

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

The Office of the Public Counsel and)	
Midwest Energy Consumers Group,)	
)	
Complainants,)	Case No. EC-2019-0200
)	
v.)	
)	
KCP&L Greater Missouri Operations)	
Company,)	
)	
Respondent.)	

**KCP&L GREATER MISSOURI OPERATIONS COMPANY’S
VERIFIED SUPPLEMENTAL NOTICE OF ADVERSE MARKET RESPONSE**

COMES NOW, KCP&L Greater Missouri Operations Company (“GMO”)¹ and for its notice of adverse market response respectfully states as follows:

1. The Commission discussed this matter in its public agenda session on October 9, 2019, at approximately 10:30 a.m. Central Daylight Time (“CDT”). At about that time, three commissioners had indicated their intent to support an order granting the accounting authority order requested by the Office of the Public Counsel (“OPC”) and the Midwest Energy Consumers Group (“MECG”).

2. On October 10, 2019, GMO filed a *Verified Notice of Adverse Market Response* (“Notice”) in this docket.

3. Both during the hearing of this matter, and in its recently filed Notice, GMO advised the Commission that issuance of the AAO requested by OPC and MECG would likely cause the investment community to question the fairness of Missouri regulation.

¹ Effective October 7, 2019, Evergy Missouri West, Inc. d/b/a Evergy Missouri West adopted the service territory and tariffs of GMO. However, since this docket was initially filed using the GMO name, GMO will be used in this document.

4. That the investment community is now questioning the fairness of Missouri regulation is further evidenced by events occurring subsequent to the filing of GMO's Notice, to-wit:

- Overnight on October 10-11, 2019, Bank of America Merrill Lynch ("BAML") issued the following advisory:

EVRG: Requesting delay of Sibley vote citing mkt impact

EVRG subsidiary Greater Missouri Operations (GMO) docketed a response to Wednesday's non-binding commission vote which indicated 3-2 support for granting the accounting authority order (AAO) which would require EVRG to refund to customers costs associated with the retired Sibley units, see our [note downgrading EVRG to Neutral from Buy](#). The filing requests that the commission delay issuing an order in the Sibley matter and schedule additional hearings "considering the impact of the Commission's decision herein on perceptions of the investment community on the fairness of Missouri regulation and continued access of investor-owned utilities with Missouri operations to the capital markets on reasonable terms." The EVRG filing attributes the ~2% decline in the company's shares following the vote to market participants questioning of the fairness of Missouri regulation. We continue to see the market reaction as predicated on the expectation of a Sibley outcome in EVRG's favor, based in part on supportive staff briefs filed in September as well as optimistic messaging from the company. Nevertheless, today's filing bolsters our confidence that EVRG will not pursue its contemplated incremental (up to \$850m prior to the next case filing in mid '22) of PISA capex spend in Missouri in the near term given that the company clearly expresses skepticism in the fairness and reliability of the state's regulatory regime. We think investors had largely come to expect the addition of up to \$850m in capex, and the market reaction to the Sibley vote represented a reset of those expectations along with incorporating into estimates the financial impact of the customer refund. We continue to see mgmt. electing to continue its share buyback program in the interim. Reiterate Neutral and \$67 PO on ongoing regulatory uncertainty in Missouri. (See **Attachment E**)

- On October 11, 2019, Moody's Investor Services ("Moody's") released an Issuer Comment, stating in part:

On 9 October, the Missouri Public Service Commission (MOPSC) expressed its intention in a non-binding vote to defer operations and maintenance (O&M) cost savings from the Sibley coal plant's (Sibley) early retirement in 2019 and passing along the savings to customers. If the MOPSC final and non-binding vote remains in favor of deferring savings, it would be credit negative for Evergy, Inc's (Evergy Baa2 stable) KCP&L Greater Missouri Operations Company (GMO, Baa2 stable) because it's an indication that the company and its regulators are not on the same page. (See **Attachment F**)

5. While Evergy's share price has gained some of the ground it lost relative to the overall utility sector on October 9 and 10, 2019, this does nothing to change either the Moody's Issuer Comment or BAML's revised guidance – announced on October 11 and 10, 2019, respectively – which reduced its Evergy stock purchase recommendation, from “Buy” to “Neutral”, and also reduced Evergy's projected share price by \$4. See **Attachment D, page 1**, to the Notice filed on October 10, 2019, and **Attachment E**, attached herewith. Unless changed again, this revised guidance by Moody's and BAML will continue into the future.

6. A Commission order granting the accounting authority order (“AAO”) requested by OPC and MECG would not only serve to reduce GMO's actual earnings by \$30-39 million per year according to the estimates of OPC and MECG which would reduce GMO's return on equity to a range of 5.69 – 6.32%,² but would also strongly indicate that GMO's ability to obtain return of and return on its investment in Sibley in the future is at risk. That the Commission would consider taking action with such extreme consequences on the basis of a plant retirement the plans for which had been publicly announced on June 2, 2017³ – more than twelve months in advance of the June 30, 2018, conclusion of the rate case true-up period at which time that plant was fully operational and thus qualified under long-standing Commission precedent for inclusion in rates –

² See Ex. 24, Ives Rebuttal, p. 28.

³ See Ex. 24, Ives Rebuttal, p. 11.

represents an abrupt and retroactive about-face that would give rise to legitimate questions about the fairness of Missouri regulation to any rational investor.

WHEREFORE, GMO respectfully requests that the Commission consider this supplemental notice of adverse market response, announce that it is delaying the issuance of its order herein and undertake further proceedings as described in Paragraph 7 of its original Notice.

Respectfully submitted,

/s/ Robert J. Hack

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**Attorneys for KCP&L Greater Missouri
Operations Company**

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to all parties of record this 15th day of October 2019.

/s/ Robert J. Hack

Attorney for KCP&L Greater Missouri
Operations Company

VERIFICATION

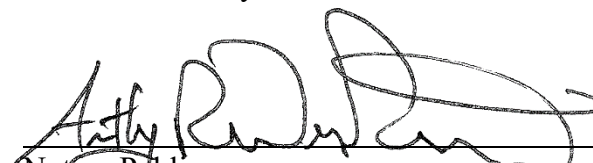
STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn, on his oath and in his capacity as Vice President, Regulatory Affairs, states that he is authorized to execute on behalf of KCP&L Greater Missouri Operations Company the foregoing document, and has knowledge of the matters stated in this application, and that said matters are true and correct to the best of his knowledge and belief.



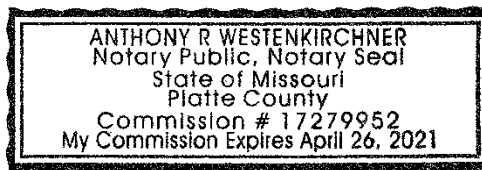
Darrin R. Ives

Subscribed and sworn to before me this 15th day of October 2019.



Notary Public

My Commission Expires: 4/26/2021



PCG: That sinking feeling? Negotiation & Process

As PG&E investors reacted to the loss of exclusivity, the debate has shifted from simply that of improved leverage from victims over equity towards process considerations. Given the judges emphasis on timely exit from bankruptcy, much of the conversation has centered on the estimation process for non-Tubbs claims. Investor debate appears fixated on whether attempts to accelerate the process by forgoing this estimation process in favor of the victims arrangement have driven the most substantive fears. We also note a growing perception that financing backstop by equity to fund greater payouts to victims remains a greater focus around claims too. Bottom line, we see on-going concerns around risk of a greater payout, as well as other considerations in process alluded by the judge. Critically, we still do not perceive any progress from PG&E on any victims arrangement (and hence likely few substantive data points by the next update this Fall). Meanwhile success in minimizing wildfires through the latest season thru an ambitious de-energization process (albeit with some political push back) should relieve concerns around *further* fires in the current fire season for both PG&E, but in particular EIX. Reaction to the fires by Gov Newsom in particular (originally supportive) are critically important given the potential for public patience to wane. We also look for updates in coming weeks on 3Q calls on order trends from a variety of distributed solar players as well as our peers' coverage of GNRC (Ross Gildardi), as we see de-energization driven rolling outages remaining quite constructive for DG solar players (see [here](#)). We maintain our no rating on shares given the CH. 11 bankruptcy proceeding. [PG&E Corporation: Move Over: Losing Control of the Exclusivity](#)

EVRG: Requesting delay of Sibley vote citing mkt impact

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Refer to important disclosures on page 5 to 7. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

12051468

Timestamp: 11 October 2019 05:25AM EDT

United States
Electric Utilities

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PISA: Plant in Service Accounting

XEL: MN PUC keep EV pilot programs

Xcel Energy's pilot program for installing and owning Electric Vehicle (EV) charging infrastructure was proposed roughly a year ago and originally approved by the Minnesota Public Utilities Commission (PUC); the pilot included 700 EV charging ports for fleet operators & 350 ports for public/community charging. However, the program received pushback from oil and manufacturing groups, which amounted to an August petition to overturn the 'unlawful' program. We note the PUC upheld its initial approval, pointing to unpersuasive and incorrect reasoning. We see the result positively for XEL, but expect that in future programs beyond the initial pilot the company will again face pushback.

Price objective basis & risk

Evergy, Inc (EVRG)

Our \$67 price objective for EVRG shares is based on sum of the parts valuation, applying an in-line utility peer 2022E P/E of 19.2x. Electric peer P/E multiple is grossed up for a year to 2020 by 5% to reflect capital appreciation across the sector. We further apply a -0.5x turn discount to the Missouri jurisdiction to account for regulatory risk.

Downside risks to our price objective are adverse regulatory outcomes in rate cases, higher interest rate environments, adverse and unexpected risks associated with operating a nuclear facility.

Analyst Certification

I, Julien Dumoulin-Smith, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY				
	Alliant Energy Corporation	LNT	LNT US	Julien Dumoulin-Smith
	AltaGas	YALA	ALA CN	Julien Dumoulin-Smith
	AltaGas Canada	YACI	ACI CN	Julien Dumoulin-Smith
	Ameren Corporation	AEE	AEE US	Julien Dumoulin-Smith
	American Electric Power	AEP	AEP US	Julien Dumoulin-Smith
	Aqua America	WTR	WTR US	Julien Dumoulin-Smith
	Atlantica Yield	AY	AY US	Julien Dumoulin-Smith
	Black Hills Corporation	BKH	BKH US	Julien Dumoulin-Smith
	CenterPoint Energy	CNP	CNP US	Julien Dumoulin-Smith
	Cheniere Energy Inc	LNG	LNG US	Julien Dumoulin-Smith
	Clearway Energy	CWENA	CWEN/A US	Julien Dumoulin-Smith
	Clearway Energy	CWEN	CWEN US	Julien Dumoulin-Smith
	CMS Energy	CMS	CMS US	Julien Dumoulin-Smith
	Consolidated Edison	ED	ED US	Julien Dumoulin-Smith
	Emera Inc	YEMA	EMA CN	Julien Dumoulin-Smith
	Entergy	ETR	ETR US	Julien Dumoulin-Smith
	Exelon	EXC	EXC US	Julien Dumoulin-Smith
	FirstSolar, Inc.	FSLR	FSLR US	Julien Dumoulin-Smith
	FirstEnergy	FE	FE US	Julien Dumoulin-Smith
	Fortis	YFTS	FTS CN	Julien Dumoulin-Smith
	Fortis Inc	FTS	FTS US	Julien Dumoulin-Smith
	NextEra Energy	NEE	NEE US	Julien Dumoulin-Smith
	NRG Energy	NRG	NRG US	Julien Dumoulin-Smith
	OGE Energy Corp	OGE	OGE US	Julien Dumoulin-Smith
	Pinnacle West	PNW	PNW US	Julien Dumoulin-Smith
	PNM Resources Inc.	PNM	PNM US	Julien Dumoulin-Smith
	Sunnova Energy	NOVA	NOVA US	Julien Dumoulin-Smith
	SunRun	RUN	RUN US	Julien Dumoulin-Smith
	Vivint Solar	VSLR	VSLR US	Julien Dumoulin-Smith
NEUTRAL				
	AES	AES	AES US	Julien Dumoulin-Smith
	Dominion Energy	D	D US	Julien Dumoulin-Smith
	Edison International	EIX	EIX US	Julien Dumoulin-Smith
	Evergy, Inc	EVERG	EVERG US	Julien Dumoulin-Smith
	Hannon Armstrong	HASI	HASI US	Julien Dumoulin-Smith
	NextDecade	NEXT	NEXT US	Julien Dumoulin-Smith
	NextEra Energy Partners	NEP	NEP US	Julien Dumoulin-Smith
	NiSource Inc	NI	NI US	Julien Dumoulin-Smith
	Pattern Energy Group	PEGI	PEGI US	Julien Dumoulin-Smith
	Portland General Electric Company	POR	POR US	Julien Dumoulin-Smith
	PPL Corporation	PPL	PPL US	Julien Dumoulin-Smith
	Public Service Enterprise Group	PEG	PEG US	Julien Dumoulin-Smith
	Sempra Energy	SRE	SRE US	Julien Dumoulin-Smith
	Southern Company	SO	SO US	Julien Dumoulin-Smith
	Tellurian Inc	TELL	TELL US	Julien Dumoulin-Smith
	Vistra Energy	VST	VST US	Julien Dumoulin-Smith
UNDERPERFORM				
	American Water Works	AWK	AWK US	Julien Dumoulin-Smith
	Avangrid	AGR	AGR US	Julien Dumoulin-Smith
	Avista	AVA	AVA US	Richard Ciciarelli, CFA
	Bloom Energy	BE	BE US	Julien Dumoulin-Smith
	DTE Energy	DTE	DTE US	Julien Dumoulin-Smith
	Duke Energy	DUK	DUK US	Julien Dumoulin-Smith
	Eversource Energy	ES	ES US	Julien Dumoulin-Smith
	Hawaiian Electric Industries	HE	HE US	Julien Dumoulin-Smith
	Idacorp	IDA	IDA US	Julien Dumoulin-Smith
	NorthWestern Corporation	NWE	NWE US	Julien Dumoulin-Smith
	SunPower Corp.	SPWR	SPWR US	Julien Dumoulin-Smith
	Terraform Power	TERP	TERP US	Julien Dumoulin-Smith
	Unitil Corporation	UTL	UTL US	Julien Dumoulin-Smith
	WEC Energy Group Inc	WEC	WEC US	Julien Dumoulin-Smith
	Xcel Energy Inc	XEL	XEL US	Julien Dumoulin-Smith
RSTR				

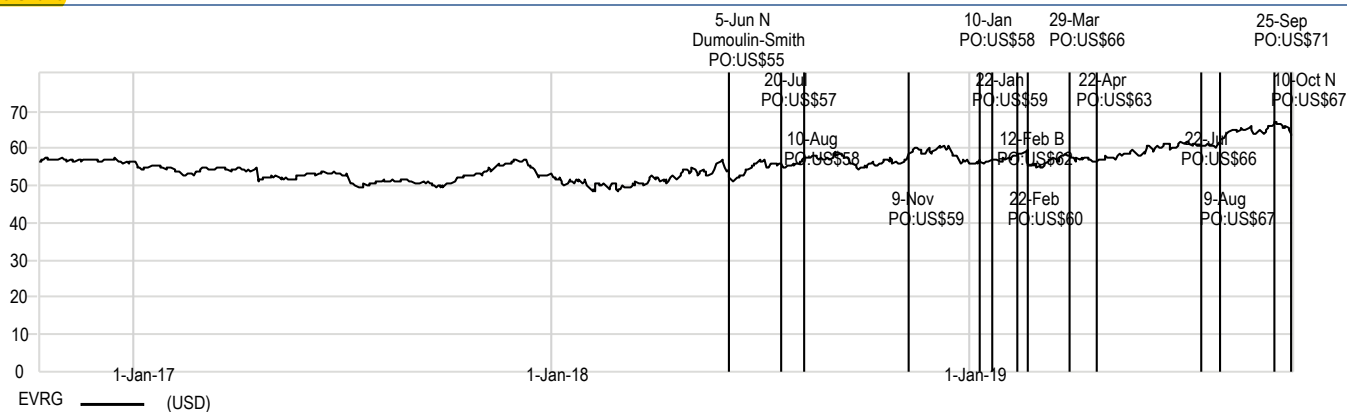
North American Utilities, Alternative Energy & LNG Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	Algonquin Power & Utilities Corp	AQN	AQN US	Julien Dumoulin-Smith
	Algonquin Power & Utilities Corp	YAQN	AQN CN	Julien Dumoulin-Smith
	El Paso Electric Company	EE	EE US	Julien Dumoulin-Smith

Disclosures

Important Disclosures

EVRG Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of September 30, 2019 or such later date as indicated.

Equity Investment Rating Distribution: Utilities Group (as of 30 Sep 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	67	47.86%	Buy	51	76.12%
Hold	36	25.71%	Hold	24	66.67%
Sell	37	26.43%	Sell	26	70.27%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1517	50.30%	Buy	964	63.55%
Hold	680	22.55%	Hold	434	63.82%
Sell	819	27.16%	Sell	408	49.82%

* Issuers that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one of its affiliates: Evergy.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Evergy.

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The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

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ISSUER COMMENT

11 October 2019

 Rate this Research

RATINGS

KCP&L Greater Missouri Operations Company

LT Issuer Rating	Baa2
Outlook	Stable

Source: Moody's Investors Service

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KCP&L Greater Missouri Operations Company

Regulator's indicative vote on Sibley coal plant is credit negative for KCP&L Greater Missouri Operations

On 9 October, the Missouri Public Service Commission (MOPSC) expressed its intention in a non-binding vote to defer operations and maintenance (O&M) cost savings from the Sibley coal plant's (Sibley) early retirement in 2018 and passing along the savings to customers. If the MOPSC final and binding vote remains in favor of deferring savings, it would be credit negative for [Evergy, Inc.'s](#) (Evergy Baa2 stable) [KCP&L Greater Missouri Operations Company](#) (GMO, Baa2 stable) because its an indication that the company and its regulators are not on the same page.

Although GMO has been able to retain O&M savings since Sibley's retirement, the Missouri Office of Public Counsel and the Midwest Energy Consumers Group filed a complaint to instead return the savings to customers. The company's ability to retain savings was determined in the last general rate case, which was in October 2018.

The MOPSC's non-binding 3-2 vote in favor of deferred savings is contrary to the MOPSC staff's recommendation and the state's overall regulatory environment, which has been trending positively. For example, the passage of Missouri Senate Bill 564 allowed for the use of plant in service accounting, which reduces regulatory lag. We think faster capital recovery mechanisms helps attract capital to invest in the state's electric grid.

A vote for deferral may result in the company throttling back on incremental capital that was being planned to invest in Missouri. Evergy previously decided to reallocate \$150 million of its current capital expenditure plan to Missouri from its Kansas companies with a potential increase in its Missouri long-term capital plan. Shifting capital plans like this could create a more contentious regulatory environment, a credit negative.

The complainants are requesting the MOPSC create an accounting order for what they estimate are \$27 million of O&M savings related to Sibley's shutdown and returning the savings to customers in the next general rate case. We expect there will be a proceeding to debate the estimated O&M savings with Evergy arguing the savings are significantly less. Evergy may file an appeal of the eventual order.

GMO concluded a black box rate case settlement in October 2018, which included \$10 million of depreciation on Sibley being deferred as a regulatory liability. Although the settlement specifically stated Sibley O&M costs were included, it made no mention as to the specific amount. Any regulatory liability created from the order would be incorporated into GMO's next general rate case, which the company planned to file in early 2022 for rates to

be effective in early December 2022. However, it is possible that case could be filed up to a year sooner if this accounting order is issued.

Evergy has argued the shutdown of Sibley was not an extraordinary event and that it was identified for closure in its 2017 Integrated Resource Plan. Importantly, we believe this could disincentivize future coal retirements in the state, which is negative for carbon transition because Missouri produces a significant amount of its electricity from coal.

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