization**

Evergy Missouri West is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri. Evergy Missouri West conducts business in its service territory using the name Evergy.

**Basis of Presentation**

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, these unaudited consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements and should be read in conjunction with Evergy Missouri West's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These unaudited consolidated financial statements, in the opinion of management, reflect all normal recurring adjustments necessary to fairly present the unaudited consolidated financial statements of Evergy Missouri West for these interim periods. In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Principles of Consolidation**

Evergy Missouri West's unaudited consolidated financial statements include the accounts of its subsidiaries. Undivided interests in jointly-owned generation facilities are included on a proportionate basis. Intercompany transactions have been eliminated.

Subsequent events have been evaluated through August 13, 2021, the date the unaudited consolidated financial statements were available to be issued.

**Fuel Inventory and Supplies**

Evergy Missouri West records fuel inventory and supplies at average cost. The following table separately states the balances for fuel inventory and supplies.

	<b>June 30 2021</b>	<b>December 31 2020</b>
	(millions)	
Fuel inventory	\$ 21.2	\$ 20.8
Supplies	43.3	36.7
Fuel inventory and supplies	\$ 64.5	\$ 57.5

### Property, Plant and Equipment

The following table summarizes Evergy Missouri West's property, plant and equipment.

	June 30 2021	December 31 2020
	(millions)	
Electric plant in service	\$ 3,890.6	\$ 3,750.5
Accumulated depreciation	(1,249.5)	(1,228.1)
Plant in service, net	2,641.1	2,522.4
Construction work in progress	154.3	130.5
Property, plant and equipment, net	\$ 2,795.4	\$ 2,652.9

### Other Income (Expense), Net

The table below shows the detail of other expense for Evergy Missouri West.

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
	(millions)			
Non-service cost component of net benefit cost	\$ (3.7)	\$ (3.2)	\$ (7.1)	\$ (7.0)
Other	(0.3)	(0.2)	(0.4)	(0.4)
Other expense	\$ (4.0)	\$ (3.4)	\$ (7.5)	\$ (7.4)

### Supplemental Cash Flow Information

Year to Date June 30	2021	2020
	(millions)	
Cash paid for (received from):		
Interest, net of amounts capitalized	\$ 24.2	\$ 28.6
Income taxes, net of refunds	(83.8)	—
Non-cash investing transactions:		
Property, plant and equipment additions	34.9	20.5

### February 2021 Winter Weather Event

In February 2021, much of the central and southern United States, including the service territory of Evergy Missouri West, experienced a significant winter weather event that resulted in extremely cold temperatures over a multi-day period (February 2021 winter weather event). The February 2021 winter weather event resulted in an increase in the demand for natural gas used by Evergy Missouri West for generating electricity and also contributed to the limited availability of other generation resources, including coal and renewables, within the Southwest Power Pool, Inc. (SPP) Integrated Marketplace. Evergy Missouri West is a member of the SPP and, as a result, principally sells and purchases power for Evergy Missouri West's retail electric customers through the SPP Integrated Marketplace. These circumstances resulted in higher than normal market prices for both natural gas and power for the duration of the February 2021 winter weather event. These higher than normal market prices also included make-whole payments calculated by the SPP to compensate natural gas generators within the SPP Integrated Marketplace for costs incurred in excess of revenues. As part of the February 2021 winter weather event and inclusive of the aforementioned items, Evergy Missouri West incurred natural gas and purchased power costs, net of wholesale revenues, of \$292.7 million. The amount of purchased power costs incurred by Evergy Missouri West during the February 2021 winter weather event is subject to resettlement activity and further review by the SPP. This review and any subsequent resettlement activity could result in increases or decreases to the final amount of purchased power costs incurred by Evergy Missouri West during the February 2021 winter weather event and these changes could be material.

Evergy Missouri West has a fuel recovery mechanism that allows it to defer substantially all of any increased fuel and purchased power costs, net of wholesale revenues, to a regulatory asset for future recovery from customers. In June 2021, Evergy Missouri West and Evergy Metro filed a joint request for an Accounting Authority Order (AAO)

with the Public Service Commission of the State of Missouri (MPSC) that would allow for the extraordinary costs to provide service during the February 2021 winter weather event, including carrying costs, to be deferred to a regulatory asset for consideration in future proceedings. See Note 4 for additional information regarding the AAO.

As of June 30, 2021, Evergy Missouri West had deferred substantially all of its fuel and purchased power costs, net of wholesale revenues, related to the February 2021 winter weather event to a regulatory asset pursuant to the mechanisms discussed above. While Evergy Missouri West expects to recover substantially all of any increased fuel and purchased power costs related to the February 2021 winter weather event from customers, the timing of the cost recovery could be delayed or spread over a longer than typical recovery timeframe by the MPSC to help moderate monthly customer bill impacts given the extraordinary nature of the February 2021 winter weather event.

## 2. REVENUE

Evergy Missouri West's revenues disaggregated by customer class are summarized in the following table.

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
<b>Revenues</b>	(millions)			
Residential	\$ 94.3	\$ 96.3	\$ 185.4	\$ 183.6
Commercial	69.3	61.3	129.1	122.8
Industrial	21.3	19.6	39.6	38.0
Other retail	1.5	2.2	3.6	4.6
Total electric retail	\$ 186.4	\$ 179.4	\$ 357.7	\$ 349.0
Wholesale	5.1	3.8	21.3	6.8
Transmission	4.2	4.3	8.3	8.6
Industrial steam and other	4.2	3.6	8.6	8.1
Total revenue from contracts with customers	\$ 199.9	\$ 191.1	\$ 395.9	\$ 372.5
Other	0.3	(0.1)	0.5	0.6
<b>Operating revenues</b>	\$ 200.2	\$ 191.0	\$ 396.4	\$ 373.1

### 3. RECEIVABLES

Evergy Missouri West's receivables are detailed in the following table.

	June 30 2021	December 31 2020
	(millions)	
Customer accounts receivable - billed	\$ 3.4	\$ 2.0
Customer accounts receivable - unbilled	44.7	31.4
Other receivables	7.0	7.1
Allowance for credit losses	(3.8)	(3.7)
Total	\$ 51.3	\$ 36.8

As of June 30, 2021 and December 31, 2020, other receivables for Evergy Missouri West included receivables from contracts with customers of \$1.1 million and \$0.8 million, respectively.

The change in Evergy Missouri West's allowance for credit losses is summarized in the following table.

	2021	2020
	(millions)	
Beginning balance January 1	\$ 3.7	\$ 2.2
Credit loss expense	0.7	3.0
Write-offs	(1.9)	(2.6)
Recoveries of prior write-offs	1.3	1.5
Ending balance June 30	\$ 3.8	\$ 4.1

#### Sale of Accounts Receivable

Evergy Missouri West sells an undivided percentage ownership interest in its retail electric accounts receivable to an independent outside investor. This sale is accounted for as a secured borrowing with accounts receivable pledged as collateral and a corresponding short-term collateralized note payable recognized on the balance sheets. At June 30, 2021 and December 31, 2020, Evergy Missouri West's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were \$52.0 million and \$50.0 million, respectively. Evergy Missouri West's receivable sales facility expires in 2024 and allows for \$50.0 million in aggregate outstanding principal amount of borrowings from mid-November through mid-June and then \$65.0 million from mid-June through mid-November.

### 4. RATE MATTERS AND REGULATION

#### MPSC Proceedings

##### *Evergy Missouri West Other Proceedings*

In December 2018, the Office of the Public Counsel (OPC) and the Midwest Energy Consumers Group (MECG) filed a petition with the MPSC requesting an AAO that would require Evergy Missouri West to record a regulatory liability for all revenues collected from customers for return on investment, non-fuel operations and maintenance costs, taxes including accumulated deferred income taxes, and all other costs associated with Sibley Station following the station's retirement in November 2018.

In October 2019, the MPSC granted OPC's and MECG's request for an AAO and required Evergy Missouri West to record to a regulatory liability the revenues discussed above for consideration in Evergy Missouri West's next rate case, which is expected to be completed no later than the end of 2022. Depending on the MPSC's decision in this next rate case, Evergy Missouri West could be required to refund to customers all or a portion of amounts collected in revenue for Sibley Station since December 2018 or, alternatively, could be required to make no refunds.

As a result of the MPSC order, Evergy Missouri West has recorded a regulatory liability of \$23.8 million as of June 30, 2021 for the estimated amount of revenues that Evergy Missouri West has collected from customers for Sibley Station since December 2018 that Evergy Missouri West has determined is probable of refund. Evergy Missouri West expects that it will continue to defer such amounts as collected from customers until new rates become effective in its next rate case.

The accrual for this estimated amount does not include certain revenues collected related to Sibley Station that Evergy Missouri West has determined to not be probable of refund in the next rate case based on the relevant facts and circumstances. Although Evergy Missouri West has determined these additional revenues to not be probable of refund, the ultimate resolution of this matter in Evergy Missouri West's next rate case is uncertain and could result in an estimated loss of up to approximately \$12 million per year in excess of the amount accrued until Evergy Missouri West's new rates become effective. Evergy Missouri West's regulatory liability for probable refunds as of June 30, 2021 and estimated loss in excess of the amount accrued represent estimates that could change significantly based on ongoing developments including decisions in other regulatory proceedings that establish precedent applicable to this matter and positions of parties on this issue in a future Evergy Missouri West rate case.

#### ***Evergy Missouri West February 2021 Winter Weather Event AAO***

In June 2021, Evergy Missouri West and Evergy Metro filed a joint request for an AAO with the MPSC that would allow Evergy Missouri West to defer to a regulatory asset any extraordinary costs, including carrying costs, to provide electric service during the February 2021 winter weather event for consideration in future proceedings.

Evergy Missouri West has currently deferred substantially all of its fuel and purchased power costs, net of wholesale revenues, related to the February 2021 winter weather event to a regulatory asset pursuant to its ability to recover these amounts through its fuel recovery mechanism, which allows for the recovery of 95% of increases in fuel and purchased power costs, net of wholesale revenues, to customers. This AAO request is intended to address the recovery of the February 2021 winter weather event amounts separate from the normal fuel recovery mechanism process given the extraordinary nature of the February 2021 winter weather event and to help moderate customer bill impacts. As of June 30, 2021, Evergy Missouri West had recognized a regulatory asset of \$278.1 million related to its costs incurred during the February 2021 winter weather event, primarily consisting of increased fuel and purchased power costs.

In the AAO filing, Evergy Missouri West requested to exclude its deferred February 2021 winter weather event amounts from recovery through its fuel recovery mechanism and indicated its intent to recover them through issuing securitized bonds pursuant to the securitization legislation signed into law in Missouri in July 2021. Evergy Missouri West also requested an approximately \$15 million increase to its February 2021 winter weather event recovery from Missouri customers, which is not currently reflected in its regulatory asset for the February 2021 winter weather event, for the portion of net fuel and purchased power costs not traditionally recoverable because of the 5% sharing provision of its fuel recovery mechanism. A decision by the MPSC regarding Evergy Missouri West's AAO request is expected by the end of 2021.

#### **5. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT**

Evergy's \$2.5 billion master credit facility expires in 2023. Evergy Missouri West has borrowing capacity under the master credit facility with a current sublimit of \$700.0 million. This sublimit can be unilaterally adjusted by Evergy provided the sublimit remains within minimum and maximum sublimits as specified in the facility. Evergy adjusted Evergy Missouri West's sublimit to \$700.0 million from \$450.0 million in the first quarter of 2021. A default by Evergy Missouri West or one of its significant subsidiaries on other indebtedness totaling more than \$100.0 million constitutes a default by Evergy Missouri West under the facility. Under the terms of this facility, Evergy Missouri West is required to maintain a total indebtedness to total capitalization ratio, as defined in the facility, of not greater than 0.65 to 1.00 at all times. As of June 30, 2021, Evergy Missouri West was in compliance with this covenant.

At June 30, 2021, Evergy Missouri West had \$248.0 million of commercial paper outstanding at a weighted-average interest rate of 0.19%, had not issued letters of credit and had no outstanding cash borrowings under the master credit facility. At December 31, 2020, Evergy Missouri West had \$65.0 million of commercial paper outstanding at

a weighted-average interest rate of 0.36%, had issued letters of credit totaling \$2.0 million and had no outstanding cash borrowings under the master credit facility.

## **6. LONG-TERM DEBT**

### **Senior Notes**

In April 2021, Evergy Missouri West issued in a private placement \$350.0 million of 2.86% Series A Senior Notes, maturing in 2031, \$75.0 million of 3.01% Series B Senior Notes, maturing in 2033 and \$75.0 million of 3.21% Series C Senior Notes, maturing in 2036, pursuant to a note purchase agreement. In connection with the issuance, Evergy entered into an agreement to provide an unconditional guaranty of the Series A, B and C Senior Notes, and as required by certain existing note purchase agreements, also agreed to provide unconditional guaranty of the following series of outstanding Evergy Missouri West unsecured senior notes:

- \$36.0 million of 3.49% Series A, maturing in 2025;
- \$60.0 million of 4.06% Series B, maturing in 2033;
- \$150.0 million of 4.74% Series C, maturing in 2043; and
- \$100.0 million of 3.74% Series, maturing in 2022.

In April 2021, Evergy Missouri West redeemed its \$347.4 million of 4.97% Affiliated Notes Payable to Evergy, which had a maturity date of June 2021.

## **7. FAIR VALUE MEASUREMENTS**

GAAP establishes a hierarchical framework for disclosing the transparency of the inputs utilized in measuring assets and liabilities at fair value. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy levels. In addition, Evergy Missouri West measures certain investments that do not have a readily determinable fair value at net asset value (NAV), which are not included in the fair value hierarchy. Further explanation of these levels and NAV is summarized below.

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on public exchanges.

Level 2 - Pricing inputs are not quoted prices in active markets, but are either directly or indirectly observable. The types of assets and liabilities included in Level 2 are certain marketable debt securities, financial instruments traded in less than active markets or other financial instruments priced with models using highly observable inputs.

Level 3 - Significant inputs to pricing have little or no transparency. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation.

NAV - Investments that do not have a readily determinable fair value are measured at NAV. These investments do not consider the observability of inputs and, therefore, they are not included within the fair value hierarchy. Evergy Missouri West includes in this category investments that do not have a readily determinable fair value.

Evergy Missouri West records cash and cash equivalents, accounts receivable and short-term borrowings on its balance sheets at cost, which approximates fair value due to the short-term nature of these instruments.

**Fair Value of Long-Term Debt**

Everygy Missouri West measures the fair value of long-term debt using Level 2 measurements available as of the measurement date. The book value and fair value of Everygy Missouri West's long-term debt is summarized in the following table.

	June 30, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
	(millions)			
Long-term debt <sup>(a)</sup>	\$ 1,221.0	\$ 1,309.7	\$ 1,071.7	\$ 1,156.6

<sup>(a)</sup>Includes current maturities.

**Supplemental Executive Retirement Plan**

At June 30, 2021 and December 31, 2020, Everygy Missouri West's Supplemental Executive Retirement Plan (SERP) rabbi trusts included \$12.7 million of core bond funds and \$13.1 million of fixed income funds, respectively. The core bond funds are Level 1 investments and the fixed income funds are valued at NAV per share (or its equivalent) and are not categorized in the fair value hierarchy.

**8. COMMITMENTS AND CONTINGENCIES**

**Environmental Matters**

Set forth below are descriptions of contingencies related to environmental matters that may impact Everygy Missouri West's operations or its financial results. Management's assessment of these contingencies, which are based on federal and state statutes and regulations, and regulatory agency and judicial interpretations and actions, has evolved over time. These laws, regulations, interpretations and actions can also change, restrict or otherwise impact Everygy Missouri West's operations or financial results. The failure to comply with these laws, regulations, interpretations and actions could result in the assessment of administrative, civil and criminal penalties and the imposition of remedial requirements. Everygy Missouri West believes that all of its operations are in substantial compliance with current federal, state and local environmental standards.

There are a variety of final and proposed laws and regulations that could have a material adverse effect on Everygy Missouri West's operations and consolidated financial results. Due in part to the complex nature of environmental laws and regulations, Everygy Missouri West is unable to assess the impact of potential changes that may develop with respect to the environmental contingencies described below.

***Cross-State Air Pollution Update Rule***

In September 2016, the Environmental Protection Agency (EPA) finalized the Cross-State Air Pollution (CSAPR) Update Rule. The final rule addresses interstate transport of nitrogen oxides emissions in 22 states including Kansas, Missouri and Oklahoma during the ozone season and the impact from the formation of ozone on downwind states with respect to the 2008 ozone National Ambient Air Quality Standards (NAAQS). In December 2018, the EPA finalized a determination, known as the CSAPR Close-Out Rule, demonstrating the CSAPR Update Rule fully addressed certain upwind states' 2008 ozone NAAQS interstate transport obligations. Various states and others challenged both the CSAPR Update Rule and the CSAPR Close-Out Rule in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit). In 2019, the D.C. Circuit granted these petitions and remanded a portion of the CSAPR Update Rule back to the EPA and vacated the CSAPR Close-Out Rule in its entirety.

In response to the remand by the D.C. Circuit, the EPA published the final Revised Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS in April 2021. The final rule finds that nine of the states that were subject to the CSAPR Update Rule do not significantly contribute to downwind states' nonattainment or maintenance issues during the ozone season and that there are no further reductions in allowance budgets for these states. These nine states are Alabama, Arkansas, Iowa, Kansas, Mississippi, Missouri, Oklahoma, Texas and Wisconsin. Everygy Missouri West will continue to monitor this rule as any future changes to its NO<sub>x</sub> ozone season allowance allocations could be material.

### ***Regional Haze Rule***

In 1999, the EPA finalized the Regional Haze Rule which aims to restore national parks and wilderness areas to pristine conditions. The rule requires states in coordination with the EPA, the National Park Service, the U.S. Fish and Wildlife Service, the U.S. Forest Service, and other interested parties to develop and implement air quality protection plans to reduce the pollution that causes visibility impairment. There are 156 “Class I” areas across the U.S. that must be restored to pristine conditions by the year 2064. There are two Class I areas in Missouri: the Hercules-Glades Wilderness Area and the Mingo Wilderness Area. States must submit revisions to their Regional Haze Rule state implementation plans (SIPs) every ten years and the first round was due in 2007. For the second ten-year implementation period, the EPA issued a final rule revision in 2017 that allowed states to submit their SIP revisions by July 31, 2021. Evergy Missouri West has been in contact with the Missouri Department of Natural Resources (MDNR) as it worked to draft its SIP revisions. The Missouri SIP revision is still being drafted and MDNR has indicated they do not expect to require any additional reductions from Evergy Missouri West's generating units in the state. The EPA provided comments on the Kansas SIP revision in June 2021 that each state is statutorily required to conduct a “four-factor analysis” on at least two sources within the state to help determine if further emission reductions are necessary. These sources could be from the electric utility industry or others. If a generating unit of Evergy Missouri West is selected for analysis there is a chance that the state or EPA, through a federal implementation plan, determines that additional operational or physical modifications are required on the generating unit to further reduce emissions. If the EPA believes these expenses to be cost effective, the modifications may be required. The overall cost of those modifications could be material to Evergy Missouri West.

### ***Greenhouse Gases***

Burning coal and other fossil fuels releases carbon dioxide (CO<sub>2</sub>) and other gases referred to as greenhouse gases (GHG). Various regulations under the federal Clean Air Act Amendments of 1990 (CAA) limit CO<sub>2</sub> and other GHG emissions, and in addition, other measures are being imposed or offered by individual states, municipalities and regional agreements with the goal of reducing GHG emissions.

In July 2019, the EPA published the final Affordable Clean Energy (ACE) rule in the Federal Register. This rule contained (1) emission guidelines for GHG emissions from existing electric utility generating units (EGUs) and (2) revisions to emission guideline implementing regulations. This rule defined the "best system of emission reduction" (BSER) for GHG emissions from existing coal-fired EGUs as on-site, heat-rate efficiency improvements. The final rule also provided states with a list of candidate technologies that can be used to establish standards of performance and incorporate these performance standards into state plans. In conjunction with the finalization of the ACE rule, the EPA repealed its previously adopted Clean Power Plan (CPP). In January 2021, the D.C. Circuit vacated and remanded the ACE rule back to the EPA. In February 2021, the D.C. Circuit granted a motion filed by the EPA for a partial stay of its January 2021 vacatur discussed above. The partial stay leaves the vacatur of the ACE rule in place while staying the mandate that vacates the repeal of the CPP. As a result of the partial stay, neither the ACE rule nor the CPP will be in effect while the EPA forms a new rule to regulate GHG emissions. In April 2021, 18 states filed a petition for a writ of certiorari to the Supreme Court requesting review of the D.C. Circuit ruling.

Due to uncertainty regarding the future of the ACE rule or other potential GHG regulations, Evergy Missouri West cannot determine the impact of the rule on its operations or consolidated financial results, but the cost to comply with the ACE rule or other potential GHG rules, could be material.

### ***Water***

Evergy Missouri West discharges some of the water used in generation and other operations containing substances deemed to be pollutants. A November 2015 EPA rule applicable to steam-electric power generating plants establishes effluent limitations guidelines (ELG) and standards for wastewater discharges, including limits on the amount of toxic metals and other pollutants that can be discharged. Implementation timelines for this 2015 rule vary from 2018 to 2023. In April 2019, the U.S. Court of Appeals for the 5th Circuit (5th Circuit) issued a ruling that vacates and remands portions of the original ELG rule. Due to this ruling, the EPA announced a plan in July 2021 to release a proposed rulemaking in September 2022 to address the vacated limitations for legacy wastewater and landfill leachate. Future ELG modifications for the best available technology economically achievable for the discharge of legacy wastewater and leachate are likely and could be material.

In October 2020, the EPA published the final ELG reconsideration rule. This rule adjusts numeric limits for flue gas desulfurization (FGD) wastewater and adds a 10% volumetric purge limit for bottom ash transport water. The timeline for final FGD wastewater compliance is as soon as possible on or after one year following publication of the final rule in the Federal Register but no later than December 31, 2025. In August 2021, the EPA published notice in the Federal Register that it will undertake a supplemental rulemaking to revise the ELG regulations after completing its review of the reconsideration rule as a result of an executive order from President Biden. As part of the rulemaking process, the EPA will determine if more stringent limitations and standards are appropriate. The 2020 ELG reconsideration rules will remain in effect while the EPA undertakes this new rulemaking.

Evergy Missouri West has reviewed the 2020 ELG reconsideration regulation, and the costs to comply with these changes are not expected to be material. However, Evergy Missouri West cannot predict what revisions the EPA may make under its July 2021 announcement to revise the ELG regulations and compliance costs associated with any revisions could be material.

In July 2021, the EPA and the Department of the Army released a pre-publication version of a notice announcing their intent to revise the definition of "Waters of the United States." After reviewing the Navigable Waters Protection Rule as directed by President Biden's administration, the EPA and Department of the Army have determined a need to revise the definition to prevent environmental degradation. Evergy Missouri West cannot predict the outcome of any new rulemaking but will be monitoring proposals on this topic for any impact to operations.

### ***Regulation of Coal Combustion Residuals***

In the course of operating its coal generation plants, Evergy Missouri West produces coal combustion residuals (CCRs), including fly ash, gypsum and bottom ash. The EPA published a rule to regulate CCRs in April 2015 that requires additional CCR handling, processing and storage equipment and closure of certain ash disposal units.

In March 2019, the D.C. Circuit issued a ruling to grant the EPA's request to remand the Phase I, Part I CCR rule in response to a prior court ruling requiring the EPA to address un-lined surface impoundment closure requirements. In August 2020, the EPA published the Part A CCR Rule. This rule reclassified clay-lined surface impoundments from "lined" to "un-lined" and established a deadline of April 11, 2021 to initiate closure. In November 2020, the EPA published the final Part B CCR Rule. This rule includes a process to allow un-lined impoundments to continue to operate if a demonstration is made to prove that the un-lined impoundments are not adversely impacting groundwater, human health or the environment. Evergy Missouri West initiated closure of all un-lined impoundments by the deadline in the Part A CCR rule and therefore the Part B CCR rule is not expected to have a material impact.

Evergy Missouri West has recorded Asset Retirement Obligations (ARO) for its current estimate for the closure of ash disposal ponds, but the revision of these AROs may be required in the future due to changes in existing CCR regulations, the results of groundwater monitoring of CCR units or changes in interpretation of existing CCR regulations or changes in the timing or cost to close ash disposal ponds. If revisions to these AROs are necessary, the impact on Evergy Missouri West's operations or consolidated financial results could be material.

## **9. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS**

In the normal course of business, Evergy Missouri West, Evergy Kansas Central and Evergy Metro engage in related party transactions with one another. A summary of these transactions and the amounts associated with them is provided below.

**Jointly-Owned Plants and Shared Services**

Evergy Missouri West has no employees of its own. Employees of Evergy Kansas Central and Evergy Metro manage Evergy Missouri West's business and operate its facilities at cost, including Evergy Missouri West's 8% ownership interest in Evergy Kansas Central's Jeffrey Energy Center (JEC) and an 18% ownership interest in Evergy Metro's Iatan Nos. 1 and 2. Employees of Evergy Kansas Central and Evergy Metro provide Evergy Missouri West with shared service support, including costs related to human resources, information technology, accounting and legal services.

The operating expenses and capital costs billed for jointly-owned plants and shared services are detailed in the following table.

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
	(millions)			
Evergy Kansas Central billings to Evergy Missouri West	\$ 7.3	\$ 10.0	\$ 16.8	\$ 14.3
Evergy Metro billings to Evergy Missouri West	33.1	36.0	67.8	75.3

**Money Pool**

Evergy Missouri West is authorized to participate in the Evergy, Inc. money pool, which is an internal financing arrangement in which funds may be lent on a short-term basis to Evergy Missouri West from Evergy, Inc. and between Evergy Metro and Evergy Missouri West. At June 30, 2021, Evergy Missouri West had no outstanding receivables and a \$95.0 million outstanding payable to Evergy Metro under the money pool. At December 31, 2020, Evergy Missouri West had no outstanding receivables and a \$100.0 million outstanding payable to Evergy Metro under the money pool. In July 2021, the Evergy, Inc. money pool was amended to include Evergy Kansas Central and Evergy Kansas South as participants.

**Related Party Net Receivables and Payables**

The following table summarizes Evergy Missouri West's related party net payables.

	June 30 2021	December 31 2020
	(millions)	
Net payable to Evergy	\$ 37.7	\$ 39.8
Net payable to Evergy Kansas Central	10.4	6.6
Net payable to Evergy Metro	183.9	188.1

**Tax Allocation Agreement**

Evergy files a consolidated federal income tax return as well as unitary and combined income tax returns in several state jurisdictions with Kansas and Missouri being the most significant. Income taxes for consolidated or combined subsidiaries are allocated to the subsidiaries based on separate company computations of income or loss. As of June 30, 2021 and December 31, 2020, Evergy Missouri West had income taxes receivable from Evergy of \$5.0 million and \$26.8 million, respectively.

## 10. TAXES

Components of income tax expense are detailed in the following table.

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
Current income taxes	(millions)			
Federal	\$ (22.5)	\$ 8.7	\$ (59.0)	\$ (23.2)
State	(0.7)	1.3	(2.9)	1.3
Total	(23.2)	10.0	(61.9)	(21.9)
Deferred income taxes				
Federal	26.2	13.1	58.6	44.8
State	1.7	(81.9)	3.9	(81.8)
Total	27.9	(68.8)	62.5	(37.0)
Income tax expense (benefit)	\$ 4.7	\$ (58.8)	\$ 0.6	\$ (58.9)

### Effective Income Tax Rates

Effective income tax rates reflected in the financial statements and the reasons for the differences from the statutory federal rates are detailed in the following table.

	Three Months Ended June 30		Year to Date June 30	
	2021	2020	2021	2020
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Effect of:				
State income taxes	2.8	2.8	3.8	2.5
Flow through depreciation for plant-related differences	(7.7)	(6.3)	(21.7)	(9.9)
Federal tax credits	(0.1)	(0.1)	(0.3)	(0.2)
AFUDC equity	(0.1)	—	(0.3)	—
Amortization of federal investment tax credits	—	(0.1)	(0.1)	(0.1)
State tax rate change	—	(194.2)	—	(152.5)
Other	0.1	0.1	0.3	0.2
Effective income tax rate	16.0 %	(176.8)%	2.7 %	(139.0)%

### Kansas Tax Reform

In May 2020, the state of Kansas exempted certain public utilities, including Evergy Kansas Central and Evergy Metro, from Kansas corporate income tax beginning in 2021 and authorized the State Corporation Commission of the State of Kansas (KCC) to approve changes in rates related to increases or decreases in federal or state income tax rates. Evergy Missouri West is a member of Evergy's consolidated tax group and files consolidated tax returns with Evergy. Evergy allocates to Evergy Missouri West its pro rata portion of consolidated income taxes based on Evergy Missouri West's contribution to consolidated taxable income.

As a result of the exemption from Kansas corporate income tax of certain members of the Evergy consolidated tax group, Evergy Missouri West revalued its deferred income tax assets and liabilities in May 2020. Evergy Missouri West decreased its net deferred income tax liabilities by \$64.6 million offset by an income tax benefit primarily related to the revaluation of deferred income taxes that will not be refunded to customers in future rates.

The amount of income tax benefit related to the revaluation of deferred income taxes that will not be refunded to customers in future rates primarily pertains to deferred tax adjustments related to the difference between Evergy's consolidated tax rate and the statutory tax rates used for setting rates at Evergy Missouri West as well as deferred income tax adjustments related to non-regulated operations.