

Evergy Missouri West, Inc.

**Unaudited Consolidated Financial Statements and Management's Narrative Analysis
of the Results of Operations for the Three Months Ended
March 31, 2022 and 2021**

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.

<u>Abbreviation or Acronym</u>	<u>Definition</u>
AAO	Accounting authority order
ACE	Affordable Clean Energy
AFUDC	Allowance for funds used during construction
AROs	Asset retirement obligations
BSER	Best system of emission reduction
CAA	Clean Air Act Amendments of 1990
CCRs	Coal combustion residuals
CO₂	Carbon dioxide
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution
ELG	Effluent limitations guidelines
EPA	Environmental Protection Agency
Evergy	Evergy, Inc.
Evergy Kansas Central	Evergy Kansas Central, Inc., a wholly-owned subsidiary of Evergy
Evergy Metro	Evergy Metro, Inc., a wholly-owned subsidiary of Evergy
Evergy Missouri West	Evergy Missouri West, Inc., a wholly-owned subsidiary of Evergy
February 2021 winter weather event	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
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse gas
KDHE	Kansas Department of Health & Environment
MECG	Midwest Energy Consumers Group
MDNR	Missouri Department of Natural Resources
MPSC	Public Service Commission of the State of Missouri
NAAQS	National Ambient Air Quality Standards
NAV	Net asset value
OCI	Other comprehensive income
OPC	Office of the Public Counsel
SERP	Supplemental Executive Retirement Plan
SIP	State implementation plan
SPP	Southwest Power Pool, Inc.

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

	March 31	December 31
	2022	2021
ASSETS	(millions, except share amounts)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1.6	\$ 1.8
Receivables, net of allowance for credit losses of \$4.8 and \$6.7, respectively	35.5	32.7
Related party receivables	1.6	1.6
Accounts receivable pledged as collateral	50.0	50.0
Fuel inventory and supplies	78.3	72.4
Income taxes receivable	10.5	3.9
Regulatory assets	92.7	77.1
Prepaid expenses and other assets	8.1	8.2
Total Current Assets	278.3	247.7
PROPERTY, PLANT AND EQUIPMENT, NET	3,089.6	3,009.4
OTHER ASSETS:		
Regulatory assets	626.4	617.0
Goodwill	351.6	351.6
Other	18.5	26.7
Total Other Assets	996.5	995.3
TOTAL ASSETS	\$ 4,364.4	\$ 4,252.4

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

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

	March 31 2022	December 31 2021
(millions, except share amounts)		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 287.5	\$ 387.5
Notes payable and commercial paper	244.0	395.3
Collateralized note payable	50.0	50.0
Accounts payable	83.9	142.2
Related party payables	236.4	306.0
Accrued taxes	22.0	8.2
Accrued interest	8.7	8.5
Regulatory liabilities	2.8	3.3
Asset retirement obligations	1.0	1.1
Other	5.5	4.2
Total Current Liabilities	941.8	1,306.3
LONG-TERM LIABILITIES:		
Long-term debt, net	1,000.0	752.5
Deferred income taxes	409.6	398.3
Unamortized investment tax credits	2.5	2.5
Regulatory liabilities	285.7	284.6
Retirement benefits	22.7	22.5
Asset retirement obligations	16.1	16.1
Other	18.6	19.2
Total Long-Term Liabilities	1,755.2	1,495.7
Commitments and Contingencies (Note 8)		
EQUITY:		
Common shareholder's equity		
Common stock-1,000 shares authorized, \$0.01 par value, 10 shares issued, stated value	1,457.7	1,257.7
Retained earnings	211.7	194.8
Accumulated other comprehensive loss	(2.0)	(2.1)
Total Shareholder's Equity	1,667.4	1,450.4
TOTAL LIABILITIES AND EQUITY	\$ 4,364.4	\$ 4,252.4

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

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

Three Months Ended March 31	2022	2021
	(millions)	
OPERATING REVENUES	\$ 193.7	\$ 196.2
OPERATING EXPENSES:		
Fuel and purchased power	75.2	100.7
Operating and maintenance	45.7	48.8
Depreciation and amortization	27.6	26.6
Taxes other than income tax	13.9	12.5
Total Operating Expenses	162.4	188.6
INCOME FROM OPERATIONS	31.3	7.6
OTHER INCOME (EXPENSE):		
Investment earnings (loss)	0.6	(0.2)
Other income	1.0	0.7
Other expense	(4.0)	(3.5)
Total Other Expense, Net	(2.4)	(3.0)
Interest expense	10.6	13.2
INCOME (LOSS) BEFORE INCOME TAXES	18.3	(8.6)
Income tax expense (benefit)	1.4	(4.1)
NET INCOME (LOSS)	\$ 16.9	\$ (4.5)
COMPREHENSIVE INCOME		
NET INCOME (LOSS)	\$ 16.9	\$ (4.5)
OTHER COMPREHENSIVE INCOME		
Defined benefit pension plans		
Amortization of net losses included in net periodic benefit costs, net of tax	0.1	0.1
Change in unrecognized pension expense, net of tax	0.1	0.1
Total other comprehensive income	0.1	0.1
COMPREHENSIVE INCOME (LOSS)	\$ 17.0	\$ (4.4)

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)

Three Months Ended March 31	2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(millions)	
Net income (loss)	\$ 16.9	\$ (4.5)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	27.6	26.6
Net deferred income taxes and credits	8.0	34.6
Allowance for equity funds used during construction	(0.9)	(0.2)
Payments for asset retirement obligations	(0.3)	(0.5)
Changes in working capital items:		
Accounts receivable	(0.6)	5.9
Fuel inventory and supplies	(5.9)	4.1
Prepaid expenses and other current assets	(16.1)	(45.7)
Accounts payable	(56.6)	246.8
Accrued taxes	7.2	(27.1)
Other current liabilities	2.6	(3.7)
Change in other assets	5.2	(237.3)
Changes in other liabilities	5.3	6.4
Cash Flows from (used in) Operating Activities	<u>(7.6)</u>	5.4
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(131.7)	(94.8)
Cash Flows used in Investing Activities	<u>(131.7)</u>	(94.8)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short term debt, net	(151.3)	525.0
Proceeds from long-term debt	247.4	—
Retirements of long-term debt	(100.0)	(1.1)
Net money pool borrowings	(57.0)	(100.0)
Equity contribution	200.0	—
Other financing activities	—	(0.1)
Cash Flows from Financing Activities	<u>139.1</u>	423.8
NET CHANGE IN CASH AND CASH EQUIVALENTS	(0.2)	334.4
CASH AND CASH EQUIVALENTS:		
Beginning of period	1.8	28.0
End of period	<u>\$ 1.6</u>	<u>\$ 362.4</u>

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, 2021 and 2020.

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 May 4, 2022, 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.

	March 31 2022	December 31 2021
	(millions)	
Fuel inventory	\$ 27.1	\$ 24.7
Supplies	51.2	47.7
Fuel inventory and supplies	\$ 78.3	\$ 72.4

Property, Plant and Equipment

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

	March 31 2022	December 31 2021
	(millions)	
Electric plant in service	\$ 4,155.7	\$ 4,038.9
Accumulated depreciation	(1,269.1)	(1,251.6)
Plant in service, net	2,886.6	2,787.3
Construction work in progress	203.0	222.1
Property, plant and equipment, net	\$ 3,089.6	\$ 3,009.4

Other Income (Expense), Net

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

Three Months Ended March 31	2022	2021
	(millions)	
Non-service cost component of net benefit cost	\$ (3.8)	\$ (3.4)
Other	(0.2)	(0.1)
Other expense	\$ (4.0)	\$ (3.5)

Supplemental Cash Flow Information

Three Months Ended March 31	2022	2021
	(millions)	
Cash paid for (received from):		
Interest, net of amounts capitalized	\$ 10.2	\$ 14.7
Non-cash investing transactions:		
Property, plant and equipment additions	42.1	24.4

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). These circumstances resulted in higher than normal market prices within the Southwest Power Pool, Inc. (SPP) Integrated Marketplace for both natural gas and power for the duration of the February 2021 winter weather event. 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 \$297.3 million for the three months ended March 31, 2021.

The amount of purchased power costs incurred by Evergy Missouri West in the first quarter of 2021 during the February 2021 winter weather event have been subject to subsequent resettlement activity by the SPP that has resulted in a net decrease to the total cost of the February 2021 winter weather event from the amount initially recorded. As of March 31, 2022, Evergy Missouri West has incurred total natural gas and purchased power costs, net of wholesale revenues, of \$296.6 million related to the February 2021 winter weather event and inclusive of these subsequent SPP resettlements.

As of March 31, 2022 and December 31, 2021, Evergy Missouri West had deferred substantially all of its fuel and purchased power costs related to the February 2021 winter weather event to a regulatory asset pursuant to a pending request for recovery through securitization. See Note 4 for additional information regarding this regulatory proceeding.

2. REVENUE

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

Three Months Ended March 31	2022	2021
Revenues	(millions)	
Residential	\$ 95.8	\$ 91.1
Commercial	64.3	59.8
Industrial	20.7	18.3
Other retail	2.3	2.1
Total electric retail	\$ 183.1	\$ 171.3
Wholesale	0.7	16.2
Transmission	5.1	4.1
Industrial steam and other	4.6	4.4
Total revenue from contracts with customers	\$ 193.5	\$ 196.0
Other	0.2	0.2
Operating revenues	\$ 193.7	\$ 196.2

3. RECEIVABLES

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

	March 31 2022	December 31 2021
	(millions)	
Customer accounts receivable - billed	\$ 2.5	\$ 1.3
Customer accounts receivable - unbilled	28.5	27.8
Other receivables	9.3	10.3
Allowance for credit losses	(4.8)	(6.7)
Total	\$ 35.5	\$ 32.7

As of March 31, 2022 and December 31, 2021, other receivables for Evergy Missouri West included receivables from contracts with customers of \$1.0 million and \$0.6 million, respectively.

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

	2022	2021
	(millions)	
Beginning balance January 1	\$ 6.7	\$ 3.7
Credit loss expense (income)	(1.2)	1.6
Write-offs	(1.4)	(1.1)
Recoveries of prior write-offs	0.7	0.7
Ending balance March 31	\$ 4.8	\$ 4.9

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 March 31, 2022 and December 31, 2021, Evergy Missouri West's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were \$50.0 million. 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

Missouri Public Service Commission (MPSC) Proceedings

2022 Rate Case Proceeding

In January 2022, Evergy Missouri West filed an application with the MPSC to request an increase to its retail revenues of \$27.7 million before rebasing fuel and purchased power expense, with a return on equity of 10% and a rate-making equity ratio of 51.81%. The request reflects increases related to higher property taxes and the recovery of infrastructure investments made to improve reliability and enhance customer service and were also partially offset by significant customer savings and cost reductions created since the Great Plains Energy and Evergy Kansas Central merger in 2018. Evergy Missouri West also requested an additional \$32.1 million increase associated with rebasing fuel and purchased power expense, the implementation of tracking mechanisms for both property tax expense and credit loss expense, the creation of a storm reserve, and the full return of and return on its unrecovered investment related to the 2018 retirement of Sibley Station as part of its application with the MPSC.

An evidentiary hearing in the case is scheduled to occur beginning in late August 2022 and new rates are expected to be effective in December 2022.

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 Accounting Authority Order (AAO) and required Evergy Missouri West to record a regulatory liability for the revenues discussed above for consideration in Evergy Missouri West's current rate case. Depending on the MPSC's decision in the current 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 part of its current rate case, Evergy Missouri West is proposing to refund to customers the revenues collected from customers for non-fuel operations and maintenance costs and other costs associated with Sibley Station following the station's retirement but not the related return on investment.

As a result of the MPSC order, Evergy Missouri West has recorded a regulatory liability of \$32.0 million and \$29.3 million as of March 31, 2022 and December 31, 2021, respectively, 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 current 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 current 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 current rate case is uncertain and could result in an estimated loss of approximately \$50 million when new rates are expected to become effective in December 2022. Evergy Missouri West's regulatory liability for probable refunds as of March 31, 2022 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 Evergy Missouri West's 2022 rate case.

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, above the amount included in base rates 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 March 31, 2022 and December 31, 2021, Evergy Missouri West had recognized a regulatory asset of \$281.8 million and \$281.6 million, respectively, 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.

In April 2022, the MPSC staff filed a motion to suspend the February 2021 winter weather event AAO procedural schedule for Evergy Missouri West pending the resolution of its petition for securitization financing order discussed below. The MPSC granted the motion to suspend the AAO procedural schedule in April 2022.

February 2021 Winter Weather Event Securitization

In March 2022, Evergy Missouri West filed a petition for financing order with the MPSC requesting authorization to finance its extraordinary fuel and purchased power costs incurred as part of the February 2021 winter weather event, including carrying costs, through the issuance of securitized bonds. Evergy Missouri West has requested to repay the securitized bonds and collect the related amounts from customers over a period of approximately 15 years from the date of issuance of the securitized bonds. An order from the MPSC regarding Evergy Missouri West's petition is expected no later than October 2022.

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

Evergy's \$2.5 billion master credit facility expires in 2026. 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. The applicable interest rates and commitment fees of the facility are subject to upward or downward adjustments, within certain limitations, if Evergy achieves, or fails to achieve, certain sustainability-linked targets based on two key performance indicator metrics: (i) Non-Emitting Generation Capacity and (ii) Diverse Supplier Spend (as defined in the facility).

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 March 31, 2022, Evergy Missouri West was in compliance with this covenant.

At March 31, 2022, Evergy Missouri West had \$244.0 million of commercial paper outstanding at a weighted-average interest rate of 0.67%, had no issued letters of credit and had no outstanding cash borrowings under the master credit facility. At December 31, 2021, Evergy Missouri West had \$395.3 million of commercial paper outstanding at a weighted-average interest rate of 0.40%, had no issued letters of credit and had no outstanding cash borrowings under the master credit facility.

6. LONG-TERM DEBT

Mortgage Bonds

In March 2022, Evergy Missouri West entered into a First Mortgage Indenture and Deed of Trust, dated as of March 1, 2022 (Evergy Missouri West Mortgage Indenture), establishing a first mortgage lien on substantially all of its present properties and certain after-acquired properties, subject to certain exceptions. In connection with the establishment of the Evergy Missouri West Mortgage Indenture, Evergy Missouri West issued collateral mortgage bonds secured by the Evergy Missouri West Mortgage Indenture to serve as collateral for Evergy Missouri West's obligations under the following outstanding 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;
- \$350.0 million of 2.86% Series A, maturing in 2031;
- \$75.0 million of 3.01% Series B, maturing in 2033; and
- \$75.0 million of 3.21% Series C, maturing in 2036.

The collateral mortgage bonds were issued to the holders of the unsecured senior notes, are only payable if Evergy Missouri West defaults on the underlying unsecured senior notes and do not increase the amount of outstanding debt for Evergy Missouri West.

As a result of the above transactions, Evergy Missouri West's outstanding senior notes have effectively become secured by the mortgage lien of the Evergy Missouri West Mortgage Indenture and rank equally and ratably with all of Evergy Missouri West's mortgage bonds, regardless of series, from time to time issued and outstanding under the Evergy Missouri West Mortgage Indenture.

Also in March 2022, Evergy Missouri West issued, at a discount, \$250.0 million of 3.75% First Mortgage Bonds, maturing in 2032.

Senior Notes

In March 2022, Evergy Missouri West repaid its \$100.0 million of 3.74% Senior Notes, at maturity.

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. Further explanation of these levels 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.

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

Evergy 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 Evergy Missouri West's long-term debt is summarized in the following table.

	March 31, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	(millions)			
Long-term debt ^(a)	\$ 1,287.5	\$ 1,026.3	\$ 1,140.0	\$ 1,195.4

^(a)Includes current maturities.

Supplemental Executive Retirement Plan

At March 31, 2022 and December 31, 2021, Evergy Missouri West's Supplemental Executive Retirement Plan (SERP) rabbi trusts included \$11.7 million and \$12.5 million of core bond funds, respectively. The core bond funds are Level 1 investments.

8. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Set forth below are descriptions of contingencies related to environmental matters that may impact Evergy 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 Evergy 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. Evergy Missouri West believes that all 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 Evergy Missouri West's operations and consolidated financial results. Due in part to the complex nature of environmental laws and regulations, Evergy Missouri West is unable to assess the impact of potential changes that may develop with respect to the environmental contingencies described below.

Clean Air Act - Startup, Shutdown and Malfunction (SSM) Regulation

In 2015, the Environmental Protection Agency (EPA) issued a final rule addressing how state implementation plans (SIPs) can treat excess emissions during SSM events. This rule was referred to as the 2015 SIP Call Rule. The rule required 36 states to submit SIP revisions by November 2016 to remove certain exemptions and other discretionary enforcement provisions that apply to excess emissions during SSM events. Legal challenges ensued and the case was eventually placed in abeyance. In December 2021, the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit) restarted the litigation. On April 11, 2022, the EPA published a proposed consent decree that establishes dates for the EPA to take action on SIP revisions that were submitted in response to the 2015 SIP Call Rule. Deadlines for 26 states, including Kansas, Missouri and Oklahoma, are listed in the proposed consent decree. Final action from the EPA could result in required SIP revisions in Oklahoma, Kansas and Missouri which could have a material impact on Evergy Missouri West.

Ozone Interstate Transport State Implementation Plans

In 2015, the EPA lowered the Ozone National Ambient Air Quality Standards (NAAQS) from 75 ppb to 70 ppb. Impacted states were required to submit Interstate Transport State Implementation Plans (ITSIPs) in 2018 to comply with the "Good Neighbor Provisions" of the Clean Air Act (CAA). The EPA did not act on these ITSIP submissions and was challenged in a court filing in May 2021 to address them. On February 22, 2022, the EPA published proposed disapprovals of ITSIPs for nineteen states including Missouri and Oklahoma. On April 4, 2022, the EPA published a final approval of the Kansas ITSIP in the Federal Register.

On April 6, 2022, the EPA published in the Federal Register the proposed federal implementation plan (FIP) to resolve outstanding "Good Neighbor" obligations with respect to the 2015 Ozone NAAQS for 26 states including Missouri and Oklahoma. This FIP would establish a revised Cross-State Air Pollution Rule (CSAPR) ozone season nitrogen oxide (NO_x) emissions trading program for electric generating units (EGUs), and limit ozone season NO_x emissions from certain industrial stationary sources. The proposed rule would also establish a new daily backstop NO_x emissions rate limit for applicable coal-fired units larger than 100MW, as well as unit-specific NO_x emission rate limits for certain industrial emissions units, and would feature "dynamic" adjustments of emission budgets for EGU's beginning with ozone season 2025. The proposed FIP includes reductions to the state ozone season NO_x budgets for Missouri and Oklahoma beginning in 2023 with additional reductions in future years. Evergy Missouri West is in the process of reviewing this proposed FIP. The EPA is also in the process of reconsidering its December 2020 decisions to retain the Ozone NAAQS at the level set in 2015 and the annual and 24-hour PM_{2.5} NAAQS at the levels set in 2012. Due to uncertainty regarding the proposed FIP and potential lowering of the 2020 NAAQS, Evergy Missouri West cannot determine the impacts on its operations or consolidated financial results, but the cost to comply with the FIP and/or a lower future NAAQS 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 no Class I areas in Kansas, whereas Missouri has two: the Hercules-Glades Wilderness Area and the Mingo Wilderness Area. States must submit revisions to their Regional Haze Rule 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 Kansas Department of Health and Environment (KDHE) and the Missouri Department of Natural Resources (MDNR) as they worked to draft their SIP revisions. The Missouri SIP revision has been drafted and is currently on public notice through May 5, 2022. The SIP revision does not require any additional reductions from the Evergy Companies' generating units in the state. MDNR has indicated it intends to submit the Missouri SIP revision to the EPA by the end of July 2022. The Kansas SIP revision was placed on public notice in June 2021 and requested no additional emission reductions by electric utilities based on the significant reductions that were achieved during the first implementation period. 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. The EPA also stated it would be difficult to approve the Kansas SIP revision if at least two four-factor analyses are not conducted on Kansas emission sources. KDHE submitted the Kansas SIP revision in July 2021. If a generating unit of Evergy Missouri West is selected for analysis, the possibility exists that the state or EPA, through a FIP, could determine that additional operational or physical modifications are required on the generating unit to further reduce emissions. The overall cost of those modifications could be material to Evergy Missouri West.

Greenhouse Gases

Burning coal and other fossil fuels releases carbon dioxide (CO₂) and other gases referred to as greenhouse gases (GHG). Various regulations under the CAA limit CO₂ 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 emission guidelines for GHG emissions from existing electric utility generating units (EGUs) and revisions to emission guideline implementing regulations. The rule defined the "best system of emission reduction" (BSER) for GHG emissions from existing coal-fired EGUs as on-site, heat-rate efficiency improvements. 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 October 2021,

the Supreme Court granted petitions for certiorari to review the D.C. Circuit decision to vacate and remand the ACE rule. A ruling from the Supreme Court is expected in mid-2022.

Due to uncertainty regarding the future of the ACE rule or other potential GHG regulations, Evergy Missouri West cannot determine the impacts 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 vacated and remanded 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 landfill leachate are likely and could be material to Evergy Missouri West.

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 is initiating a supplemental rulemaking to revise the ELG regulations after completing 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 rule 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 supplemental rulemaking to revise the ELG regulations, and compliance costs associated with any revisions could be material.

After reviewing the Navigable Waters Protection Rule as directed by President Biden's administration, the EPA and Department of the Army determined a need to revise the definition to prevent environmental degradation. In December 2021, the EPA and the Department of the Army published a proposed rule that repeals the Navigable Waters Protection Rule and revises the definition of "Waters of the United States." This proposed rule restores definitions of Waters of the United States that were in place prior to 2015. Evergy Missouri West is reviewing the proposed rule and the impact on its operations or consolidated financial results are not expected to be material. A second rulemaking is expected in the future which will replace the Navigable Waters Protection Rule. The costs to comply with any future rulemaking that replaces the Navigable Waters Protection Rule could be material to Evergy Missouri West.

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 January 2022, the EPA published proposed determinations for facilities that filed closure extensions for unlined or clay-lined CCR units. These proposed determinations include various interpretations of the CCR regulations and compliance expectations that may impact all owners of CCR units. These interpretations could require modified compliance plans such as different methods of CCR unit closure. Additionally, more stringent remediation requirements for units that are in corrective action or forced to go into corrective action are possible. A CCR unit at

Sibley Generating Station has moved into corrective action. The cost to comply with these proposed determinations by the EPA could be material.

Evergy Missouri West has recorded AROs for current estimates for the closure of ash disposal ponds and landfills, 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 and landfills. 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 March 31	2022	2021
	(millions)	
Evergy Kansas Central billings to Evergy Missouri West	\$ 7.4	\$ 9.5
Evergy Metro billings to Evergy Missouri West	32.7	34.7

Affiliated Financing

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 between Evergy Missouri West, Evergy Metro, Evergy Kansas Central and Evergy, Inc. Evergy, Inc. can lend but not borrow under the money pool.

As of March 31, 2022 and December 31, 2021, Evergy Missouri West had no outstanding receivables and \$98.0 million and \$155.0 million of outstanding payables to Evergy Metro, respectively, under the money pool.

Evergy Missouri West also has access to certain equity financing support from its parent company, Evergy, Inc. in the circumstance that such support would be needed.

In February 2022, Evergy, Inc. provided Evergy Missouri West with an equity contribution of \$200.0 million.

Related Party Net Receivables and Payables

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

	March 31 2022	December 31 2021
	(millions)	
Net payable to Evergy	\$ 42.4	\$ 39.5
Net payable to Evergy Kansas Central	4.5	10.4
Net payable to Evergy Metro	187.9	254.5

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 March 31, 2022 and December 31, 2021, Evergy Missouri West had income taxes receivable from Evergy of \$10.5 million and \$3.9 million, respectively.

10. TAXES

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

Three Months Ended March 31	2022	2021
	(millions)	
Current income taxes		
Federal	\$ (6.2)	\$ (36.5)
State	(0.4)	(2.2)
Total	(6.6)	(38.7)
Deferred income taxes		
Federal	7.4	32.4
State	0.6	2.2
Total	8.0	34.6
Income tax expense (benefit)	\$ 1.4	\$ (4.1)

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 March 31	2022	2021
Federal statutory income tax rate	21.0 %	21.0 %
Effect of:		
State income taxes	1.3	0.3
Flow through depreciation for plant-related differences	(13.4)	26.5
Federal tax credits	(0.1)	0.4
AFUDC equity	(1.0)	0.4
Amortization of federal investment tax credits	—	0.1
Other	0.1	(0.3)
Effective income tax rate	7.9 %	48.4 %

Evergy Missouri West, Inc. Management's Narrative Analysis of the Results of Operations

Year to Date March 2022 vs. 2021

Earnings Variances

		Change (millions)	
2021 Net loss	\$	(4.5)	
		<i>Favorable/(Unfavorable)</i>	
Utility gross margin ^(a)		23.0	A
Operating and maintenance		3.1	B
Depreciation and amortization		(1.0)	
Taxes other than income tax		(1.4)	
Other expense, net		0.6	
Interest expense		2.6	
Income tax expense		(5.5)	C
2022 Net income	\$	16.9	

^(a) Utility gross margin is a non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Major factors influencing the period to period change in net income -- Favorable/(Unfavorable)

- A Due primarily to impacts from the February 2021 winter weather event primarily driven by increased fuel and purchased power costs in February 2021 that are not currently recoverable from customers through Evergy Missouri West's fuel recovery mechanism - \$14.9M; and a special requirements contract with an industrial customer - \$6.2M.
- B Due primarily to a decrease in credit loss expense primarily driven by a reduction in the allowance for credit losses recorded in 2022 as a result of improvements in the aging of accounts receivable for certain customers.
- C Due primarily to higher pre-tax income in 2022 - (\$6.4M).

The Notes to Evergy Missouri West's Unaudited Consolidated Financial Statements for the period ended March 31, 2022 should be read in conjunction with this financial information.

Evergy Missouri West, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Financial Results

Three Months Ended March 31	2022	2021
	(dollars in millions)	
Operating revenues	\$ 193.7	\$ 196.2
Fuel and purchased power	75.2	100.7
Operating and maintenance	45.7	48.8
Depreciation and amortization	27.6	26.6
Taxes other than income tax	13.9	12.5
Income from operations	31.3	7.6
Other expense, net	(2.4)	(3.0)
Interest expense	10.6	13.2
Income tax expense (benefit)	1.4	(4.1)
Net income (loss)	16.9	(4.5)
Reconciliation of utility gross margin to income from operations:		
Operating revenues	193.7	196.2
Fuel and purchased power	75.2	100.7
Utility gross margin ^(a)	118.5	95.5
Operating and maintenance	45.7	48.8
Depreciation and amortization	27.6	26.6
Taxes other than income tax	13.9	12.5
Income from operations	31.3	7.6
Revenues	(dollars in millions)	
Residential	95.8	91.1
Commercial	64.3	59.8
Industrial	20.7	18.3
Other retail revenues	2.3	2.1
Total electric retail	183.1	171.3
Wholesale revenues	0.7	16.2
Transmission	5.1	4.1
Other	4.8	4.6
Operating revenues	193.7	196.2
Electricity Sales	(MWh in thousands)	
Residential	1,003	1,013
Commercial	809	789
Industrial	344	336
Other retail revenues	6	5
Total electric retail	2,162	2,143
Wholesale revenues	100	314
Total electricity sales	2,262	2,457

^(a)Utility gross margin is a Non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Evergy Missouri West, Inc.
Non-GAAP Measures

Utility Gross Margin (non-GAAP)

Utility gross margin is a financial measure that is not calculated in accordance with GAAP. Utility gross margin, as used by Evergy Missouri West, is defined as operating revenues less fuel and purchased power costs. Expenses for fuel and purchased power costs, offset by wholesale sales margin, are subject to recovery through cost adjustment mechanisms. As a result, changes in fuel and purchased power costs are offset in operating revenues with minimal impact on net income.

Management believes that utility gross margin provides a meaningful basis for evaluating Evergy Missouri West's operations across periods because utility gross margin excludes the revenue effect of fluctuations in these expenses. Utility gross margin is used internally to measure performance against budget and in reports for management and the Evergy Missouri West Board of Directors. Utility gross margin should be viewed as a supplement to, and not a substitute for, income from operations, which is the most directly comparable financial measure prepared in accordance with GAAP. Evergy Missouri West's definition of utility gross margin may differ from similar terms used by other companies. See Financial Results, Revenue and Sales above for the reconciliation of utility gross margin to income from operations for the three months ended March 31, 2022 and 2021.