

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

In the Matter of the Petition of Evergy Missouri)
West, Inc., d/b/a Evergy Missouri West for a)
Financing Order Authorizing the Financing of) Case No. EF-2022-0155
Qualified Extraordinary Storm Costs Through an)
Issuance of Securitized Utility Tariff Bonds)

INITIAL POST-HEARING BRIEF OF EVERGY MISSOURI WEST

COMES NOW Evergy Missouri West, Inc. d/b/a Missouri West (“EMW” or “Company”) and pursuant to the Missouri Public Service Commission’s (“Commission”) *Order Establishing Procedural Schedule and Other Procedural Requirements* issued April 27, 2022 (“Order”) submits its *Initial Post-Hearing Brief* (“Brief”). In support thereof, EMW states as follows:

I. INTRODUCTION

In February, 2021, an unusual and deadly arctic blizzard now known as Winter Storm Uri swept down from Canada into the Midwest and the Gulf Coast, affecting over 170 million Americans. Between February 11 and February 17, temperatures fell to record lows more than 20 degrees below normal, and snow continued to fall in western Missouri and neighboring areas.

It was the first time in history that Southwest Power Pool, the regional transmission organization (“RTO”) that Evergy belongs to, declared Level 2 and Level 3 Energy Emergency Alerts. The SPP alerts directed load-serving entities like the Company to shed load and curtail service to customers. Over 200 people died as a result of the storm.

The price of wholesale power soared, with SPP importing significant amounts of electricity from RTOs to the East. The price of fuel, especially natural gas, increased significantly.

Dozens of generating units in the Midwest and South Central U.S. were forced off-line because of intensity of Winter Storm Uri.¹

As a result of this extreme event, Evergy Missouri West incurred approximately \$308.3 million in fuel costs [\$8.3 million] and purchased power costs [\$300.0 million] that exceeded the 3-year average of those costs typically recovered in its Fuel Adjustment Clause. After adjustments for transmission and sales issues, the Winter Storm Uri costs are \$295.5 million.

Instead of the customary method of cost recovery under an Accounting Authority Order (“AAO”) pursuant to which the utility would carry the costs on its own books and amortize them as they are recovered from customers over time or under the Fuel Adjustment Clause (“FAC”) whereby 95% of the fuel and purchased power costs are passed through to customers, EMW seeks a Financing Order from the Commission under the Securitization Law² so that it can work with its legal and financial advisors to create a new bankruptcy-remote Special Purpose Entity that will issue Securitization Bonds whose proceeds will allow the Company to immediately recover its extraordinary costs from Winter Storm Uri, including the carrying costs it has incurred from the date that the particular cost was incurred to the date the Securitization Bonds are issued. The Securitization Bonds will be serviced via a Charge that will be in effect during the term of the Securitization Bonds (scheduled to be 15 years).

This is the second case which the Commission has considered the Securitization of Winter Storm Uri costs. The Empire District Electric Company (“EDE”) filed the first case³, but this case

¹ Ex. 8, Ives Direct discusses the extraordinary events associated with Winter Storm Uri in detail.

² Section 393.1700, RSMo.

³ See *Report and Order in Re Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs*, File No. EO-2022-0040/EO-2022-0193 (issued August 18, 2022).

is less complicated because the EDE case also involved the securitization of costs associated with the retirement of a coal-fired power plant.

As explained below, EMW and Staff have entered into a Non-Unanimous Stipulation and Agreement which resolves the issues between EMW and Staff and recommends the approval of EMW's petition under specified conditions. While OPC and other parties have raised additional issues or offsets to the revenue requirement that is included in the Non-Unanimous Stipulation and Agreement, EMW respectfully requests that the Commission adopt the Non-Unanimous Stipulation and Agreement and resolve all issues in the case accordingly, and reject the offsets recommended by OPC and/or intervenors.

A. FINANCING OF THE RECOVERY OF QUALIFIED EXTRAORDINARY COSTS UNDER SECTION 393.1700

Section 393.1700 RSMo⁴ authorized a new mechanism that allows the securitization of prudent Qualified Extraordinary Costs that a regulated electrical corporation incurs during anomalous weather events. See §393.1700.2(2).⁵ Instead of the utility recovering such costs through more traditional means like fuel adjustment clauses, AAOs, and rate cases, and financed at the utility's overall weighted average cost of capital ("WACC"), the Commission may allow these costs to be financed and recovered through relatively lower cost Securitization Bonds⁶. These Securitization Bonds are secured by an irrevocable right to impose, bill, charge, collect and receive Securitized Utility Tariff Charges ("SUTC" or "Charges") that are subject to periodic adjustment.

⁴ All statutory citations are to the Revised Statutes of Missouri (2016), as amended.

⁵ Section 393.1700.2(1), an analogous section not at issue in this case, also permits the securitization of utility assets to recover Energy Transition Costs relating to retired electric generating facilities.

⁶ Securitized Utility Tariff Bonds are defined in Section 393.1700.1(15).

In this case, EMW is seeking a Financing Order authorizing it to finance Qualified Extraordinary Costs net of revenues related to Winter Storm Uri⁷ through the use of securitization. EMW incurred approximately \$11.8 million in fuel costs (an increase of \$8.3 million from its average February fuel costs over 2018-2020), and \$314.6 million in purchased power costs (an increase in \$299.8 million from its average February purchased power costs). After adjustments for transmission costs, disallowances, and off-system sales revenue, EMW's total energy costs were \$315.0 million, an increase of \$296.5 million from its average February total energy costs.⁸

As EMW witness John Bridson explains, these costs were necessary to serve customers during the storm and were prudently incurred.⁹ Because Qualified Extraordinary Costs are defined under Section 393.1700.1(13) to be “inclusive of carrying charges,” the Company estimates the amount of such charges associated with the increased overall costs associated with Winter Storm Uri are \$350.2 million as of January 31, 2023. EMW also anticipates up-front Financing Costs of \$6.6 million and ongoing costs of \$0.6 million per year. The total amount of these Qualified Extraordinary Costs and up-front Financing Costs is \$356.8 million plus the ongoing annual costs.¹⁰

The Company's evidence demonstrates that by using the Securitization Bond financing approach, EMW's customers will benefit (on a net present value basis) between \$64.5 million and \$121.3 million in contrast to if the Company had used the Fuel Adjustment Clause Approach or the Accounting Authority Approach, respectively, for recovering these extraordinary Winter

⁷ Darrin Ives describes in detail the extraordinary events associated with Winter Storm Uri and its impact upon EMW and its customers. See Ex. 8, Ives Direct, pp. 14-19. No party to this proceeding has disputed that the extraordinary events associated Winter Storm Uri and its impacts upon EMW's customers qualify for securitization under the statute.

⁸ Ex. 8, Ives Direct, p. 14.

⁹ Ex. 1P, Bridson Direct, pp. 4-25.

¹⁰ Ex. 11C, Klote Direct, Schedule RAK-3.

Storm Uri costs.¹¹ For this reason, the Commission should approve the Company’s application, as amended by the terms of the Non-Unanimous Stipulation and Agreement filed on August 1, 2022.

B. THE NON-UNANIMOUS STIPULATION AND AGREEMENT SHOULD BE ADOPTED.

On August 1, 2022, EMW, Staff and OPC filed a Non-Unanimous Stipulation And Agreement (“Stipulation”) which substantially narrowed the issues to be resolved in this case. EMW has agreed with Staff and OPC (“Signatories”), and without objection from intervenors, to reduce its request to a total recovery of approximately \$306.1 Million of Winter Storm Uri Securitization Costs as described below:¹²

Evergy Missouri West - Winter Storm Uri Securitization Stipulation Values for Qualified Extraordinary Costs	
Description	Amounts
Fuel and Purchase Power Costs	278,511,691
Non-Fuel Operation & Maintenance	0
Carrying Costs	20,951,820 *
Upfront Financing Costs	6,639,931 **
Total Winter Storm Uri Securitization Costs	<u>306,103,442</u>
* Carrying costs through January 2023	
** Estimated costs to be determined at time of financing	

¹¹ Ex. 11C, Klote Direct, p. 14 and Confidential Schedule RAK-4 (CORRECTED).

¹² Non-Unanimous Stipulation And Agreement, pp. 1-2 (filed August 1, 2022).

The Signatories also agreed that the estimated upfront financing costs included in the Qualified Extraordinary Costs will reflect those identified by the Company in its Direct testimony in this case at \$6.6 million and will be finally adjusted through the Issuance Advice Letter (“IAL”) process and designated representative(s) review. Staff and its designated representatives and advisors will work collaboratively with the Company to establish and verify upfront financing costs.

The Company has removed its Non-Fuel Operations and Maintenance (“NFOM”) costs from the agreed upon Qualified Extraordinary Costs and will seek recovery of those costs in its general rate case as recommended by Staff. Staff and EMW agree that carrying costs calculated for inclusion in the Qualified Extraordinary Costs are determined by utilizing an average commercial paper rate of 0.20% for the first six months post February 2021 then the 5.06% long term debt (“LTD”) rate recommended by Staff, for the period following the first six months post February 2021 until the issuance of securitized bonds.¹³

Adoption of the \$306.1 million of Winter Storm Uri Securitization Costs, as recommended above, would resolve Staff identified cost issues of 1) 95/5 on total Evergy Missouri West submitted fuel and purchased power costs, 2) Schedule Special Incremental Load (“SIL”) adjustment, and 3) excess revenues. The \$306.1 million also resolves the issue of carrying costs between Staff and EMW.¹⁴ Staff and EMW also agreed to 8.9% as recommended by EMW for use as the discount rate to determine quantifiable net present value (“NPV”) benefits to customers from the use of securitization of the Winter Storm Uri costs.¹⁵

¹³ Id. at 2.

¹⁴ Id. at 3.

¹⁵ Id. at 4.

The Signatories also agreed: (1) to utilize the Company's filed Financing Order with updates and other adjustments necessary to comply with Section 393.1700 RSMo and the resolution of contested cost recovery issues; (2) to grant a variance from the asymmetrical pricing provisions of the Affiliate Transactions Rule (20 CSR 4240-20.015) for transactions between Evergy Missouri West and the special purpose entity as well as any additional affiliate transaction rule variance deemed appropriate by the Commission; and (3) to accept specified recommendations of Staff witness Lange related to the SUTC tariff.¹⁶

EMW believes these agreements between EMW and Staff are largely consistent with the Commission's recent *Report and Order* in Re Petition of The Empire District Electric Company d/b/a Liberty to Obtain a Financing Order that Authorizes the Issuance of Securitized Utility Tariff Bonds for Qualified Extraordinary Costs, File No. EO-2022-0040 (issued August 18, 2022). EMW respectfully requests that the Commission approve the terms of the Stipulation between Staff and EMW without further adjustment for offsets or other issues raised by OPC or other intervenors.

Resolution of Disputed Issues

As explained in the Stipulation, the OPC's issues, which remain open for Commission resolution, include: (a) adjustment to the proposed securitization amount to account for imprudent resource planning; (b) adjustment to the proposed securitization amount to account for the tax deduction EMW will receive; (c) adjustment to the proposed securitization amount to account for the tax deduction related to the carrying charges on the Winter Storm Uri costs; and (d) adjustment to the proposed securitization amount to account for the use of a different rate than that proposed by Staff and the Company to calculate carrying costs.¹⁷ For the reasons explained below, none of the OPC's offsets or adjustments should be adopted by the Commission in this proceeding.

¹⁶ Id. at 4-6.

¹⁷ Id. at 3.

Adoption of any of OPC's offsets or adjustment will result in under collection of prudently incurred costs to serve EMW's customers during the extraordinary events of February, 2021.

MECG and Velvet Tech Services also reserved the right to argue that the Commission should allocate the securitized costs among the retail customer classes using the method proposed in the Direct testimony of Bradley Lutz. For the reasons explained below, this recommendation should be rejected, and the loss adjusted energy sales allocation approach recommended by Staff, OPC, and EMW should be adopted.

The remainder of this brief will address in more detail the issues that were identified in the List of Issues filed by the parties on July 25, 2022.

II. WHAT AMOUNT OF QUALIFIED EXTRAORDINARY COSTS CAUSED BY WINTER STORM URI SHOULD THE COMMISSION AUTHORIZE EMW TO FINANCE USING SECURITIZED UTILITY TARIFF BONDS?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories' agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.¹⁸ If the PSC approves the Stipulation, there will be no need for a decision on this issue.

2. EMW Position if Stipulation is Not Approved

If the PSC does not approve the Stipulation, EMW's position is that it should be permitted to recover Winter Storm Uri costs totaling \$356,720,636. EMW's witness Mr. Klote explained that the elements of these costs are¹⁹:

¹⁸ See Stipulation, ¶ 7 at 3.

¹⁹ See Ex. 12C, Klote Surrebuttal at 13-14; see also, generally, Ex. 11C, Klote Direct and Ex. 8, Ives Direct.

Description	Amount
Total Winter Storm Uri Costs - Fuel and Purchase Power - Included in Direct Filing	\$ 296,451,293
Non-Fuel Operation and Maintenance Cost - Direct Filing	274,934
Total Winter Storm Uri Cost - Direct Filing	\$ 296,726,227
Add: February 2022 SPP Resettlement Adjustment	187,626
Remove: Non-Fuel Operation and Maintenance Cost	(274,934)
Total Current Winter Storm Uri Costs	\$ 296,638,919
Retail Allocation	99.620%
Total Current Winter Storm Uri Costs - Retail	\$ 295,511,691
Total Carrying Costs as of January 31, 2023	54,569,187
Upfront Financing Costs	6,639,758
Total Costs To Be Financed By Securitized Utility Tariff Bonds	\$ 356,720,636

As described herein, the Commission should reject any reductions or disallowances to this total amount requested by other parties.

A. What amount of the costs, if any, that EMW is seeking to securitize would EMW recover through customary ratemaking?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories' agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.²⁰ If the PSC approves the Stipulation, there will be no need for a decision on this issue.

²⁰ See Stipulation, ¶ 7 at 3.

2. EMW Position if Stipulation is Not Approved

If the PSC does not approve the Stipulation, and absent recovery through securitization, EMW's position is that Winter Storm Uri costs would customarily be recovered by means of either the Company's FAC and deferral under the plant-in-service accounting ("PISA") statute enacted in 2018 (Mo. Rev. Stat. § 393.1400, et seq.) or through deferral to a regulatory asset through a traditional accounting authority order AAO.²¹

B. What is the appropriate method of customary ratemaking absent securitization?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories' agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.²²

2. EMW Position if Stipulation is Not Approved

If the PSC does not approve the Stipulation, there are two approaches described in Ron Klote's direct testimony that could be used to compare to the securitization method with the customary methods of financing of the extraordinary costs of Winter Storm Uri. These include the FAC process and the AAO amortization approach.²³

C. Under Section 393.1700.2(2)(e), what is the "customary method of financing"? What are the costs that would result "from the application of the customary method of financing and reflecting the qualified extraordinary costs in retail customer rates"?

See response II.B. above.

²¹ See Ex. 12C, Klote Surrebuttal at 3; Ex. 11C, Klote Direct at 8-9 and 12-14.

²² See Stipulation, ¶ 7 at 3.

²³ Ex. 11C, Klote Direct, at 8-9.

D. What is the appropriate adjustment related to non-fuel operations and maintenance (“NFOM”) costs?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories’ agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442 along with the Company’s removal of its NFOM costs in order to seek recovery of same in its general rate case.²⁴

2. EMW Position if Stipulation is Not Approved

If the PSC does not approve the Stipulation, EMW’s position is that provided Staff’s proposal on Winter Storm Uri NFOM costs in the Company’s general rate case is adopted, EMW will remove its NFOM costs from the Winter Storm Uri costs requested to be securitized in this case.²⁵

E. Should EMW’s recovery through securitized bonds include more than 95% of fuel and purchased power costs?

Every Missouri West should Recover 100% (not 95%) of its Qualified Extraordinary Costs related to Fuel and Purchased Power Expenses

1. Stipulation

The Stipulation between the Company, Staff, and OPC resolved this issue based on their agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.²⁶ The Stipulation further noted that “if the Commission orders any further disallowance of fuel and purchased power costs beyond the \$278,511,691 identified in Table 1” of the Stipulation, such disallowance “will be reduced by 5% in recognition that this Stipulation resolves the 95/5 issue.”²⁷

²⁴ See Stipulation, ¶5 at 2 and ¶ 7 at 3.

²⁵ See Ex. 12C, Klote Surrebuttal at 5-6.

²⁶ See Stipulation, ¶ 7 at 3.

²⁷ Id. at 3-4.

If the PSC rejects the adjustment proposed by OPC, there will be no need to adjust the total amount of Winter Storm Uri costs set forth in the Stipulation.

2. Evergy Position if Stipulation not Approved

If the Commission does not approve the Stipulation, Evergy's position is that the Company should be permitted to securitize 100% of its fuel and purchased power costs that were incurred as a result of Winter Storm Uri.

There is no provision in the Securitization Law that permits the Commission to deny recovery of 5% of the Qualified Extraordinary Costs which, as defined by Section 393.1700.1(13), are costs that were "incurred prudently." Evergy's Vice President of Generation John Bridson testified that the purchased power and fuel costs incurred during Winter Storm Uri in the SPP energy markets and in the procurement of fuel were prudently and reasonably incurred, and "allowed the Company to provide customers with the power they needed under extreme circumstances."²⁸ He also stated that Evergy Missouri West's conduct before, during and after Winter Storm Uri was consistent with recognized electric utility standards and good utility practices.²⁹ No party contradicted his testimony.

The pre-Stipulation positions of Staff and Public Counsel argue that the 95%/5% incentive "split" or "sharing" mechanism, typically applied under Section 386.266.1, the FAC Statute, and the Commission's FAC Rule, should be used to prevent the Company from securitizing all of its Qualified Extraordinary Costs which were, by definition, "incurred prudently." Section 386.266.1 explicitly grants the PSC the power to "provide the [utility] with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased-power procurement activities." The FAC law contemplates that such incentives including the 95/5 split mechanism, would apply to

²⁸ See Ex. 1 at 25 (Bridson Direct).

²⁹ Id. at 24.

normal operations of the utility. However, there is no provision in the Securitization Law regarding incentives.

The Commission's FAC Rule, 20 CSR 4240-20.090, provides that fuel and purchased power adjustments will occur on a routine, non-extraordinary basis where costs are accumulated and charged on a 6-month basis and recovered over a 12-month period.³⁰ The Rule specifically allows for "[e]xtraordinary costs not to be passed through" the FAC if they are related to an "insured loss," "due to litigation," or "for any other reason."³¹

Staff recognized that the "extraordinary costs" related to Winter Storm Uri were *not* appropriate for FAC treatment, as the Company proposed.³² The Commission accepted Staff's recommendation in this regard and removed these costs from the FAC.³³ It would be consistent with the normal operation of the FAC, as well as contrary to the Securitization Law, to apply the 95/5 split mechanism to this proceeding.

Alternatively, Staff argues that utilities and ratepayers should share in the financial impact of extraordinary natural disasters, citing a 1995 Commission decision.³⁴ That proceeding was a general rate case where the PSC permitted the utility to include in its cost of service the expense associated with the flood of 1993 through a five-year amortization. However, it denied the company's request to include the unamortized balance in rate base on which it could earn a return.³⁵

³⁰ See FAC Rule Section (1)(A), (Y).

³¹ See FAC Rule Section (8)(A)2.A(XI).

³² See Staff Recommendation for Approval of Tariff Sheet, In re Evergy Mo. West, Inc. Application to Implement a Rate Adjustment, No. ER-2022-0005 at 3-4 (Aug. 2, 2021).

³³ See Order at 2, n.1, id. (Aug. 18, 2021).

³⁴ See Ex. Ex. 100 at 8-9 (Bolin Direct); Report & Order, In re St. Louis County Water Co., 1995 WL 769951, No. WR-95-145 (1995).

³⁵ Id. at 10.

That case is a far cry from this proceeding which was filed under the Securitization Law which explicitly grants electric utilities the right to recover 100% of their Qualified Extraordinary Costs that were prudently incurred “during anomalous weather events” by means of securitized bonds. While the Commission has the authority to afford rate-base treatment to unamortized deferred expenses and has done so in the past,³⁶ these questions are not relevant where the Legislature has permitted the securitization of such extraordinary costs.

It must also be recognized that EMW has already absorbed 5% of its “baseline” level of the fuel and purchased power costs it incurred during Winter Storm Uri. Requiring the Company to bear further extraordinary costs, which Staff has not claimed were imprudent, would be punitive.³⁷ As the National Regulatory Research Institute (“NRRI”) report offered by OPC stated, “many regulators choose not to hold utilities responsible for risks affecting the electric industry as a whole,” such as Winter Storm Uri.³⁸ Instead, they apply³⁹ “the prudent investment test so as to hold utilities harmless, *except* for the consequences of decisions that were unreasonable at the time they were made.”⁴⁰

When Public Counsel asked Evergy witness John Reed about the NRRI report which he cited in his surrebuttal testimony, he explained that “the alternative of risk sharing has, in fact, been avoided and the application of the prudent investment test has been maintained.”⁴¹

Finally, Public Counsel supports imposing the 5% exclusion of Winter Storm Uri costs because it failed to shut off power to customers for purely economic reasons. OPC takes the extreme position that EMW should have “turned off its customers’ electricity during” Winter

³⁶ State ex rel. Aquila, Inc. v. PSC, 326 S.W.3d 20, 31(Mo. App. W.D. 2010).

³⁷ See Ex. 8 at 9-10 (Ives Surrebuttal).

³⁸ Ex. 200 at vi, “The Prudent Investment Test in the 1980s,” Nat’l Reg. Research Institute (April 1985).

³⁹ See Tr. 247-250; 263-267.

⁴⁰ Ex. 200 at vi (emphasis added).

⁴¹ See Tr. 264.

Storm Uri’s “extremely cold temperatures before the SPP required it do so” because it “could have reduced the cost” that the Company now seeks to securitize here.⁴² This argument is remarkable, given OPC’s concession that there “is no way to plan for all extreme circumstances.”⁴³ The Commission must reject this irresponsible view, given “that price [of energy] should not be a factor in making those kinds of decisions with regard to service interruptions or reliability.”⁴⁴

The pre-Stipulation positions of Staff and OPC that the FAC’s 95%/5% adjustment mechanism be imposed in this case are contrary to both the language as well as the spirit of the Securitization Law. The statute explicitly allows all Qualified Extraordinary Costs that are “incurred prudently” as a result of “anomalous weather events” to be recovered through the issuance of securitized bonds. Arguments to reduce such recovery, based on another statute or a general desire to “share” costs, must be denied.

F. Should EMW’s recovery through securitized bonds reflect an offset based on certain higher than normal customer revenues received by EMW during Winter Storm Uri?

The Company believes that this issue was one of the issues that was resolved by the Non-Unanimous Stipulation (“Stipulation”) filed in this case and either supported or not opposed by all parties. Should the Commission not approve the Stipulation then the Company asserts that Staff’s proposed revenue offset is not warranted. As explained in the Surrebuttal testimony of Darrin Ives, the Company did not experience excess revenues as a result of Winter Storm Uri. EMW received \$8.6 million in revenue from Winter Storm Uri which represents just 1.1% of the Company’s normal annual base retail revenues.⁴⁵ In contrast, the Company incurred an entire year’s worth of fuel and purchased power in two weeks due to Winter Storm Uri.⁴⁶

⁴² See Ex. 201 at 29-30 (Mantle Rebuttal).

⁴³ Id. at 10.

⁴⁴ See Tr. 267 (J. Reed).

⁴⁵ Ives Surrebuttal, Ex. 9, p. 5, lines 6-8.

⁴⁶ Id. at lines 4-5.

If Staff's excess revenue adjustment were to be adopted by the Commission, it would mean that the Commission was disallowing recovery of EMW's extraordinary fuel and purchased power costs despite the fact that they have been deemed prudent expenditures by Staff and the securitization law makes no provision for the disallowance of prudently incurred costs.⁴⁷ Section 393.1700.1(13) which defines qualified extraordinary costs, in part, as those costs which have been "incurred prudently" requires the opposite of Staff's position: prudently incurred costs should be recovered through securitized bonds if the statutory requirements have been satisfied and the Commission approves the use of securitization financing.

The securitization statute makes no mention of excess revenues in the definition or discussion of qualified extraordinary costs. Staff's position is to reflect the revenues it asserts to be extraordinary in the qualified extraordinary costs. Staff has provided no explanation for this deviation from the law and has provided no support for different treatment. The Commission should reject Staff's proposed extraordinary revenue adjustment.

G. Should EMW's recovery through securitized bonds reflect a disallowance based on EMW's resource planning?

There should be no Resource Planning Disallowance to the Fuel and Purchased Power Expenses that were Prudently Incurred by Evergy Missouri West as a result of Winter Storm Uri and are Qualified Extraordinary Costs to be recovered through Securitized Bonds

Only Public Counsel alleges that the amount of Qualified Extraordinary Costs incurred by the Company during Winter Storm Uri should be reduced by tens of millions of dollars because of "imprudent resource planning." It presents this claim even though its chief witness on the issue ignores the fact that Evergy Missouri West has prudently and reasonably relied on its own generation, capacity contracts, and the Southwest Power Pool wholesale energy markets to supply power to customers, and that it has conducted rigorous and stand-alone resource planning with the

⁴⁷ Ives Surrebuttal, Ex. 9, p. 6, lines 9-11.

goal of minimizing long-term costs to customers. The Company has always fully met the reserve margin requirements of Southwest Power Pool.

Public Counsel makes no claim that the Company acted imprudently during Winter Storm Uri and its aftermath. Conceding that “[t]here is no way accurately plan for all extreme circumstances”⁴⁸, OPC seeks a disallowance in “range” of \$134 million to \$253 million from the fuel and purchased power costs that EMW incurred as a result of the storm, based on a flawed⁴⁹ analysis that is premised on a disregard of the Commission’s prudence standard.

1. OPC’s Claim does not relate to the Prudence of Costs incurred during Winter Storm Uri which is required by the Securitization Statute

Under Section 393.1700.1(13), the question is whether the fuel and purchased power costs that EMW seeks to securitize meet the definition of Qualified Extraordinary Costs that were “incurred prudently” “during anomalous weather events.”

Public Counsel does not allege that the costs EMW incurred *during* Winter Storm Uri were imprudent. Rather, it alleges that decisions made months and years *before* February 2021 were imprudent. OPC’s Ms. Mantle asserts that, based upon her review of the Company’s “generation resources and resource planning process for the last 30 years,” that “Evergy [Missouri] West has always struggled in its resource planning even prior to its acquisition by Great Plains Energy” in 2008.⁵⁰ ⁵¹ She complains that the Company’s decision to retire “baseload plants and not replace them with additional dispatchable resources is imprudent.”⁵²

The only retirement that she specifically cites is when Sibley Unit 3 was retired in November 2018 after suffering a forced outage caused by a turbine malfunction in September

⁴⁸ Ex. 201 at 10:25 [Mantle Rebuttal].

⁴⁹ Id. at 5:19-22; Ex. 202 at 2 (Mantle Surrebuttal).

⁵⁰ The Commission approved Great Plains Energy’s acquisition of Aquila, Inc., the predecessor to Evergy Missouri West. See Report & Order, In re Great Plains Energy Inc., No. EM-2007-0374 (July 1, 2008).

⁵¹ See Ex. 201 at 19.

⁵² Id.

2018.^{53 54} Before that, Sibley Unit 1 was retired in June 2017.⁵⁵ Therefore, the only evidence of imprudence suggested by OPC are two retirement decisions made more than two years before Winter Storm Uri in February 2021: (a) Sibley Units 2 and 3 (27 months before) and (b) Sibley 1 (44 months before).

Public Counsel does not allege that the cost of the energy that EMW purchased from SPP during the storm was imprudent or that the cost of the fuel that it bought to keep its generating units running was imprudent. The clear inference to be drawn from the absence of such arguments is that the costs that EMW incurred to keep its plants operating and to buy energy from the SPP markets (as does every other electric utility in the region that belongs to SPP) were “incurred prudently” “during an anomalous weather event,” as Vice President of Generation John Bridson testified.⁵⁶

Other state commissions that have reviewed extraordinary costs incurred during Winter Storm Uri or as a result of similar natural disasters have similarly focused on the time of the emergency, not whether decisions made years before might have mitigated such costs. When the Oklahoma Corporation Commission approved a Final Financing Order related to Winter Storm Uri, it stated that its prudence review of the costs incurred by Oklahoma Gas and Electric Co. was “limited to the period of time of the 2021 Winter Weather Event.” Oklahoma’s definition of the 2021 Winter Weather Event is the “extreme weather that occurred beginning February 7, 2021 and

⁵³ See Report & Order at 6, Office of Public Counsel v. KCP&L Greater Mo. Operations Co., No. EC-2019-0200 (Oct. 17, 2019), *aff’d*, Office of Public Counsel v. Evergy Mo. West, Inc., 609 S.W.3d 857, 860-61 (Mo. App. W.D. 2020).

⁵⁴ Id. at 3.

⁵⁵ Id.

⁵⁶ See Final Financing Order, 2021 Okla. PUC LEXIS 248* at 2, In re Okla. Gas & Elec. Co. for a Financing Order pursuant to the February 2021 Regulated Util. Consumer Prot. Act, Order No. 722254, No. PUD 2021-00072 (Oka. Corp. Comm’n, Dec. 16, 2021).

ending February 21, 2021,” which is the period of time when Winter Storm Uri affected EMW and other utilities in the central United States.⁵⁷

The Company’s fuel and purchased power costs incurred during Winter Storm Uri should not be reduced because of purportedly imprudent decisions related to resource planning made years before February 2021. The Securitization Statute, with its focus in Section 393.1700.1(13) on Qualified Extraordinary Costs that are incurred “during anomalous weather events,” does not permit it.

2. OPC Ignores the Commission’s Prudence Standard

Nowhere in the testimony of Ms. Mantle or of OPC witness John Robinette is the Commission’s longstanding prudence standard discussed or analyzed. Mr. Robinette cites to comments provided by Public Counsel over the past five years regarding EMW’s resource planning, but, as he testified, they only “identified concerns.”⁵⁸ None of these documents allege imprudence. While Ms. Mantle does accuse EMW of “imprudent” resource planning, her testimony ignores or contradicts the prudence standard.⁵⁹

Since 1985 the Commission has applied the prudence standard that has been adopted by virtually every utility regulatory commission in the United States. It states that a “company’s conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively, rather than in reliance on hindsight.”⁶⁰ This prudence standard was adopted from a 1982 decision of the New

⁵⁷ See 74 Okla. St. Ann. § 9072.3 (2021). See also Calif. Pub. Util. Code § 451.2(a) [commission to review “costs and expenses arising from, or incurred as a result of, a catastrophic wildfire with an ignition date in the 2017 calendar year”].

⁵⁸ See Ex. 207 at 3 (Robinette Rebuttal).

⁵⁹ See Ex. 20 at 2, 9 (Mantle Rebuttal).

⁶⁰ See Report & Order, In re Union Elec. Co., No. EO-85-17, 1985 Mo. PSC LEXIS 54, *24-27, 27 Mo. P.S.C. (N.S.) 183, 192-93 (1985).

York Public Service Commission⁶¹ which is virtually identical to the standard of the Federal Energy Regulatory Commission which forbids the use of hindsight.⁶²

Citing the Commission's adoption of the standard with approval, the Court of Appeals has stated that "this test of prudence should not be based upon hindsight, but upon a reasonableness standard."⁶³

However, Ms. Mantle's analysis is the antithesis of the prudence standard. As Company witness John Reed of Concentric Energy Advisors observed, she does not discuss the process by which EMW made its decisions, or the range of reasonable conduct based on what other utilities have done. She does not evaluate EMW's decisions based on what was known or knowable at the time decisions were made. Instead, she relies entirely on hindsight to assert that the fuel and purchased power costs incurred during Winter Storm Uri were imprudent.⁶⁴ As Mr. Reed testified, "her approach is a textbook example of how not to perform a prudence review."⁶⁵ He concluded that her "definition of a prudent utility would establish an impossible standard which would require exceptional performance in every hour of every year."⁶⁶

Kayla Messamore, Vice President of Strategy & Long-Term Planning, carefully explains how over the years Evergy Missouri West approached resource planning by conducting the net present value of revenue requirement ("NPVRR") analysis called for by the Commission's IRP

⁶¹ In re Consolidated Edison Co. of New York, Inc., Opinion No. 82-2, Case 27869, 1982 WL 993165 at *330-31 (N.Y. P.S.C. 1981).

⁶² New England Power Co., 31 FERC ¶ 61,047, 1985 WL 191206 **6 (1985) ("We note that while in hindsight it may be clear that a management decision was wrong, our task is to review the prudence of the utility's actions and costs resulting therefrom based on the particular circumstances existing either at the time the challenged costs were actually incurred, or the time the utility became committed to incur those costs"). See Potomac Elec. Power Co., 169 FERC ¶ 61,172, Para. 43 n.73 (2019).

⁶³ State ex rel. Assoc. Nat. Gas Co. v. PSC, 954 S.W.2d 520, 529 (Mo. App. W.D. 1997).

⁶⁴ See Ex. 18 at 15-16 (Reed Surrebuttal).

⁶⁵ Id. at 16.

⁶⁶ Id. at 16-18.

Rule. The goal of the NPVRR is to minimize long-term customer costs, with a resulting Preferred Plan designed to fulfill that objective.⁶⁷

She also corrects several misrepresentations and errors contained in Ms. Mantle's testimony. Contrary to OPC's view, EMW does conduct resource planning on both a stand-alone basis, as well as a joint basis, given its affiliation with Evergy Metro, Inc. and Evergy Kansas Central, Inc., which is done to assess the potential for sharing resources, as well as decisions related to jointly owned plants.⁶⁸ This is a process that Evergy and its predecessors have pursued for years. Furthermore, EMW did have sufficient capacity in 2019 to meet SPP's reserve margin requirements on a stand-alone basis, and it continues to do so today.⁶⁹

Ms. Messamore and Mr. Reed address OPC's position that when a utility consistently purchases more energy from SPP than it sells, it means it "cannot meet customers' load" and its resource planning is, therefore, "imprudent."⁷⁰ EMW and scores of other electric utilities participate in the wholesale electricity markets operated SPP and other regional transmission organizations (RTOs). Reliance on markets like SPP's is an essential element of resource planning where market purchases frequently provide lower-cost electricity compared with a utility's company-owned or contracted generation.⁷¹ As Ms. Messamore testified, the Company's IRP modeling showed that its load could be served more economically like the SPP market and with its capacity contract with Evergy Metro compared to keeping Sibley Unit 3 on-line, even considering the benefit of margins from off-system sales.⁷²

⁶⁷ See Ex. 17 at 4-6 (Messamore Surrebuttal); 20 CSR 4240-22.070(1)-(3) [Elec. Util. Resource Planning: Resource Acquisition Strategy Selection].

⁶⁸ See Ex. 17 at 5.

⁶⁹ See Ex. 17 at 7-8.

⁷⁰ See Ex. 201 at 13 (Mandle Rebuttal).

⁷¹ See Ex. 17 at 6.

⁷² Id. at 9.

No OPC witness addressed the outcomes of the modeling in the 2017 IRP Annual Update where retiring Sibley in 2018 and procuring PPAs for capacity were more economic in 100% of the 18 modeled scenarios, including three levels of natural gas prices, three levels of load growth, and two levels of carbon pricing. The modeling showed that retiring Sibley saved approximately \$220 million for customers on an expected value basis.⁷³

At a higher level, Mr. Reed testified that, contrary to Ms. Mantle's approach, neither reliability nor least-cost dispatch are assured by having each utility in an RTO plan its generation portfolio *without* regard to the wholesale markets and instead meet its customers' needs on a stand-alone basis.^{74 75} He concluded that there "is nothing that even hints at imprudent behavior in planning to meet energy needs through surpluses that exist" in the "integrated markets [which] have become widespread where sufficient transmission capacity exists to move power" to RTO members and their customers.⁷⁶

Although Ms. Mantle admitted that "[t]here is no way to accurately plan for all extreme events,"⁷⁷ she proposes hundred million-dollar disallowances because Winter Storm Uri was "one of the assumed risks for which the Commission has rewarded Evergy [Missouri] West for years."⁷⁸ This testimony exposes the unlawful and unreasonable standard of perfection that she seeks to impose on EMW for the unspecified "rewards" that the Commission has supposedly granted the Company. Just as that standard must be rejected, so must her proposed arbitrary disallowance of either 50% or 100% of the net purchased power costs that EMW incurred in February 2021.⁷⁹

⁷³ Id. at 10.

⁷⁴ See Ex. 18 at 18-19 (Reed Surrebuttal), *citing* Sched. LMM-R-2 Page 7 (at 6), attached to Ex. 201 (Mantle Rebuttal).

⁷⁵ Ms. Mantle's report at Schedule LMM-R-2 Page 7 states that "the prudent utility" will "meet its customers' needs on a stand-alone basis . . ."

⁷⁶ See Ex. 18 at 18-19 (Reed Surrebuttal).

⁷⁷ Ex. 201 at 10

⁷⁸ Id. at 9.

⁷⁹ See Ex. 201 at 6 & Sched. LMM-R-1C (Mantle Rebuttal); Ex. 17 at 13-14 (Messamore Surrebuttal).

Mr. Reed's explains that her reasoning is fundamentally flawed because it presumes EMW's purchases from the SPP market are a "proxy" for imprudent resource planning, ignoring savings to customers that the IRP analysis showed.⁸⁰ To the contrary, EMW's pooled energy purchases from SPP's regional market reflect their "economic superiority" over meeting its load requirements with owned generation. Ms. Mantle admits that if the Company had followed OPC's advice, its "customers would have been paying higher rates" but neglects to analyze what those costs would have been, finding it "near impossible" to do.⁸¹

However, it is not impossible. The Company has made those calculations over the years in its IRP studies, notably in the 2017 Annual Update, submitted as late-filed Exhibit 20. This analysis showed that retiring Sibley Units 2 and 3 by year-end 2018 would provide an additional \$220 million of savings.⁸² ⁸³ It demonstrates that EMW pursued a resource plan that met the Commission's prudence standard. This stands in stark contrast to the multi-million-dollar range of disallowances that Ms. Mantle has proposed that rests not on a rational utility prudence standard, but rather on hindsight and the use of a crystal ball.

Finally, Ms. Mantle's opinion that EMW "should have turned off its customers' electricity during a period of extremely cold temperatures before the SPP required it to do so" because EMW "could have reduced the cost that is being requested from customers" must be rejected.⁸⁴ As Mr. Reed testified at hearing, "price should not be a factor in making those kinds of decisions with regard to service interruptions or reliability" during an extraordinary event like winter Storm Uri.⁸⁵

⁸⁰ See Ex. 18 at 22-24 (Reed Surrebuttal).

⁸¹ See Ex. 201 at 6:15-18 (Mantle Rebuttal).

⁸² See Ex. 20 at 5-6, 42-46, KCP&L Greater Mo. Operations Co. Integrated Resource Plan 2017 Annual Update (June 2017).

⁸³ The \$220 million of savings is shown on p. 46 of Ex. 20. It is the difference between the plans ranked 2 and 3 (\$58-59 million in savings from demand-side management programs) and the plans ranked 4 and 5 (\$279 million in savings when Sibley Units 2 and 3 are retired).

⁸⁴ See Ex. 201 at 29-30.

⁸⁵ See Tr. 266-67.

A utility that followed Ms. Mantle’s advice would likely be deviating from its obligation to provide “safe and adequate” service to the public.⁸⁶

3. Conclusion

The removal of any amount of net purchased costs from EMW’s Qualified Extraordinary Costs based on OPC analysis would be arbitrary and capricious. Public Counsel has failed to apply the prudence standard used by the Commission and other regulatory commissions over the last 40 years. Instead, it has set up its own standard of near perfection which it has used to complain about the Company’s resource planning over the last 15 years. Moreover, *never once* does Public Counsel criticize the prudence of the purchased power costs is incurred *during* Winter Storm Uri, as required by the Securitization Law.

Because of these legal and factual shortcomings, OPC’s request for a disallowance based on Evergy Missouri West’s alleged imprudent resource planning must be denied.

H. Were the costs incurred by EMW related to Winter Storm Uri as a result of its resource planning process just and reasonable? [If no, should EMW’s recovery through securitized bonds reflect a disallowance? If yes, what amount should the Commission disallow?]

As discussed at length in Section II(G), the costs that Evergy Missouri West incurred during Winter Storm Uri were prudent and, therefore, should be treated by the Commission as just and reasonable. Because no party has raised any “serious doubt” regarding the prudence of the expenditures during the storm, the Company’s calculation and explanations of its costs⁸⁷ and their

⁸⁶ See § 393.130.1

⁸⁷ The calculation of these costs and the method used to quantify the Qualified Extraordinary Costs are presented by Evergy Senior Director of Regulatory Affairs Ronald A. Klote who is a certified public accountant. See Ex. 11 at 7-9 & Sched. RAK-1 (Klote Direct); Ex. 12 at 13-14 & Sched. RAK-5 (Klote Surrebuttal).

recovery should be found to be just and reasonable under Section 393.1700.2(3)(c)a-b, pursuant to the principles the Commission has followed for many years.⁸⁸

The issue itself misstates the function of resource planning which does not “result” in “costs” that cause an electric utility to incur costs. This is particularly true of the costs that the Company incurred during the “anomalous weather event” of Winter Storm Uri. It is that event which caused the Qualified Extraordinary Costs that EMW seeks to securitize, along with the effect that the storm had on the transmission and distribution systems of EMW and its neighbors, the natural gas pipeline system, the ability of Southwest Power Pool to provide electricity to its members, and the price spikes and volatility of commodities like natural gas and other fuel that EMW relied on to provide service to customers.

The “policy goal” of the Commission’s Integrated Resource Planning process “is to set minimum standards to govern the scope and objectives” of the process “to ensure that the public interest is adequately served.”⁸⁹ Under the IRP process electric utilities analyze a broad range of supply-side and demand-side resources in the context of various economic and market environments. See Ex. 17 at 4-5 (Messamore Surrebuttal). However, the best IRP process doesn’t assure that costs will be immune from volatile price spikes or other market disruptions that are outside a utility’s control.

There is no disagreement that it is impossible to plan for – and neither the IRP process nor prudence require planning for – extraordinary and unusual events like Winter Storm Uri. OPC’s witness Ms. Mantle testified: “There is no way to plan for all extreme circumstances.”⁹⁰ Evergy’s

⁸⁸ State ex rel. Public Counsel v. PSC, 274 S.W.3d 569, 578, 587 (Mo. App. W.D. 2009) (OPC failed to carry its burden to show serious doubts regarding prudence of construction costs); State ex rel. Assoc. Nat. Gas Co. v. PSC, 954 S.W.2d 520, 528-29 (Mo. App. W.D. 1997).

⁸⁹ See 20 CSR 4240-22.010(1).

⁹⁰ See 201 at 10 (Mantle Rebuttal).

Vice President of Long-Term Planning Kayla Messamore stated that “that the IRP does not include extreme scenarios like Winter Storm Uri.”^{91 92}

As stated in Section II(G)1 above, OPC reviews events occurring years before February 2021 when Winter Storm Uri took place. This is contrary to Section 393.1700.1(13) which focuses on whether the fuel and purchased power costs EMW seeks to securitize meet the definition of Qualified Extraordinary Costs that were “incurred prudently” “during anomalous weather events.”

No witness testified that the costs incurred during Winter Storm Uri were imprudent. To the contrary, Vice President of Generation John Bridson concluded: “Given these unusual circumstances, the costs that [EMW] incurred during Winter Storm Uri in the SPP energy markets, in the procurement of fuel, and in non-fuel O&M matters ... were prudently and reasonably incurred, and allowed the Company to provide customers with the power they needed under extreme circumstances.”⁹³

Consequently, there can be no other conclusion except that the costs prudently incurred by Every Missouri West during the storm were just and reasonable.

I. Should EMW’s recovery through securitized bonds reflect a disallowance for income tax deductions for Winter Storm Uri costs?

The Stipulation resolved this issue as between the Company and Staff, based on all Signatories’ agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.⁹⁴ However, OPC reserved for the Commission’s resolution any “adjustment to the proposed securitization amount to account for the tax deduction Every Missouri West will receive.”⁹⁵ Whether the Stipulation is approved or not,

⁹¹ See Ex. 17 at 12 (Messamore Surrebuttal).

⁹² “Q: Is it prudent for public utilities to plan on the basis of extraordinary, unusual events like Winter Storm Uri?
A: No, not events that are unusual or extraordinary to that degree.” Accord, Tr. 267 (J. Reed).

⁹³ See Ex. 1 at 25 (Bridson Direct).

⁹⁴ See Stipulation, ¶ 7 at 3.

⁹⁵ Id.

the Company's position on this OPC issue is that the proposed securitization amount should not be subject to any tax disallowance.

Specifically, OPC's witness Mr. Riley proposes an approximately \$72,000,000 disallowance of Qualified Extraordinary Costs (fuel and purchased power costs) by claiming the Company will receive a "permanent" tax benefit associated with securitizing Winter Storm Uri costs that ratepayers will have to pay for while the Company gets a "windfall." Not only does OPC's position have no basis in the Securitization Law, it is demonstrably inaccurate as a matter of public, written Internal Revenue Service ("IRS") guidance.

While OPC is correct that EMW was entitled to a tax deduction when the Winter Storm Uri costs were incurred and is not taxed when the Bonds are actually issued, OPC inexplicably ignores the tax consequences of the special purpose entity ("SPE") created for the Bond financing.⁹⁶ The SPE will not receive a tax deduction because the Winter Storm Uri costs were already deducted by EMW, and the revenue collected from ratepayers by the SPE through the SUTC will be taxable.⁹⁷ As a result, "[w]hen the Winter Storm Uri expenses were deducted for tax purposes at Evergy Missouri West, a tax timing difference was created," so EMW recorded deferred taxes that will remain in rate base until collected from ratepayers by the SPE through the SUTC.⁹⁸ Then, EMW will have to pay taxes to the government on this revenue on the Company's consolidated tax return.⁹⁹

Crucially, the exact tax scenario presented in this securitization proceeding is directly addressed in the IRS's September 12, 2005 Revenue Procedure 2005-62, admitted into evidence at hearing as Exhibit 19. As stated in Section 1. Purpose, "[t]his revenue procedure sets forth the

⁹⁶ See Ex. 5, Hardesty Surrebuttal, at 2-5; Tr. VII at 228:8-229:23, 231:10-25, and 234:8-21.

⁹⁷ Id.

⁹⁸ Id.

⁹⁹ Id.

manner in which a public utility company may treat the issuance of a financing order by a State agency authorizing the recovery of certain specified costs incurred by the utility and the securitization of the rights created by that financing order.” Accordingly, per Section 6. Application, “[t]he nonbypassable charges are gross income to the utility recognized under the utility’s usual method of accounting.”¹⁰⁰ Therefore, the Company will pay income taxes on the collections by the SPE through the SUTC.

In other words, OPC’s analysis inappropriately skips this ultimate step where the Company must pay taxes on the revenue generated via the SUTC, thereby manufacturing a “permanent tax benefit” where none exists in reality. Worse, if the proposed securitized amount is reduced by the tax savings at EMW, then there will not be sufficient funds to recover all of the Winter Storm Uri costs, including the income tax expense at the SPE.¹⁰¹ This outcome advocated by OPC is not permissible under the Securitization Law, and would only constitute an unlawful penalty to the Company.

Staff agrees with EMW that OPC’s proposed disallowance is based on flawed reasoning and should be rejected by the Commission. Staff’s witness Ms. Bolin concurs that “there is a tax timing difference associated with the securitized costs” for which EMW “has a recorded a deferred tax liability,” and the tax benefits of which “will be given to customers in future general rate cases over the life of the securitized bond.”¹⁰² Again, “[t]axes will be paid once any revenue is received by the SPE” and “the SPE will file a tax return as part of the consolidated income tax return filed by Evergy Inc.”¹⁰³ Indeed, “to include the benefits in the securitization charges directly,” as OPC

¹⁰⁰ See Ex. 19 at 2.

¹⁰¹ See Ex. 5, Hardesty Surrebuttal, at 2-5; Tr. VII at 228:8-229:23, 231:10-25, and 234:8-21.

¹⁰² See Ex. 101, Bolin Surrebuttal, at 4-5; Tr. V.III at 334:3-21 (“I’m in agreement with Ms. Hardesty’s views on taxes.”), 339:12-340:14.

¹⁰³ Ex. 101, Bolin Surrebuttal, at 4-5.

seeks through a disallowance, “would thus double-count the benefits to be passed on to customers.” Id. Even Mr. Riley agreed at hearing that EMW’s and Staff’s approach to and methodology regarding this tax issue “could be done.”¹⁰⁴

Mr. Riley’s apparent new reliance at hearing on the Securitization Law’s definition of “Financing Costs” is equally misplaced. The “Financing Costs” definition includes a provision on taxes: “Any state and local taxes, franchise, gross receipts, and other taxes or similar charges, including commission assessment fees, whether paid, payable or accrued.”¹⁰⁵ However, this reference is to taxes associated with the “securitized utility tariff bonds,”¹⁰⁶ not the above-described deferred tax liability or resulting tax-timing difference. Here, if EMW’s customers were to be responsible for taxes, they would be “directly built into the securitized amount,” but “[t]his is not how Evergy or Staff has calculated the securitized amount. In a rate case, the amount of taxes associated with the revenue the company will collect is included in the base rates. There is no separate line item on a customer’s bill for federal or state income taxes, which the company will have to pay.”¹⁰⁷

The Commission should reject OPC’s request for a tax disallowance, as there is neither statutory support nor competent evidence justifying it, and in fact, the competent record evidence establishes any disallowance would be contrary to the Securitization Law and operate as an inappropriate penalty to EMW.

¹⁰⁴ Tr. V.IV at 504:25-505:16.

¹⁰⁵ Mo. Rev. Stat. §393.1700.1(8)(e).

¹⁰⁶ See §393.1700.1(8).

¹⁰⁷ See id. at 3; see also Tr. V.III at 341:2-24 and 352:16-353:15.

J. Should Evergy's recovery through securitized bonds reflect a disallowance for the income tax deduction on the carrying costs for Winter Storm Uri costs?

The Stipulation resolved this issue as between the Company and Staff, based on all Signatories' agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.¹⁰⁸ However, OPC reserved for the Commission's resolution any "adjustment to the proposed securitization amount to account for the tax deduction related to the carrying charges on the Storm Uri costs." *Id.* Whether the Stipulation is approved or not, and in addition to the related discussion above, the Company's position on this OPC issue is that the proposed securitization amount should not be subject to any tax disallowance.

Specifically, OPC argues that combined with their requested fuel and purchased costs disallowance discussed above, any federal and state tax effects of the accrued carrying charges in the total proposed securitized amount should likewise be reduced. In total, OPC requests a disallowance of \$72,000,000 to \$82,000,000 from the EMW's Winter Storm Uri costs. For all of the same reasons detailed above, OPC's arguments should be rejected because they are erroneous and in violation of the Securitization Law. Once more, and as Ms. Bolin testified, OPC's argument that the carrying and/or interest costs associated with the Winter Storm Uri costs would result in a "tax windfall" to EMW is incorrect.¹⁰⁹ Even Mr. Riley agreed at hearing that EMW's and Staff's approach to and methodology regarding this tax issue "could be done."¹¹⁰

The Commission should reject OPC's request for a tax disallowance, as there is neither statutory support nor competent evidence justifying it, and in fact, the competent record evidence establishes any disallowance would be contrary to the Securitization Law and operate as an inappropriate penalty to EMW.

¹⁰⁸ See Stipulation, ¶ 7 at 3.

¹⁰⁹ See Ex. 101, Bolin Surrebuttal, at 3; see also Tr. V.III at 334:3-21, 339:12-340:14, 341:2-24, and 352:16-353:15.

¹¹⁰ Tr. V.IV at 504:25-505:16.

K. What are the appropriate carrying costs for Winter Storm Uri?

1. Stipulation

The Company and Staff agree that carrying costs calculated for inclusion in the Qualified Extraordinary Costs should be determined by using an average commercial paper rate of 0.20% for the first six months post-February 2021, the month when Winter Storm Uri occurred. Afterward, beginning in September 2021, the Company's long-term debt rate of 5.06%, as recommended by Staff, should be applied. Staff and EMW agree that the carrying costs included in the Stipulation's \$306.1 million of Qualified Extraordinary Costs include \$20,951,820 in carrying costs through January 2023.¹¹¹

OPC, MECG, and Velvet Tech preserved the right to advocate for a different rate to determine carrying costs. In his rebuttal testimony OPC witness Murray argued that carrying costs should be determined exclusively by using an unspecified short-term debt rate consistent with a commercial paper rating of A2/P2, noting that the Company had issued short-term debt at the rate of 0.20%.¹¹² Using such a low rate for carrying costs is unreasonable, given that the period over which EMW's capital will be deployed significantly exceeds one year, the typical definition of short-term capital.¹¹³ Given that the commitment of intermediate or long-term capital should reflect a balanced mix of debt and equity, the blended rate of short-term and long-term debt agreed to by Staff and the Company in the Stipulation is just and reasonable.

A decision by the Commission that the proposal in the Stipulation should be accepted and OPC's recommendation rejected would not require any adjustment in the amounts to be securitized.

¹¹¹ See Stipulation at 2-3.

¹¹² See Ex. 203 at 7-10 (Murray Rebuttal).

¹¹³ See Ex. 7 at 3 (Humphrey Surrebuttal).

2. Evergy Position if Stipulation not Approved

If the Commission does not adopt OPC's position, Evergy's position is that its carrying costs should be calculated on the basis of the Company's weighted average cost of capital ("WACC") of 7.358%, plus applicable taxes, which totals 8.90%.¹¹⁴

Using the WACC is appropriate because it is consistent with the recovery that would occur under customary procedures if securitization did not occur. If the Qualified Extraordinary Costs were recovered under the existing FAC/PISA approach,¹¹⁵ a relatively small amount of the costs of Winter Storm Uri would flow through the FAC, while most of them would be deferred under the PISA compound annual growth rate limitations or "caps" in Sections 393.1655.5 and 393.1400.2(3). Under this latter statute, the regulatory asset created by the deferral "shall include carrying costs at the electrical corporation's weighted average cost of capital, plus applicable federal, state, and local income or excise taxes."¹¹⁶ Similarly, if the AAO amortization approach were used to finance the recovery of Winter Storm Uri costs as a regulatory asset, and its costs were amortized over a 15-year period, they would also be subject to carrying costs at EMW's WACC plus taxes.¹¹⁷

The use of WACC is appropriate because it reflects all of the sources of the Company's capital, not just one element such as its long-term debt rate. The appropriate carrying cost or return for EMW deploying its capital to bear the expenses of Winter Storm Uri should reflect a balanced mix of debt and equity.¹¹⁸ This is particularly true because the period of time during which EMW's capital will be spent until the securitized bonds are issued is unknown. However, it significantly

¹¹⁴ See Ex. 11 at 10, 14 (Klote Direct).

¹¹⁵ This refers to the fuel adjustment clause (FAC) process under § 386.266, as modified by the plant-in-service accounting (PISA) provisions beginning at § 393.1400.

¹¹⁶ See Ex. 11 at 13 (Klote Direct).

¹¹⁷ Id.

¹¹⁸ See Ex. 7 at 2-3 (Humphrey Surrebuttal).

exceeds one year from February 2021 when Winter Storm Uri's costs were incurred (one year being the generally accepted upper limit of short-term debt).¹¹⁹

As Mr. Reed stated, the “principle of a fair return applies here because EMW has committed capital to funding the deferred fuel and purchased power cost” of Winter Storm Uri, and that “commitment of capital warrants the opportunity earn a reasonable return” under the Supreme Court’s Bluefield and Hope cases long followed by this Commission.¹²⁰

Because the carrying costs being incurred by EMW reflect the deployment of all of its capital, both debt and equity, the proposals of Staff to use a long-term debt rate and OPC to use a short-term debt rate should be rejected.¹²¹

L. What is the appropriate adjustment to the amount of Winter Storm Uri costs to be recovered through securitized bonds, if any, regarding EMW’s administration of the Special Incremental Load (SIL) tariff?

The Company believes that this issue was one of the issues that was resolved by the Stipulation filed in this case and either supported or not opposed by all parties. Should the Commission not approve the Stipulation then the Company asserts that Staff’s proposed SIL adjustment to the Company’s qualified extraordinary costs is not warranted as the SIL tariff revenue received from Nucor more than covers the cost to provide service to Nucor when Staff’s analysis is corrected for errors and flawed assumptions.¹²²

Staff’s adjustment is based on Staff witness Luebbert’s estimate of incremental customer event balancing costs incurred by the Company in the Southwest Power Pool (“SPP”) to serve Nucor load and then passed on to ratepayers in EMW’s fuel adjustment clause. Staff’s estimate is flawed as it was based on a static setpoint estimate which is not based on the actual operations of

¹¹⁹ Id. at 3 (Humphrey Surrebuttal); Ex. 18 at 28 (Reed Surrebuttal); Ex.100 at 11 (Bolin Rebuttal) (long-term debt rate appropriate for costs incurred “over a year”).

¹²⁰ See Ex. 18 at 26-27 (Reed Surrebuttal).

¹²¹ See Ex. 100 at 10-11 (Bolin Rebuttal); Ex. 203 at 3-11 (Murray Rebuttal).

¹²² Lutz Surrebuttal, Ex. 16, p. 10, lines 20-22.

the plant.¹²³ When the actual Nucor loads are examined, EMW incurred no such incremental SPP balancing costs to serve Nucor load during the month of February 2021.¹²⁴ As a result, Staff's SIL adjustment to qualified extraordinary costs should be rejected.

M. What is the appropriate discount rate or rates to use to calculate the net present value of Winter Storm Uri costs that would be recovered through customary ratemaking?

1. Stipulation

The Company and Staff have agreed in the Stipulation that 8.9% is the appropriate discount rate that should be used to determine the quantifiable net present value (NPV) of benefits to customers. However, OPC has preserved the right to argue for a different rate.¹²⁵ If the PSC rejects this adjustment proposed by OPC, there will be no need to adjust the Stipulation provisions on this issue.

The 8.9% discount rate was proposed by EMW because it represents the Company's weighted average cost of capital ("WACC") after taxes which the Commission used to set rates in its last rate case. This rate falls within the range of rates discussed by Staff witness Mark Davis which he testified ranged from the low single digits up to 20%, given what a range of customers would be charged the benefits of securitization were not used.¹²⁶

2. Evergy Position if Stipulation not Approved

If the Commission does not approve the Stipulation, Evergy's position is that 8.9% is the appropriate discount rate.

The Securitization Statute requires an analysis of the NPV of benefits to customers with and without securitization. Under Section 393.1700.2(e) the Company must provide a

¹²³ Carlson Surrebuttal, Ex. 2, p. 3.

¹²⁴ Carlson Surrebuttal, Ex. 2, p. 4, line 1-4.

¹²⁵ See Stipulation, ¶ 8 at 4.

¹²⁶ See Ex. 106 at 4-5 (Davis Rebuttal).

“comparison” of the NPV of the estimated cost to customers from securitized bonds with the cost to customers under “the customary method of financing” the Qualified Extraordinary Costs of Winter Storm Uri. The Commission’s Financing Order must make a finding, pursuant to Section 393.1700.2(3)(c)b, that the bonds “are expected to provide quantifiable [NPV] benefits to customers as compared” to the “recovery of ... costs that would have been incurred absent” the bonds.

Evergy’s Ronald Klote utilized EMW’s 8.9% WACC in his NPV calculation to demonstrate the benefits that customers would receive under securitization, compared with customary financing of the costs that would occur under the Fuel Adjustment Clause/PISA approach and the AAO approach.¹²⁷

The only discount rate that produces a meaningful answer to the question of whether securitization is in the best interest of customers is the rate that is used in setting customer rates. That rate is the cost of capital that is used to set rates. Therefore, using the WACC as the discount rate in the statutory comparison of whether to use or not use securitization is the logical approach. It is also the same approach used under the Commission’s Integrated Resource Planning rule where the present value of revenue requirements in competing scenarios of resource options are evaluated.¹²⁸

Mr. Davis, on behalf of Staff, did not disagree with EMW’s 8.9% discount rate. He stated that “[b]eyond the utility WACC, additional discount rates” have been used to evaluate “the customer cost of capital” including “utility cost of debt” and the “cost of consumer borrowing.”¹²⁹

¹²⁷ See Ex. 11 at 13-14 & Sched. RAK-4 (corrected) (Klote Direct); Ex.12 at Sched. RAK-8 (updated) (Klote Surrebuttal).

¹²⁸ See Ex. 18 at 29-30 (Reed Surrebuttal). See generally 20 CSR 4240-22.040(1)-(2)(A) [Supply-Side Resource Analysis]; 22.060(2), (5) [IRP & Risk Analysis]; 22.070(1), (3) [Resource Acquisition Strategy Selection].

¹²⁹ See Ex. 106 at 5 (Davis Rebuttal).

He concluded that “there is no single discount rate that applies uniformly to all consumers,” noting that consumer “rates could range from the low single digits to the 20% context in the case of credit card debt.”¹³⁰ As Mr. Klote observed, given Staff’s range of rates, “use of the Company’s WACC strikes a reasonable balance.”¹³¹

By contrast, OPC’s Mr. Murray uses not one, but *two* discount rates: One rate to determine the NPV of the customary methods of recovery storm costs (FAC/PISA or AAO). Then, he uses a second, different discount rate to determine the NPV of the securitization method, based on an investment risk assessment regarding EMW, not the risk to the customer. OPC advances this dual assessment theory despite the legal requirement that the comparison must relate to what securitized bonds “... are expected to provide” in quantifiable NPV “benefits to customers as compared to recovery” without securitization.¹³²

Mr. Murray’s assertions regarding investment risk under different recovery scenarios are not relevant to determining the quantifiable NPV benefits to customers under securitization compared to the customary method of recovery.^{133 134} The Company’s use of a discount rate of 8.90% to calculate the NPV of benefits to customers under securitization is appropriate.

III. WHAT ARE THE ESTIMATED UP-FRONT AND ONGOING FINANCING COSTS ASSOCIATED WITH SECURITIZING QUALIFIED EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI?

1. Stipulation

The Stipulation between the Company, Staff and OPC resolved the issue related to up-front financing costs based on their agreement that the total amount of Winter Storm Uri costs to be

¹³⁰ Id.

¹³¹ See Ex. 12 at 15 (Klote Surrebuttal).

¹³² See § 393.1700.2(3)(c)b [emphasis added].

¹³³ See Ex. 12 at 17 (Klote Surrebuttal).

¹³⁴ OPC’s “approach would not produce a meaningful answer to the question ... whether securitization is in the best interest of customers.” See Ex. 18 a5 29 (Reed Surrebuttal).

securitized is \$306,103,442. The stipulated amount related to up-front financing costs is \$6,639,931 (referred to as “6.6 million”), to be determined specifically at the time of financing.¹³⁵ Staff and its designated representatives and advisors have agreed to work collaboratively with EMW to establish and verify the up-front financing costs.¹³⁶

If the PSC rejects this adjustment proposed by OPC, there will be no need to adjust the Stipulation provisions on this issue.

2. Evergy Position if Stipulation not Approved

(a) Up-Front Financing Costs: The estimated up-front financing costs are \$6.6 million.

Evergy’s Assistant Treasurer Jason Humphrey testified that Evergy reviewed similar transactions where public utilities filed securitization requests with their regulatory commissions. Based on this analysis and with the assistance of its advisors, EMW developed an estimate of up-front financing costs which is attached to Mr. Humphrey’s testimony.¹³⁷ These costs include: (1) underwriting fees and expenses; (2) legal fees; (3) auditor fees; (4) structuring advisor fees; (5) rating agency fees; (6) information technology (IT) programming costs and related fees under Section 393.1700.1(8)(c); and (7) fees for the Commission advisors.

Mr. Humphrey explained that the SEC has specific formulas for calculating registration fees based upon the initial principal amount. The current fee is \$92.70 per million dollars registered, i.e., 0.0092%.¹³⁸ Although Section 393.1700.5(3)(b)h allows for credit enhancements (such as letters of credit) to be used to obtain the highest credit rating, no costs regarding such

¹³⁵ See Stipulation, Table 1 & ¶ 4.

¹³⁶ Id. at 4.

¹³⁷ See Ex. 6 at 4-9 & Confid. Sched. JOH-1 (Humphrey Direct).

¹³⁸ See Ex. 6 at 9 & Confid. Sched. JOH-1 at line 14 (Humphrey Direct).

enhancements were assumed because they are not currently anticipated to be necessary to achieve a AAA credit rating.¹³⁹

No party has specifically objected to the up-front financing cost estimate of \$6.6 million, although Staff proposed that it be reduced to \$6.025 million.¹⁴⁰ Staff did not provide a specific reason for the adjustment.¹⁴¹ Therefore, Evergy does not believe an adjustment is warranted.¹⁴²

(b) On-Going Financial Costs: Evergy’s estimate of annual, on-going financial costs is \$560,000.¹⁴³

The details regarding the estimate are provided in lines 25-35 to those exhibits. Mr. Humphrey explains their purpose, how they were estimated, how they will be calculated, and how the true-up mechanism will operate to reconcile actual costs with estimates.¹⁴⁴ No party has objected to these estimates.

A. What is the appropriate return on investment and treatment of earnings in the capital subaccount?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories’ agreement that the total amount of Winter Storm Uri costs to be securitized (including carrying costs and upfront financing costs) is \$306,103,442.¹⁴⁵ The Stipulation further resolved this issue based on the Signatories’ agreement, as detailed in Staff witness Ms. Lange’s testimony, to “[a]ccept Staff’s recommendation to include tariff provisions regarding use and treatment of accounts and subaccounts in the SUTC tariff sheets,” as well as “that the estimated upfront

¹³⁹ Id. at 10; Ex. 13 at 12 (Lunde Direct).

¹⁴⁰ See Ex. 100 at 5, Table 2 (Bolin Direct).

¹⁴¹ See Ex. 7 100 at 5-6 (Humphrey Surrebuttal).

¹⁴² Id. at 6.

¹⁴³ See Ex. 6 at 11 & Confid. Ex. 1 (Humphrey Direct); Ex. 7, Confid. Ex. 1 (Humphrey Surrebuttal).

¹⁴⁴ See Ex. 6 at 11-15 (Humphrey Direct).

¹⁴⁵ See Stipulation, ¶ 7 at 3.

financing costs included in the Qualified Extraordinary Costs will reflect those identified by the Company in its Direct testimony in this case at \$6.6 million and will be finally adjusted through the Issuance Advice Letter ('IAL') process and designated representative(s) review.”¹⁴⁶ The Signatories also agreed “to utilize the Company’s filed Financing Order with updates and other adjustments necessary to comply with Statute 393.1700 RSMo. and incorporate this Stipulation and the resolution of contested cost recovery issues.”¹⁴⁷ If the PSC approves the Stipulation, there will be no need for a decision on this issue.

2. EMW Position if Stipulation is Not Approved

If the PSC does not approve the Stipulation, EMW’s position is that it is entitled to earn a rate of return on its invested capital equal to the weighted average cost of capital (“WACC”) of the utility, as the funds in the Capital Subaccount will be invested in short-term high-quality investments.¹⁴⁸ If necessary, such funds (including investment earnings) will be used by the Indenture Trustee to pay the principal of and interest on the Securitization Bonds and the ongoing financing costs payable by the SPE.¹⁴⁹ EMW thus also requests that this return on invested capital be a component of ongoing financing costs, and accordingly, recovered through the SUTC, consistent with sections 393.1700.1(8)(b) and 393.1700.2(3)(c)l of the Securitization Law.¹⁵⁰ Company witness Mr. Klote further discusses how this return amount will be adjusted from time to time as a result of changes authorized to the Company’s cost of capital in future rate cases, Company witness Mr. Lunde further discusses the establishment and treatment of the Capital

¹⁴⁶ See Id., ¶ 4 at 2 and ¶ 11 at 4-5.

¹⁴⁷ See Id., ¶ 9 at 4.

¹⁴⁸ See Ex. 6C, Humphrey Direct, at 12-13.

¹⁴⁹ Id.

¹⁵⁰ Id.

Subaccount in the proposed Financing Order, and Company witness Mr. Lutz further discusses the use and treatment of subaccounts in the proposed tariff provisions.¹⁵¹

B. Is the issuance of multiple series appropriate?

EMW's position is that while multiple series are not expected, the Financing Order should permit the issuance of multiple series to address any future market disruptions.¹⁵² As Company witness Mr. Lunde testified, the language in the proposed Financing Order addressing multiple series "exists in pretty much every financing order [he's] ever done" even though a second series is "very unlikely" to occur.¹⁵³ Staff agrees that "[u]ltimately if the underwriters aren't able to place the full amount of the bonds in a single series, having the flexibility to issue incremental bonds through a subsequent series rather than pull a deal may be advantageous to have the flexibility for."¹⁵⁴

IV. WOULD THE ISSUANCE OF SECURITIZED UTILITY TARIFF BONDS AND IMPOSITION OF SECURITIZED UTILITY TARIFF CHARGES PROVIDE QUANTIFIABLE NET PRESENT VALUE BENEFITS TO CUSTOMERS AS COMPARED TO RECOVERY OF THE SECURITIZED UTILITY TARIFF COSTS THAT WOULD BE INCURRED ABSENT THE ISSUANCE OF BONDS?

Yes. The evidence clearly shows that there are quantifiable net present value (NPV) benefits to customers compared to how Winter Storm Uri costs would be recovered if the bonds were not issued. Even as interest rates are increasing, the expected benefits to EMW's customers will be substantial.

The Company must show that issuing the Securitized Utility Tariff Bonds and assessing Securitized Utility Tariff Charges necessary to cover the Qualified Extraordinary Costs and

¹⁵¹ See Ex. 11C, Klote Direct at 22-23; see also Ex. 13, Lunde Direct at 8-12 and 34-35; see also Ex. 16C, Lutz Surrebuttal at 6.

¹⁵² See Tr. V.II at 127:1-128:18 ("we do like to have flexibility, because at the end of the day, everybody is trying to make sure we get the best possible deal for the ratepayers and flexibility could be an element of achieving that objective.").

¹⁵³ Tr. V.II at 130:1-10.

¹⁵⁴ See Tr. V.IV at 441:9-443:3.

associated Financing Costs “are expected to provide quantifiable net present value benefits to retail customers” compared to “the customary method of financing” such costs “in retail customer rates.”¹⁵⁵ The updated comparison provided by Evergy witness Ronald Klote shows that even in today’s rising interest rate environment, the expected benefit to Evergy customers will exceed \$45 million compared with the FAC/PISA recovery mechanism, with a 20-year regulatory asset amortization.¹⁵⁶ Using the traditional AAO method, with a 15-year amortization, the expected benefit is almost \$102 million.¹⁵⁷

In his direct testimony Mr. Klote described the Company’s method of calculating the NPV benefits of securitization.¹⁵⁸ Staff’s expert witness Mark Davis of Ducera Partners, LLC confirmed Staff’s view “that either the FAC or AAO would be appropriate to consider as customary cost recovery methods for Winter Storm Uri, noting the FAC may be the natural structure available to EMW.”¹⁵⁹ Staff’s assessment as of June 30 was that “the implied NPV benefit of securitization would be approximately \$55 million – \$67 million, at an illustrative discount rate of the WACC and LT debt rate, respectively, when compared to FAC” under Mr. Klote’s analysis.¹⁶⁰

In late July, given the increase in U.S. Treasury rates, the Company’s structuring advisor Citigroup Global Markets, Inc. (“Citi”) prepared an analysis to determine whether securitization of the costs of Winter Storm Uri was still appropriate. Steffen Lunde, a Director in Citi’s Global Financing and Securitization group, testified that securitization was still appropriate under a “break-even analysis.”¹⁶¹ This analysis calculated the maximum weighted average coupon rate

¹⁵⁵ See § 393.1700.2(2)(e).

¹⁵⁶ See Ex. 12, Sched. RAK-8 (Klote Surrebuttal).

¹⁵⁷ Id.

¹⁵⁸ See Ex. 11 at 12-14 & Sched. RAK-4 (corrected) (Klote Direct).

¹⁵⁹ See Ex. 106 at 3 (Davis Rebuttal).

¹⁶⁰ Id. at 6-7.

¹⁶¹ See Ex. 14 at 3 & Sched. SL-4 (Lunde Surrebuttal).

which the securitization could “withstand before it no longer remains economically beneficial to customers (i.e., when the NPV savings are reduced exactly to zero)” compared to the customary recovery methods described in Mr. Klote’s testimony.¹⁶² The break-even calculation showed that the coupon of the securitization could increase to approximately 7.0% under the FAC/PISA method or approximately 9.7% under the AAO method before there were no benefits to customers.¹⁶³

When the Company filed its Petition, the weighted average coupon of securitization was estimated at 3.427%, based on a U.S. Treasury benchmark rate of 2.008%.¹⁶⁴ In Citi’s July 8, 2022 analysis, it rose to 4.500%, using a Treasury benchmark rate of 2.905%.¹⁶⁵ Even with this increase, there was a “cushion” to allow for a rise in interest rates by approximately 2.5% (FAC method) and 5.2% (AAO method) before securitization is no longer economically beneficial to customers.¹⁶⁶ He concluded that there “is significant support for the securitization method remaining the most economically beneficial financing method.”¹⁶⁷

As Mr. Lunde testified at the hearing on August 2, 2022, the cushion has widened in favor of securitization benefits. Treasury rates have come “significantly down” since early July from 2.905% to 2.42%, with an increase in cushion of 45 basis points in the break-even analysis before securitization would not provide benefits to customers.¹⁶⁸

Under all the scenarios presented to the Commission, both in pre-filed testimony and in testimony at the hearing, the evidence shows that the issuance of Securitized Utility Tariff Bonds and the imposition of Securitized Utility Tariff Charges will provide quantifiable net present value

¹⁶² See Ex. 14 at 3.

¹⁶³ See Ex. 14 at 3 & Sched. SL-4.

¹⁶⁴ See Ex. 13 at 5 & Sched. SL-1 (Lunde Direct). ¹⁶⁵

See Ex. 14 at 2 & Sched. SL-3 (Lunde Surrebuttal).

¹⁶⁶ Id. at 4 & Sched. SL-4.

¹⁶⁷ Id. at 4.

¹⁶⁸ See Tr. 154-55 (Lunde).

benefits to customers compared to the recovery of costs that would be incurred under the FAC/PISA and AAO customary methods without the issuance of the bonds.

V. HOW SHOULD THE SUTC BE ALLOCATED?

EMW, Staff and OPC (“Signatories”) are in agreement that loss adjusted energy sales should be used to allocate the SUTC for Winter Storm Uri costs among the Company’s customers.¹⁶⁹ As Staff witness Lange notes on page 20 of her rebuttal testimony, the Winter Storm Uri costs the Company seeks to recover through securitized bonds consist of fuel and purchased power costs that are typically recovered through the FAC. Rate elements under the FAC are developed based on allocations to the various customers using loss-adjusted energy sales. Thus, the Signatory Parties’ proposed allocation of the SUTC is consistent with the allocation under the FAC.¹⁷⁰

As Ms. Lange explained during the hearings, the loss adjusted energy sales allocation method is consistent with cost causation principles since the costs associated with Winter Storm Uri that are being securitized are largely fuel and purchased power. Such costs are allocated on an energy basis in class cost of service studies accepted by virtually all parties.¹⁷¹ Both Ms. Lange and OPC witness Marke also observed that this allocation method avoids problems associated with other allocation methods based upon customer class because it avoids issues related to rate switchers and the loss of large customers from a specific class.¹⁷² Mr. Lutz also agreed that the loss adjusted energy sales allocation method would be advantageous for this reason.¹⁷³

¹⁶⁹ Non-Unanimous Stipulation and Agreement, pp. 5-6 (August 1, 2022); Ex. 16C, Lutz Surrebuttal, pp. 2- 5; Ex. 15, Lange Rebuttal, pp. 20; Ex. 104, Lange Rebuttal, pp. 1-2; Ex. 208, Marke Surrebuttal, pp. 1-2.

¹⁷⁰ Ex. 16C, Lutz Surrebuttal, p. 3.

¹⁷¹ Tr. 371-75.

¹⁷² Tr. 377-79; 404-05.

¹⁷³ Tr. 224-25.

In addition, Evergy examined loss-adjusted energy sales during February 2021 when Winter Storm Uri occurred, and that data shows loss-adjusted energy sales by voltage during that period to be consistent with loss-adjusted energy sales by voltage during subsequent periods. EMW witness Lutz has used the FAC approach, along with updated revenue requirement information as detailed in Company witness Klote’s surrebuttal testimony to calculate the updated retail rate impact of the SUTC that would result from the Company’s current position in this proceeding. If the Commission approves the Non-Unanimous Stipulation and Agreement as recommended by the Signatories, the overall securitized revenue requirement would be approximately \$306.1 Million instead of the initial position proposed by Evergy (i.e. \$356.8 million plus the ongoing annual costs)¹⁷⁴ and would, as a result, lower the overall rates discussed by Mr. Lutz in his surrebuttal testimony. The total securitized revenue requirement and revised rates, as agreed upon by Staff and EMW are included in Late-filed Ex. 108 which was filed by the Staff on August 12, 2022 as follows:

1	Principal and Interest		\$33,483,107
2	Prior Securitized Revenue Requirement True-Up Amount	+	\$0
3	Other Financing Costs	+	\$0
4	Total Securitized Revenue Requirement	=	\$33,483,107
5	Forecasted Sales at Generation Level (SRP) for December 2021 through November 2021	÷	8,848,730,509
6	SUR Rate	=	\$0.00378
	Loss Adjusted SUR Rates		
7	Secondary (SUR Rate x VAF _{Sec} 1.0426) per kWh	=	\$0.00395
8	Primary (SUR Rate x VAF _{Prim} 1.0268) per kWh	=	\$0.00389
9	Substation (SUR Rate x VAF _{Sub} 1.0133) per kWh	=	\$0.00383
10	Transmission (SUR Rate x VAF _{Trans} 1.0100) per kWh	=	\$0.00382

Pursuant to Section 393.1700, the SUTC rates are applicable to all existing or future retail customers receiving electrical service from the electrical corporation or its successors or

¹⁷⁴ Application, p. 26; Ex. 8, Ives Direct, p. 20; Ex. 11C, Klote Direct, Confidential RAK-3, p. 1 of 1.

assignees under commission-approved rate schedules, except for customers receiving electrical service under special contracts as of August 28, 2021,¹⁷⁵ even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this state.¹⁷⁶

The SUTC charges are applicable for so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full. The Commission is to specify in its Report and Order “the period over which securitized utility tariff costs and financing costs may be recovered.”¹⁷⁷

In the Non-Unanimous Stipulation and Agreement, Midwest Energy Consumers Group (“MECG”) and Velvet Tech Services reserved their rights to argue that the Commission should allocate the securitized costs among the retail customer classes using the method proposed in the Direct testimony of Bradley Lutz.¹⁷⁸ In his Direct testimony, Mr. Lutz recommended that the SUTC charges be allocated to each of the Company’s rate classes based on the class revenue set at the conclusion of File No. ER-2018-0146, EMW’s last rate proceeding.¹⁷⁹ Although Mr. Lutz has testified in his surrebuttal testimony that he now supports the loss adjusted energy sales allocation method, counsel for MECG and Velvet Tech Services suggested during the hearings that Section 393.1700 RSMo. requires that the SUTC be allocated on the basis of customer classes¹⁸⁰ as initially recommended by Mr. Lutz. However, MECG and Velvet Tech Services’ arguments are misplaced and should be rejected by the Commission.

¹⁷⁵ EMW has one special contract with Nucor Steel Sedalia LLC that is eligible for exemption from the SUTC. (Ex. 104, Lange Rebuttal, pp. 9-10).

¹⁷⁶ Sections 393.1700(1)(16) and 393.1700(3)(3)(c)(d).

¹⁷⁷ Section 393.1700.2(3)(c)a.

¹⁷⁸ Non-Unanimous Stipulation and Agreement, pp. 4-5.

¹⁷⁹ Ex.15, Lutz Direct, pp. 8-9.

¹⁸⁰ Tr. 40, 44 .

Section 393.1700 does not mandate that the Commission allocate the SUTC on the basis of customer classes, but it gives the Commission discretion on how it should be allocated.¹⁸¹ The statute merely states that the securitized utility tariff charges will be allocated among retail customer classes, but it does not state that the existing customer classes must be the basis for the allocation. MEGC and Velvet Tech have presented no witnesses that recommend allocation of the SUTC by customer class. However, all the experts who presented testimony have now supported the allocation of the SUTC based upon loss adjusted energy sales. The Commission should adopt the position recommended by these experts as it is based upon competent and substantial evidence on the whole record.

VI. WHAT, IF ANY, ADDITIONS OR CHANGES SHOULD BE MADE TO THE STORM SECURITIZED UTILITY TARIFF RIDER PROPOSED BY EMW?

Staff witness Lange proposed several additions and changes to the SUTC tariffs that had been proposed by EMW in its initial filing.¹⁸² EMW witness Lutz responded to her suggestions and recommendations in his surrebuttal testimony and specifically addressed the following topics:

- 1) Treatment of partial and late payments and interaction with Cold Weather Rule;
- 2) SUTC tariff provisions regarding use of accounts and subaccounts in connection with SUTC;
- 3) Dates of Recovery and Accumulation periods;
- 4) Applicability of SUTC to specific customer types;
- 5) Treatment of changes in customer base and service territory;

¹⁸¹ Section 393.1700.2(3)(c)h states: “h. How securitized utility tariff charges will be allocated among retail customer classes. The initial allocation shall remain in effect until the electrical corporation completes a general rate proceeding, and once the commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitized utility tariff charges shall incorporate changes in the allocation of costs to customers as detailed in the commission's order from the electrical corporation's most recent general rate proceeding;” Tr, 224-25.

¹⁸² Ex. 104, Lange Surrebuttal, pp. 4-18.

- 6) Inclusion of true-up mechanism in SUTC tariff sheets; and
- 7) Tariff provisions on billing procedures and bill contents related to SUTC.¹⁸³

EMW witness Matthew Gummig also addressed the Company's proposal regarding the interaction with the Cold Weather Rule and aligned its proposal with Staff witness Lange's recommendation regarding interaction with the Cold Weather Rule.¹⁸⁴

Pursuant to the terms of the Non-Unanimous Stipulation and Agreement, the Signatories collaborated to develop agreed-upon language for these items. On August 12, 2022, as directed, by the Regulatory Law Judge, the Staff filed Ex. 108, which included the joint recommendations of the Staff and EMW regarding resolution of these tariff changes. EMW respectfully requests that the Commission approve the specimen tariffs as agreed to by EMW, and Staff.

VII. REGARDING ANY DESIGNATED STAFF REPRESENTATIVES WHO MAY BE ADVISED BY A FINANCIAL ADVISOR OR ADVISORS, WHAT PROVISIONS OR PROCEDURES SHOULD THE COMMISSION ORDER TO IMPLEMENT THE REQUIREMENTS OF SECTION 393.1700.2(3)?

The Commission should closely follow the requirements of Section 393.1700.2(3)(h) regarding the role of Staff and its financial advisors. The seven sentences of this provision were carefully drafted to give Staff the ability to provide the Commission with an opinion regarding the bonds on an expedited basis. Because the structure and pricing of the bonds will not be known when the financing order is issued, EMW must provide the Commission with an Issuance Advice Letter prior to the issuance of the bonds "no later than one day" after they are priced.¹⁸⁵

At that time Staff is to provide the Commission with "an opinion on the reasonableness of the pricing, terms, and conditions" of the bonds "on an expedited basis." So that Staff is able to provide such an opinion, the PSC was given "the authority to designate" representatives from

¹⁸³ Ex. 16C, Lutz Surrebuttal, pp. 5-10.

¹⁸⁴ Ex. 4, Gummig Surrebuttal, pp. 2-3.

¹⁸⁵ See 1st sentence, § 393.1700.2(3)h.

“commission staff, who may be advised” by “a financial advisor or advisors contracted with the commission,” to:

- (i) “provide input to the electrical corporation” and
- (ii) “collaborate with the electrical corporation”¹⁸⁶

This input and collaboration will occur before the bonds are priced, i.e., “in all facets of the process undertaken by the electrical corporation to place the securitized utility tariff bonds to market”¹⁸⁷

However, the law made clear: “Neither” the Staff designated representatives “nor one or more financial advisors advising commission staff shall have authority to direct how the electrical corporation places the bonds to market”^{188 189} They “shall be permitted to attend all meetings convened by the electrical corporation to address placement of the bonds to market.”¹⁹⁰

This procedure is designed so that Staff and its advisors “can provide the commission with an opinion on the reasonableness of the pricing, terms, and conditions of the bonds on an “expedited basis,” given that the Commission itself is operating under a strict timeline.¹⁹¹ The electrical corporation “may proceed with the issuance of the ... bonds unless, prior to noon on the fourth business day after” the PSC receives the Issuance Advice Letter, “the commission issues a disapproval letter”¹⁹²

Evergy agreed in the Stipulation to engage in “an interactive process” to achieve the requirement of Section 393.1700.2(3)(c)c that the bonds be “reasonably expected to result in the lowest securitized utility tariff charges consistent with the market conditions when the bonds are

¹⁸⁶ See 2nd sentence, § 393.1700.2(3)h [emphasis added].

¹⁸⁷ Id.

¹⁸⁸ See 3rd sentence, § 393.1700.2(3)h [emphasis added].

¹⁸⁹ Id. [emphasis added].

¹⁹⁰ Id.

¹⁹¹ See 2nd sentence, § 393.1700.2(3)h.

¹⁹² See 6th sentence, § 393.1700.2(3)h.

priced and the terms of the financing order”¹⁹³ Evergy acknowledged that Staff’s representatives and advisors “will collaborate with and provide input to Evergy Missouri West in all facets of structuring, marketing and pricing the bonds.”¹⁹⁴ The Stipulation recognized that “Evergy Missouri West has the final decision on placement of the bonds.”¹⁹⁵

The Company requests that the Commission not be overly prescriptive in its directives regarding Staff and its representatives. For example, a provision calling for Staff or its advisors to be present at meetings between EMW and the rating agencies would be unusual and likely not beneficial to either the Company or the Commission.¹⁹⁶ As Mr. Lunde explained, the legislation sets forth the roles of the entities involved in the underwriting process,¹⁹⁷ with an eye toward providing flexibility¹⁹⁸ in certain terms that will best serve customers.¹⁹⁹

The Financing Order that the Company has submitted closely follows the process provided by the Securitization Statute. Given that Staff and its advisors have no legal authority to approve the underwriting process and the placement of the bonds, mandating meetings and communications that go beyond the statute would be unduly burdensome and lead to delays that would interfere with the placement of the bonds.

While Evergy is committed to a process that will be collaborative and interactive, the goal should be for Evergy to secure a final structure of securitized utility tariff bonds with pricing, terms and conditions that result in the lowest charges to customers.

¹⁹³ See Stipulation, ¶ 7 at 4.

¹⁹⁴ Id.

¹⁹⁵ Id.

¹⁹⁶ See Tr. 137 (Evergy witness Lunde), Tr. 472-73 (Staff witness Davis).

¹⁹⁷ Tr. 122

¹⁹⁸ Under § 393.1700.2(3)(c)g the financing order “shall include” a provision regarding “the degree of flexibility afforded to the electrical corporation in establishing the terms and conditions of the securitized utility tariff bonds”

¹⁹⁹ Tr. 138-39.

VIII. WHAT OTHER CONDITIONS, IF ANY, ARE APPROPRIATE AND NOT INCONSISTENT WITH SECTION 393.1700 THAT SHOULD BE INCLUDED IN THE FINANCING ORDER?

EMW seeks a Financing Order from the Commission under the Securitization Law so that it can work with its legal and financial advisors to create a new bankruptcy-remote Special Purpose Entity that will issue Securitization Bonds whose proceeds will allow the Company to immediately recover its extraordinary costs from Winter Storm Uri, including the carrying costs it has incurred from the date that the particular cost was incurred to the date the Securitization Bonds are issued. The Securitization Bonds will be serviced via a Charge that will be in effect during the term of the Securitization Bonds.²⁰⁰

The Commission should approve and adopt the revised Financing Order proposed by EMW which is attached to this Brief as Attachment No. 1.

IX. SHOULD THE COMMISSION GRANT A WAIVER UNDER SECTION 10(A)(1) OF THE AFFILIATE TRANSACTIONS RULE BETWEEN EMW AND THE SPECIAL PURPOSE ENTITY?

1. Stipulation

The Stipulation resolved this issue as among the Company, Staff, and OPC, based on all Signatories' agreement that the Commission should grant a variance of the asymmetrical pricing provisions of the Affiliate Transactions Rule (20 CSR 42-40-20.015) "for transactions between Evergy Missouri West and the special purpose entity as well as any additional affiliate transaction rule variance deemed appropriate by the Commission."²⁰¹ 2.

,In addition EMW's position is that the SPE is not an affiliate of the Company. As confirmed by EMW's witness Mr. Ives:

²⁰⁰ Ex. 8, Ives Surrebuttal, pp. 15-17.

²⁰¹ See Stipulation, ¶ 10 at 4.

the SPE's activities will be restricted to the limited purpose of acquiring the Securitized Property, issuing the Securitization Bonds, collecting the Securitized Utility Tariff Charges, and paying principal and interest on the Securitization Bonds to the bondholders. The SPE will be overseen by an independent manager to ensure that it only takes actions consistent with its obligations as the holder of the equity interest in the Securitized Property.²⁰²

Thus, no provision of the Affiliate Transactions Rule applies to this case.

However, if the Commission disagrees, EMW requests that the Commission grant a waiver in this case under Section 10(A)(1) of the Rule and 20 CSR 4240-2.015 for good cause, with which Staff agrees. Because the services that the SPE will provide consist of typical corporate support primarily in the form of treasury functions, there is simply no reasonable basis to require application of the asymmetric pricing rules under the Affiliate Transactions Rule to transactions between EMW and the SPE.²⁰³ Applying the asymmetric pricing rules would only increase the administrative burden, and associated cost, attendant to creation of the SPE.²⁰⁴ The Company thus respectfully requests such waiver or variance for good cause.

X. CONCLUSION

Having fully addressed the issues in this proceeding, the Company respectfully requests that the Commission approve its Petition for a Financing Order.

²⁰² See Ex. 8, Ives Direct, at 18; Ex. 9, Ives Surrebuttal at 23-24.

²⁰³ Id.; see also Tr. V.III at 292:7-19 and 342:17-343:15.

²⁰⁴ Id.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been emailed or mailed, postage prepaid, to all counsel of record as reflected on the service list maintained by the Commission in its electric filing information system on this 31st day of August 2022.

/s/ Roger W. Steiner

Attorney for Evergy Missouri West

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Application of Evergy)
Missouri West, Inc. d/b/a Evergy Missouri)
West for a Financing Order Authorizing the)
Financing of Extraordinary Storm Costs)
Through an Issuance of Securitized Utility)
Tariff Bonds.)

Case No. EF-2022-0155

FINANCING ORDER

Issue Date:

Effective Date:

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CASE NO. EF-2022-0155

In the Matter of the Application of Evergy)
Missouri West, Inc. d/b/a Evergy Missouri)
West for a Financing Order Authorizing the) Case No. EF-2022-0155
Financing of Extraordinary Storm Costs)
Through an Issuance of Securitized Utility)
Tariff Bonds.)

FINANCING ORDER

This Financing Order addresses the petition of Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West” or the “Company”) under Section 393.1700 of the Missouri Electricity Securitization Law, (the “Securitization Law”)¹ to finance the recovery of qualified extraordinary costs incurred during the anomalous weather event of February 2021 (“Winter Storm Uri”) through an issuance of securitized utility tariff bonds.

On March 11, 2022, Evergy Missouri West submitted a petition for a financing order to finance certain qualified extraordinary costs (also referred to herein as securitized utility tariff costs) plus certain other upfront financing costs associated with the proposed financing. As discussed in this Financing Order, the Commission finds that Evergy Missouri West’s petition (the “Petition”) for approval of the financing should be approved to the extent provided in this Financing Order. The Commission also finds that the financing approved in this Financing Order meets all applicable requirements of the Securitization Law.

On August 1, 2022, Evergy Missouri West, the Staff of the Missouri Public Service Commission (the “Staff”) and the Office of the Public Counsel (“OPC”) entered into a Non-Unanimous Stipulation and Agreement (the “Stipulation”). The Stipulation addressed several items at issue in Case No. EF-2022-0155 in connection with Evergy Metro West’s Petition.

In accordance with the terms of this Financing Order, the Commission approves the recovery of approximately \$306.1 million of qualified extraordinary costs (including carry costs) plus upfront financing costs.

To approve the financing of the qualified extraordinary costs, the Commission must: (1) determine the amount of qualified extraordinary costs to be financed using securitized utility tariff bonds and whether that recovery of such costs is just and reasonable and in the public interest; (2)

¹ All statutory citations are to the Missouri Revised Statutes (2016), as amended.

describe and estimate the amount of financing costs that may be recovered through securitized utility tariff charges; (3) specify the period over which such securitized utility tariff costs and financing costs may be recovered; (4) determine whether the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are (a) just and reasonable; (b) in the public interest; and (c) expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds (referred to herein as the “quantifiable benefits test”);² and (5) determine that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order (referred to herein as the “lowest charges standard”).³ The quantifiable benefits test and the lowest charges standard are collectively referred to herein as the “Statutory Requirements”.

Evergy Missouri West submitted evidence demonstrating that the proposed securitization will meet each of the Statutory Requirements set forth in the Securitization Law to finance qualified extraordinary costs.⁴

Evergy Missouri West provided a general description of the proposed transaction structure in its Petition and in the evidence submitted in support of its Petition. The proposed transaction structure uses only approximations of certain costs and requirements. The final transaction structure will depend, in part, upon the requirements of the nationally-recognized credit rating agencies which will rate the securitized utility tariff bonds and, in part, upon the market conditions that exist at the time the securitized utility tariff bonds are taken to the market in order to satisfy the Statutory Requirements.

In view of these obligations, the Commission has established certain criteria in this Financing Order that must be met in order for the approvals and authorizations granted in this Financing Order to become effective. This Financing Order grants authority to issue securitized utility tariff bonds and to impose, bill, charge, collect, and receive securitized utility tariff charges and to obtain periodic adjustments only if the final structure of the securitization transaction

² See § 393.1700.2.(3)(c)b.

³ See § 393.1700.2.(3)(c)c.

⁴ See § 393.1700.2.(2).

complies in all material respects with these criteria. The authority and approval granted in this Financing Order are effective as to each issuance upon, but only upon, Evergy Missouri West filing with the Commission an issuance advice letter demonstrating compliance of that issuance with the provisions of this Financing Order. If market conditions make it desirable to issue the securitized utility tariff bonds in more than one series, then the authority and approval in this Financing Order is effective as to each issuance, but only upon Evergy Missouri West filing with the Commission a separate issuance advice letter for that issuance demonstrating compliance with the provisions of this Financing Order.

I. Discussion and Statutory Overview

In recognition of the significant rate impact that costs associated with Winter Storm Uri could have on retail electric utility customers in Missouri, the Missouri legislature enacted the Securitization Law during the 2021 legislative session which was signed into law by the Governor on August 28, 2021. With Commission approval, this new mechanism allows for the financing of certain qualified extraordinary costs through securitized utility tariff bonds provided that the utility demonstrates that the issuance of the bonds “...are expected to provide quantifiable net present value benefits to customers.”⁵ In this proceeding, Evergy Missouri West has demonstrated that the costs it incurred associated with Winter Storm Uri are “qualified extraordinary costs” as contemplated by the Securitization Law, and that issuance of a Financing Order consistent with the Securitization Law “will make it possible to reduce Evergy Missouri West’s overall revenue requirement associated with Winter Storm Uri and, therefore, reduce costs that would otherwise be borne by customers.”

The Legislature provided this option to electrical corporations for recovering securitized utility tariff costs. As a precondition to the use of securitization, the Legislature required that the Commission must find that the proposed structure and issuance of the securitized utility tariff bonds meet the Statutory Requirements.

Under the Securitization Law, the financing costs eligible for securitization by Evergy Missouri West include costs incurred by Evergy Missouri West to obtain the financing order and bring the securitized utility tariff to bonds market. In addition, these up-front financing costs include those costs, if any, incurred by the Commission to hire a financial advisor. Upfront

⁵ See § 393.1700.2.(3)(c)b.

financing costs are recovered from the issuance of the securitized utility tariff bonds. After the securitized utility tariff bonds are issued, the ongoing financing costs are those costs incurred to maintain the structure and are recovered through the collection of securitized utility tariff charges.

The Securitization Law requires that a financing order issued by the Commission to an electrical corporation include the following elements: (a) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds and a finding that recovery of such costs is just and reasonable and in the public interest; and a description and estimate of the amount of financing costs that may be recovered through securitized utility tariff charges, as well as the period over which securitized utility tariff costs and financing costs may be recovered;⁶ (b) a finding that the proposed issuance of securitized utility tariff bonds and the imposition and collection of a securitized utility tariff charge are just and reasonable and in the public interest and are expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds;⁷ (c) a finding that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order;⁸ (d) a requirement that, for so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of securitized utility tariff charges authorized under a financing order shall be non-bypassable and paid by all existing and future retail customers receiving electrical service from the electrical corporation or its successors or assignees under Commission-approved rate schedules except for customers receiving electrical service under special contracts on August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the State of Missouri;⁹ (e) a formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments in the securitized utility tariff charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any

⁶ See § 393.1700.2.(3)(c)a.

⁷ See § 393.1700.2.(3)(c)b.

⁸ See § 393.1700.2.(3)(c)c.

⁹ See § 393.1700.2.(3)(c)d.

overcollection or undercollection of the charges or to otherwise ensure the timely payment of securitized utility tariff bonds and financing costs and other required amounts and charges payable under the securitized utility tariff bonds;¹⁰ (f) the securitized utility tariff property that is, or shall be, created in favor of an electrical corporation or its successors or assignees and that shall be used to pay or secure securitized utility tariff bonds and approved financing costs;¹¹ (g) the degree of flexibility to be afforded to the electrical corporation in establishing the terms and conditions of the securitized utility tariff bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs;¹² (h) how securitized utility tariff charges will be allocated among retail customer classes;¹³ (i) a requirement that, after the final terms of an issuance of securitized utility tariff bonds have been established and before the issuance of securitized utility tariff bonds, the electrical corporation determines the resulting initial securitized utility tariff charge in accordance with the financing order, and that such initial securitized utility tariff charge be final and effective upon the issuance of such securitized utility tariff bonds with such charge to be reflected on a compliance tariff sheet bearing such charge;¹⁴ (j) a method of tracing funds collected as securitized utility tariff charges, or other proceeds of securitized utility tariff property, determining that such method shall be deemed the method of tracing such funds and determining the identifiable cash proceeds of any securitized utility tariff property subject to a financing order under applicable law;¹⁵ (k) a statement specifying a future ratemaking process to reconcile any differences between the actual securitized utility tariff costs financed by securitized utility tariff bonds and the final securitized utility tariff costs incurred by the electrical corporation or assignee provided that any such reconciliation shall not affect the amount of securitized utility tariff bonds or the associated securitized utility tariff charges paid by customers;¹⁶ (l) a procedure that shall allow the electrical corporation to earn a return, at the cost of capital authorized from time to time

¹⁰ See § 393.1700.2.(3)(c)e.

¹¹ See § 393.1700.2.(3)(c)f.

¹² See § 393.1700.2.(3)(c)g.

¹³ See § 393.1700.2.(3)(c)h. “The initial allocation shall remain in effect until the electrical corporation completes a general rate proceeding, and once the commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitized utility tariff charges shall incorporate changes in the allocation of costs to customers as detailed in the commission's order from the electrical corporation's most recent general rate proceeding”

¹⁴ See § 393.1700.2.(3)(c)i.

¹⁵ See § 393.1700.2.(3)(c)j.

¹⁶ See § 393.1700.2.(3)(c)k.

by the Commission in the electrical corporation's rate proceedings, on any moneys advanced by the electrical corporation to fund capital accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to the securitized utility tariff bonds;¹⁷ (m) an outside date, which shall not be earlier than one year after the date the financing order is no longer subject to appeal, when the authority to issue securitized utility tariff bonds granted in such financing order shall expire;¹⁸ and (n) any other conditions that the Commission considers appropriate and that are not inconsistent with the Securitization Law.¹⁹

Before the securitized utility tariff bonds may be issued, Evergy Missouri West shall submit to the Commission an issuance advice letter following the determination of the final terms of such series of securitized utility tariff bonds no later than one day after the pricing of the securitized utility tariff bonds. The Commission shall have the authority to designate a representative or representatives from Commission Staff to provide input to Evergy Missouri West and collaborate with Evergy Missouri West in all facets of structuring, marketing and pricing the securitized utility tariff bonds, as further described herein, through an interactive process but Evergy Missouri West shall have the final decision on the structuring, marketing and pricing of the securitized utility tariff bonds. Not later than one day after the issuance advice letter is submitted to the Commission, the Commission's representative or representatives shall provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds. The form of such issuance advice letter, which shall indicate the final structure of the securitized utility tariff bonds and provide the best available estimate of total ongoing financing costs, is set out in Appendix A to this Financing Order. The issuance advice letter shall report the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, as the Commission may require. Evergy Missouri West may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after the Commission receives the issuance advice letter, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval. Should Evergy Missouri West cause the issuance of more than one series of securitized utility tariff bonds pursuant to this Financing Order, Evergy Missouri

¹⁷ See § 393.1700.2.(3)(c)l.

¹⁸ See § 393.1700.2.(3)(c)n.

¹⁹ See § 393.1700.2.(3)(c)o.

West must submit to the Commission an issuance advice letter for each series that complies with the Statutory Requirements and terms of this Financing Order.²⁰

Securitized utility tariff charges constitute securitized utility tariff charges as defined in § 393.1700.1.(16) of the Securitization Law²¹ and will be collected by an electrical corporation, its successors, an assignee, or other collection agents as provided for in this Financing Order from all existing or future retail customers receiving electrical service from the electrical corporation or its successors or assigned under Commission-approved rate schedules, except for customers receiving electrical service under special contracts²² as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in the State of Missouri.²³ Securitized utility tariff charges will be determined in accordance with Evergy Missouri West's most recent general rate proceeding.²⁴

The rights to impose, bill, charge, collect, and receive securitized utility tariff charges (including all other rights of an electrical corporation under this Financing Order) are only contract rights until such rights (which may relate to the entire amount authorized to be securitized or, if more than one series of securitized utility tariff bonds are issued due to market conditions, to a portion of the total amount authorized to be securitized) are first transferred to an assignee or pledged in connection with the issuance of securitized utility tariff bonds.²⁵ Upon the transfer or pledge of those rights, they become securitized utility tariff property and, as such, are afforded certain statutory protections to ensure that the charges are available for bond retirement.

This Financing Order contains terms, as it must, ensuring that the imposition and collection of securitized utility tariff charges authorized herein must be non-bypassable.²⁶ It also includes a mechanism requiring that securitized utility tariff charges be reviewed and adjusted at least annually to correct any overcollections or undercollections during the preceding 12 months and to ensure the expected recovery of amounts sufficient to timely provide all payments of debt service

²⁰ See § 393.1700.2.(3)(h).

²¹ See § 393.1700.1.(16).

²² See § 393.1700.1.(19).

²³ See § 393.1700.1.(16).

²⁴ See § 393.1700.2.(3)(c)h.

²⁵ See § 393.1700.1.(18) and § 393.1700.5.(3)(c).

²⁶ See § 393.1700.1.(16).

and other required amounts and charges in connection with the securitized utility tariff bonds.²⁷ In addition to the annual true-up adjustments, Evergy Missouri West may request a semi-annual true-up and an interim true-up at any time and, beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds of a particular series, Evergy Missouri West may request quarterly true-up adjustments. These additional true-up adjustments may also be made under the circumstances set forth in this Financing Order. These provisions will help to ensure that the amount of securitized utility tariff charges paid by retail customers does not exceed the amounts necessary to cover the costs of this securitization. To encourage utilities to undertake securitization financing, other benefits and assurances are provided.

The State of Missouri and its agencies, including the Commission, have pledged and agreed with the bondholders, the owners of the securitized utility tariff property and other financing parties that they will not take any action that would alter the provisions the Securitization Law, take or permit any action that impairs or would impair the value of securitized utility tariff property or the security for the securitized utility tariff bonds or revises the securitized utility tariff costs for which recovery is authorized, in any way to impair the rights and remedies of the bondholders, assignees, and other financing parties, or, except for the charges made pursuant to the formula-based true-up mechanism expressly authorized by the Securitization Law, reduce, alter or impair securitized utility tariff charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related securitized utility tariff bonds have been paid and performed in full.²⁸

Securitized utility tariff property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, and the property will continue to exist for the duration of the pledge of the State of Missouri as described in the preceding paragraph.²⁹ In addition, the interests of an assignee or pledgee in securitized utility tariff property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge, or defense by the electrical corporation or any other person or in connection with the

²⁷ See § 393.1700.2.(3)(e).

²⁸ See § 393.1700.11.

²⁹ See § 393.1700.1.(18).

reorganization, bankruptcy, or other insolvency of the electrical corporation or any other entity.³⁰ The creation, perfection, priority, and enforcement of liens and security interests in securitized utility tariff property are governed by the Securitization Law and not by the Missouri Uniform Commercial Code.³¹

The Commission may, at the request of an electrical corporation, commence a proceeding and issue a subsequent financing order providing for the refinancing, retiring, or refunding of securitized utility tariff bonds issued pursuant to the original financing order only upon making a finding that the subsequent financing order satisfies all of the criteria specified in Section 393.1700.2.(5). Evergy Missouri West has not requested and this Financing Order does not grant any authority to refinance the securitized utility tariff bonds authorized by this Financing Order.

To facilitate compliance and consistency with applicable statutory provisions, this Financing Order adopts the definitions in Section 393.1700,1.

II. Description of Proposed Transaction

A description of the transaction proposed by Evergy Missouri West is contained in its Petition and the evidence submitted in support of the Petition. A brief summary of the proposed transaction is provided in this section. A more detailed description is included in Section III.C, titled Structure of The Proposed Securitization and in the Petition and evidence submitted in support of the Petition.

To facilitate the proposed financing, Evergy Missouri West has proposed that (depending on whether more than one series of securitized utility tariff bonds are issued) one or more bankruptcy-remote special purpose entities (each referred to as SPE) be created to which Evergy Missouri West will transfer the rights to impose, bill, charge collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order including the right to obtain periodic adjustments to such charges, in each case allocable to the series of securitized utility tariff bonds the SPE is issuing. Upon transfer to a SPE (in connection with the issuance of the particular series of securitized utility tariff bonds), these rights will become securitized utility tariff property as provided by the Securitization Law. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount authorized to

³⁰ See § 393.1700.5.(1)(e).

³¹ See .§ 393.1700.5.(2)(a).

be securitized by this Financing Order which is securitized by a particular bond issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges, along with the other rights arising under this Financing Order including the right to obtain periodic adjustments to such charges and as they relate to any portion of the total amount authorized to be securitized that remains unsecuritized, must remain with Evergy Missouri West and must not become securitized utility tariff property until transferred to a SPE in connection with a subsequent issuance of securitized utility tariff bonds.

Evergy Missouri West reserves the right to create a separate SPE for the issuance of a particular series of the securitized utility tariff bonds; and the rights, obligations, structure and restrictions described in this Financing Order with respect to SPE are applicable to each such purchaser of securitized utility tariff property to the extent of the securitized utility tariff property transferred and sold to it and the securitized utility tariff bonds issued by it. SPE will issue securitized utility tariff bonds and will transfer the net proceeds from the sale of the securitized utility tariff bonds to Evergy Missouri West in consideration for the transfer of the corresponding securitized utility tariff property. SPE will be organized and managed in a manner designed to achieve the objective of maintaining SPE as a bankruptcy-remote entity that would not be affected by the bankruptcy of Evergy Missouri West or any other affiliates of Evergy Missouri West or any of their respective successors. In addition, SPE will have at least one independent director or manager whose approval will be required for certain major actions or organizational changes by SPE.

The securitized utility tariff bonds will be issued under an indenture and administered by an indenture trustee.³² The securitized utility tariff bonds will be secured by and payable solely out of the securitized utility tariff property created under this Financing Order and other collateral described in Evergy Missouri West's Petition. That collateral will be pledged to the indenture trustee for the benefit of the holders of the securitized utility tariff bonds and to secure payment of certain financing costs.

³² If more than one series of securitized utility tariff bonds are issued, each series will be issued under a separate indenture and be subject to its own set of basic agreements (e.g., securitized utility tariff property purchase and sale agreement, securitized utility tariff property servicing agreement, [administration agreement]). For purposes of this Financing Order, the description of the securitized utility tariff bonds applies to each series of securitized utility tariff bonds.

The servicer of the securitized utility tariff bonds will collect the securitized utility tariff charges and remit those amounts to the indenture trustee on behalf of SPE. The servicer will be responsible for filing any required or allowed true-ups of the securitized utility tariff charges. If the servicer defaults on its obligations under the servicing agreement, the indenture trustee may, on behalf of the holders of securitized utility tariff bonds, appoint a successor servicer. Evergy Missouri West will act as the initial servicer for the securitized utility tariff bonds.

Securitized utility tariff charges will be calculated to ensure the collection of an amount sufficient to service the principal, interest, and related charges for the securitized utility tariff bonds and in a manner that determines this amount to the retail customers in the same manner as its most recent general rate proceeding. The securitized utility tariff charges will be calculated in accordance with the methods and terms described in Evergy Missouri West's Securitized Utility Tariff Rider a pro-forma copy of which is contained in Appendix B. In addition to the annual true-up required by Section 393.1700.2.(3)(e), interim true-ups must be performed semi-annually (and quarterly beginning 12 months prior the final scheduled payment date of the last tranche of the securitized utility tariff bonds of a particular series) if the servicer determines that a true-up adjustment is necessary to ensure that the expected recovery during the succeeding 12 months of amounts sufficient to pay scheduled principal and interest on the securitized utility tariff bonds, the ongoing financing costs and amounts necessary to replenish the draws on the capital subaccount and may be performed at other times as provided in this Financing Order. In the event the methodology for true-up adjustments approved in Evergy Missouri West's Securitized Utility Tariff Rider is insufficient to ensure recovery of securitized utility tariff charges to pay scheduled principal and interest on the securitized utility tariff bonds and ongoing financing costs, the servicer shall request a non-standard true-up adjustment as described in this Financing Order. If securitized utility tariff bonds are issued in more than one series, then each series will be subject to a separate true-up under the Securitization Law and this Financing Order; provided, however, that more than one series may be trued-up in a single proceeding.

The Commission determines that Evergy Missouri West's proposed structure for the securitized utility tariff charges should be utilized. This structure provides for substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds. This structure offers the benefit of not relying upon customer growth and will allow the resulting securitized utility tariff charges to remain level or decline over time, if billing determinants remain

level or grow. Further, Evergy Missouri West's proposed securitized utility tariff charge applies consistent factors across customer service voltages, subject to modification in accordance with the true-up mechanisms adopted in this Financing Order.

A fixed interest rate is necessary to assure that customers benefit from the securitization. Although the benefits of fixed rates can be achieved through a combination of floating-rate bonds and interest-rate swaps, state utility commissions in prior securitizations in other states have concluded that the possible benefit of floating-rate bonds did not outweigh the cost of preparing for and executing interest-rate swaps and the potential risks swaps would impose on customers. As a result, the financing orders in those proceedings prohibited the use of swaps and thus, effectively, the issuance of floating-rate bonds. Evergy Missouri West requested approval of securitized utility tariff charges sufficient to recover the principal and interest on the securitized utility tariff bonds plus ongoing financing costs and other charges as described in this Financing Order and Appendix C attached hereto. Evergy Missouri West requested that the securitized utility tariff charges be recovered from retail customers, and that the amount of the securitized utility tariff charges be calculated based upon loss adjusted energy sales used in its most recent rate case. To implement the securitized utility tariff charges and billing and collection requirements, Evergy Missouri West requested approval of Securitized Utility Tariff Rider to revise Evergy Missouri West's tariff.

Evergy Missouri West requested authority to finance and to cause the issuance of securitized utility tariff bonds in an aggregate principal amount not to exceed the sum of (1) qualified extraordinary costs, (2) plus carrying costs at the date of issuance of the securitized utility tariff bonds calculated using an average commercial paper rate of 0.20% for the first six months post February 2021, then the 5.06% long-term debt rate for the period following the first six month post February 2021 plus (3) its actual upfront financing costs of issuing, supporting, and servicing the securitized utility tariff bonds (items (1) and (2) collectively referred to herein as the "securitizable balance"). Evergy Missouri West provided an illustrative analysis of the costs and benefits of securitization using its estimate of the February 1, 2023 securitizable balance. Evergy Missouri West proposed that these amounts be updated in the issuance advice letter to reflect the actual issuance date of the securitized utility tariff bonds and other relevant current information as permitted by this Financing Order, and that Evergy Missouri West be authorized to securitize the updated securitizable balance and upfront financing costs as reflected in the issuance advice letter.

Evergy Missouri West requested in the Petition that its upfront and ongoing costs of issuing and maintaining the securitized utility tariff bonds be recovered respectively through the securitized utility tariff bonds and securitized utility tariff charges approved in this Financing Order. Evergy Missouri West estimated that its upfront financing costs, not including any costs incurred in connection with the Commission hiring a financial advisor, would total approximately \$6.6 million, while ongoing financing costs of servicing and maintaining the securitized utility tariff bonds would total approximately \$560,000 per year for each year of the term of the bonds. The estimates were based on assumptions regarding a number of variables that will directly affect the level of upfront and ongoing financing costs including (1) the total securitizable balance will be approximately \$299.5 million, (2) only one series of securitized utility tariff bonds will be issued, (3) the financing order proceeding will not be contested, (4) the financing order will not permit use of interest rate or foreign currency hedges, floating rate bonds, or bonds denominated in foreign currencies, and (5) Evergy Missouri West acts as initial servicer.

Although not anticipated, if resettlements or adjustments to amounts occur after the issuance of the securitized utility tariff bonds, then Evergy Missouri West anticipates including those resettlement or adjustment costs associated with fuel and purchase power costs net of associated off system sales to be included in future Evergy Missouri West fuel adjustment clause filings unless this would produce a customer rate impact that is unduly material in which case Evergy Missouri West would request deferral authority and Commission approval of a different ratemaking approach to mitigate such impact. If final qualified extraordinary costs incurred by Evergy Missouri West for Winter Storm Uri differ in costs other than fuel and purchase power costs included in the amount financed by the securitized utility tariff bonds, then Evergy Missouri West proposes to defer those charges into a regulatory asset and include in the Evergy Missouri West's subsequent general rate case.

The Commission finds that Evergy Missouri West should be permitted to finance its upfront financing costs of issuance in accordance with the terms of this Financing Order. As set forth in ordering paragraph 17 of this Financing Order, upfront financing costs, including an estimate of any costs incurred in connection with the Commission hiring a financial advisor³³, are

³³ Evergy Missouri West estimated the costs of financial advisor to the Commission to be \$300,000. The actual costs will be included in the Issuance Advice Letter.

estimated to be \$6.6 million. In the issuance advice letter, Evergy Missouri West must report the actual upfront financing costs to be recovered.

Evergy Missouri West is authorized to recover directly through the securitized utility tariff charges its actual ongoing financing costs of servicing the bonds and providing administrative services to SPE. Ongoing financing costs, other than the servicer and administrative fees charged by Evergy Missouri West when it is the servicer and administrator are estimated in Appendix C. The estimated ongoing financing costs should be updated in the issuance advice letter to reflect more current information then available to Evergy Missouri West. In accordance with the terms of this Financing Order and subject to the approval of the indenture trustee, the Commission will permit a successor servicer to Evergy Missouri West to recover a higher servicer fee as described in this Financing Order if Evergy Missouri West ceases to service the securitized utility tariff property.

III. Findings of Fact

The Commission makes the following findings of fact.

A. Identification and Procedure

1. Identification of Petitioner and Background

1. Evergy Missouri West, Inc. d/b/a Evergy Missouri West is a Delaware corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. Evergy Missouri West is engaged in the generation, transmission, distribution, and sale of electricity in western Missouri, including the suburban Kansas City metropolitan area, St. Joseph, and surrounding counties. Evergy Missouri West is an “electrical corporation” and a “public utility” subject to the jurisdiction, supervision, and control of the Commission as provided by law. Evergy Missouri West is a wholly owned subsidiary of Evergy, Inc. A certificate of authority for Evergy Missouri West, as a foreign corporation, to do business Missouri was filed with the Commission in Case No. EN-2020-0064.

2. Procedural History

2. On March 11, 2022, Evergy Missouri West filed a Petition for a financing order under the Securitization Law to reduce costs for customers associated with Winter Storm Uri. In its Petition, Evergy Missouri West submits its Winter Storm Uri costs for a determination that they are “qualified extraordinary costs” as contemplated by the Securitization Law and seeks approval to finance (1) the securitizable balance of such costs, plus (2) upfront

financing costs. The Petition includes exhibits, schedules, attachments, and testimony. On August 1, 2022, Evergy Missouri West, the Staff and OPC entered into a Non-Unanimous Stipulation and Agreement to address several items at issue with the Petition.

3. Notice of Petition

B. Financing Costs and Amount of Securitized Utility Tariff Costs to be Financed

1. Identification

3. Qualified extraordinary costs are defined in Section 393.1700.1(13) to include costs incurred prudently before, on, or after August 28, 2021, of an extraordinary nature which would cause extreme customer rate impacts if reflected in retail customer rates recovered through customary ratemaking, such as but not limited to those related to purchases of fuel or power, inclusive of carrying charges, during anomalous weather events. Financing costs are defined in Section 393.1700-1.(8) to include: (i) interest and acquisition, defeasance, or redemption premiums payable on securitized utility tariff bonds; (ii) any payment required under an ancillary agreement and any amount required to fund or replenish a accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to securitized utility tariff bonds; (iii) any other cost related to issuing supporting, repaying, refunding, and servicing securitized utility tariff bonds, including servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and underwriting fees, independent director and manager fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other costs necessary to otherwise ensure the timely payment of securitized utility tariff bonds or other amounts or charges payable in connection with the bonds, including costs related to obtaining the financing order; (iv) any taxes and license fees or other fees imposed on the revenues generated from the collection of securitized utility tariff charges, in any such case whether paid, payable, or accrued; (v) any state and local taxes, franchise, gross receipts, and other taxes or similar charges, including Commission assessment fees, whether paid, payable, or accrued; (vi) and any costs associated with performance of the Commission's responsibilities under the Securitization Law in connection with approving, approving subject to conditions, or rejecting a petition for a financing order, and in performing its duties in connection with

the issuance advice letter process, including costs to retain counsel, one or more financial advisors, or other consultants as deemed appropriate by the Commission.

4. The actual upfront and ongoing financing costs of issuing and supporting the securitized utility tariff bonds will not be known until the securitized utility tariff bonds are issued, and certain ongoing financing costs relating to the securitized utility tariff bonds may not be known until such costs are incurred.
5. Evergy Missouri West seeks to recover its qualified extraordinary costs incurred in February 2021 during an extreme weather event involving unreasonably cold temperatures (“Winter Storm Uri”) which led to rolling electrical blackouts and extreme natural gas price spikes. Winter Storm Uri presented an event that was unpredictable and unexpected. Utility service and underlying gas markets throughout the region experienced a profound crisis arising from the unusually cold and unusually persistent winter weather, resulting in increased demand for electric power on Evergy Missouri West’s footprint and increased demand for natural gas in the region. The dramatic escalation in demand caused gas prices to rise on the spot and daily index accordingly, placing temporary but severe constraints on Evergy Missouri West’s ability to obtain adequate natural gas fuel supply to satisfy customer needs. As a result, Evergy Missouri West incurred \$11.8 million in fuel costs and \$314.6 million in purchased power costs in February 2021. When compared to the three-year average, Evergy Missouri West incurred \$8.3 million of fuel costs and \$299.9 million of purchased power costs in excess of its three-year average. As shown in the testimonies of Company Witness Bridson, these costs were prudently incurred. Furthermore, as demonstrated by the testimony of Company Witness Klote, if Evergy Missouri West were to recover these amounts through customary ratemaking, it would need to recover approximately \$379 million on a present value basis discounted at Evergy Missouri West’s weighted average cost of capital over the projected 15-year period. Therefore, the quantifiable benefit to the customers on a net present value basis from the use of securitization is expected to be approximately \$140.5 million over the same 15-year period.
6. Evergy Missouri West intends to use the proceeds from the sale of the securitized utility tariff property to recover the qualified extraordinary costs incurred by Evergy Missouri

West in response to the anomalous weather event Winter Storm Uri, including purchases of fuel or power, carrying charges and upfront financing costs.

7. Evergy Missouri West seeks to finance approximately \$306.1 million, consisting of (1) the securitizable balance of (i) \$279 million of qualified extraordinary costs incurred following Winter Storm Uri through the issuance of securitized utility tariff bonds, plus (ii) approximately \$21 million of carrying costs through the date of issuance of the securitized utility tariff bonds as updated in the issuance advice letter³⁴, \$6.6 million of upfront financing costs.³⁵ The recovery of such costs is just and reasonable and in the public interest. It is appropriate that Evergy Missouri West recover such amounts through the imposition of securitized utility tariff charges. Evergy Missouri West proposed that the securitized utility tariff charges related to a series of securitized utility tariff bonds will be recovered over a scheduled period of 15 years, but not more than 17 years from the date of issuance of that series of the securitized utility tariff bonds but that amounts due at or before the end of that period for securitized utility tariff charges allocable to the 15-year period may be collected after the conclusion of the 17-year period; provided, however, the proposed recovery period of the securitized utility tariff charges may be longer if deemed necessary to obtain the best possible credit ratings.
8. The securitized utility tariff charges that Evergy Missouri West proposes are just and reasonable, in the public interest and are expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds. It is appropriate that Evergy Missouri West be authorized to impose and collect securitized utility tariff charges.
9. The proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of this Financing Order.

³⁴ Assuming the securitized utility tariff bonds are issued on February 1, 2023.

³⁵ Upfront financing costs are estimated for purposes of this Petition. The final amount of upfront financing costs will be included in the Issuance Advice Letter provided to the Commission in accordance with this Financing Order.

10. For so long as the securitized utility tariff bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of securitized utility tariff charges authorized under this Financing Order shall be non-bypassable and paid by all existing and future retail customers receiving electrical service from Evergy Missouri West or its successors or assignees under Commission-approved rate schedules except for customers receiving electrical service under special contracts as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in the State of Missouri.
11. Evergy Missouri West proposes a formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments in the securitized utility tariff charges that customers are required to pay pursuant to this Financing Order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of securitized utility tariff bonds and financing costs and other required amounts and charges payable under the securitized utility tariff bonds.
12. The securitized utility tariff bonds will be secured by securitized utility tariff property that shall be created in favor of Evergy Missouri West or its successors or assignees and that shall be used to pay or secure the securitized utility tariff bonds and approved financing costs. The securitized utility tariff property principally consists of the right to receive revenues from the securitized utility tariff charges.
13. It is appropriate that Evergy Missouri West be authorized to establish the terms and conditions of the securitized utility tariff bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs.
14. Evergy Missouri West proposes to initially determine the securitized utility tariff charges based on loss adjusted energy sales.³⁶
15. After the final terms of the securitized utility tariff bonds have been established and before the issuance of such bonds, it is appropriate for Evergy Missouri West to determine the resulting initial securitized utility tariff charge in accordance with this Finance Order, and that such initial charge be final and effective upon the issuance of such securitized utility

³⁶ See § 393.1700.2.(3)(c)h.

tariff bonds with such charge to be reflected on a compliance tariff sheet bearing such charge that will be submitted to the Commission at the same time as the issuance advice letter.³⁷

16. Evergy Missouri West proposes a method of tracing funds collected as securitized utility tariff charges, or other proceeds of securitized utility tariff property, which shall be used to trace such funds and to determine the identifiable cash proceeds of any securitized tariff property subject to this Financing Order under applicable law.
17. Evergy Missouri West shall earn a return, at the weighted average cost of capital (“WACC”) authorized from time to time by the Commission in Evergy Missouri West’s rate proceedings plus applicable taxes, on any moneys advanced by Evergy Missouri West to fund capital accounts established under the terms of the indenture or other financing documents pertaining to the securitized utility bonds. This return shall be included as an ongoing financing cost to be collected through securitized utility tariff charges.
18. It is appropriate that Evergy Missouri West shall be authorized to issue securitized utility tariff bonds pursuant to this Financing Order for a period commencing with the date of this Financing Order and extending 24 months following the later of (i) the date on which this Financing Order becomes final and no longer subject to any appeal; or (ii) the date on which any other regulatory approvals necessary to issue the securitized utility tariff bonds are obtained and no longer subject to any appeal. If, at any time during the effective period of this Financing Order, there is a severe disruption in the financial markets of the United States, the effective period must automatically be extended to a date which is not less than 90 days after the date such disruption ends.

2. Quantifiable Net Present Value Benefits

19. In accordance with the Statutory Requirements under the Securitization Law, to approve the financing of the securitized utility tariff costs and financing costs, the Commission must determine: (1) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds and whether that recovery of such costs is just and reasonable and in the public interest; (2) whether the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are just and reasonable; in the public interest;

³⁷ See § 393.1700.2.(3)(c)i.

and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds (quantifiable benefits test); and (3) that the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order (lowest charges standard). The quantifiable benefits test and the lowest charges standard are collectively referred to herein as the “Statutory Requirements”.

20. To ensure the financing provides quantifiable benefits to customers greater than would be achieved absent the issuance of securitized utility tariff bonds can only be determined using an economic analysis to account for the time value of money. An analysis that compares in the aggregate, over the expected life of the securitized utility tariff bonds, the present value of the revenue requirement associated with recovery of the securitizable balance through rates reflective of customary methods of recovery, with the present value of the revenue required under securitization, is an appropriate economic analysis to demonstrate whether securitization provides economic benefits to customers.
21. The financial analysis presented by Evergy Missouri West indicates that securitization of the securitizable balance and other financing costs as requested by Evergy Missouri West would result in approximately \$140 million of quantifiable economic benefits to customers on a present-value basis if the securitized utility tariff bonds are issued at a weighted average interest rate of 8.90% allowed by this Financing Order and with a 15-year expected life. This estimate uses Evergy Missouri West’s securitizable balance as of February 1, 2023 (approximately \$299.5 million), and assumes that actual upfront and ongoing financing costs will be as shown on Appendix C to this Financing Order. The benefits for retail customers set forth in Evergy Missouri West’s evidence are fully indicative of the benefits customers will realize from the securitization approved in this Financing Order; however, the actual benefit to customers will depend upon market conditions on the date of issuance of the securitized utility tariff bonds, the actual scheduled final payment dates of the securitized utility tariff bonds, and the amount actually financed. Evergy Missouri West will be required to provide an updated quantifiable benefits analysis in its issuance advice letter to verify that this Statutory Requirement is met.

3. Balance to be Financed

22. It is appropriate that Evergy Missouri West be authorized to cause securitized utility tariff bonds to be issued in an aggregate principal amount equal to the securitizable balance at the time of issuance plus upfront financing costs as described in ordering paragraph 2.
23. It is appropriate for Evergy Missouri West to recover the annual ongoing servicing fees and the annual fixed operating costs directly through securitized utility tariff charges. It is also appropriate to impose additional limits to ensure that the servicing fees incurred when Evergy Missouri West serves as servicer do not exceed 0.05% of the initial principal balance of the securitized utility tariff bonds and that the administrative fees incurred when Evergy Missouri West is the administrator do not exceed \$75,000 per year for each SPE plus reimbursable third-party costs as shown in Appendix C. The annual servicing fee payable to a servicer not affiliated with Evergy Missouri West will not exceed 0.60% of the initial principal balance of the securitized utility tariff bonds unless such higher rate is approved by the Commission. Ongoing costs other than the servicer and administrative fees charged by Evergy Missouri West when it serves as servicer and administrator are estimated in Appendix C to this Financing Order.

4. Issuance Advice Letter and Post-Financing Order Process

24. Because the actual structure and pricing of the securitized utility tariff bonds will not be known at the time this Financing Order is issued, following the determination of the final terms of the series of securitized utility tariff bonds and before such securitized utility tariff bonds may be issued, Evergy Missouri West must provide to the Commission an issuance advice letter no later than one day after the pricing of the securitized utility tariff bonds. The issuance advice letter will include Evergy Missouri West's best estimate of total upfront financing costs for such issuance. The Commission shall have the authority to designate a representative or representatives from Commission Staff, who may be advised by a financial advisor or advisors contracted with the Commission, to provide input to Evergy Missouri West and collaborate with Evergy Missouri West in all facets of the structuring, pricing and marketing of the securitized utility tariff bonds, including but not limited to, (1) the underwriter selection process, allocations and economics; (2) the structure of the securitized utility tariff bonds; (3) credit rating agency presentation materials; (4) the underwriters' preparation, marketing and syndication of the securitized

utility tariff bonds; (5) the pricing of the securitized utility tariff bonds and certifications provided by Evergy Missouri West and, to the extent required by the Commission, the book-running underwriters; (6) all associated costs, (including upfront and ongoing financing costs), servicing and administrative fees; (7) bond maturities; (8) reporting templates; (9) the amount of any equity contributions; (10) credit enhancements; and (11) the initial calculation of the securitized utility tariff charge, but Evergy Missouri West has the final decision on the structuring, pricing and marketing of the bonds. The form of such issuance advice letter, which shall indicate the final structure of the securitized utility tariff bonds and provide the best available estimate of total ongoing financing costs, is set out in Appendix A to this Financing Order. The issuance advice letter shall report the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, as the Commission may require. Evergy Missouri West may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after the Commission receives the issuance advice letter, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval. Should Evergy Missouri West issue more than one series of securitized utility tariff bonds, Evergy Missouri West must submit to the Commission an issuance advice letter for each series that complies with the Statutory Requirements and terms of this Financing Order.

25. If the actual upfront financing costs are less than the upfront financing costs included in the principal amount securitized, the periodic revenue requirement, defined below, for the first annual true-up adjustment must be reduced by the amount of such unused funds (together with interest, if any, earned on the investment of such funds). If the actual upfront financing costs are more than the upfront financing costs included in the principal amount securitized, Evergy Missouri West will have the right to be reimbursed for such prudently incurred excess amounts through the establishment of a regulatory asset.
26. Evergy Missouri West will submit a draft issuance advice letter to the Commission Staff for review not later than two weeks before the expected date of commencement of marketing each series of securitized utility tariff bonds. With agreement of the Commission's designated representative from Commission Staff, the actual date of the commencement of marketing may be a date other than the expected date. Within one week

after receipt of the draft issuance advice letter, Commission Staff will provide Evergy Missouri West comments and recommendations regarding the adequacy of the information provided.

27. The issuance advice letter for a series of securitized utility tariff bonds must be submitted to the Commission not later than the end of the first business day after the pricing of such series of securitized utility tariff bonds. Commission Staff may request such revisions of the issuance advice letter as may be necessary to assure the accuracy of the calculations and that the requirements of the Securitization Law and of this Financing Order have been met. The initial securitized utility tariff charges and the final terms of the securitized utility tariff bonds set forth in the issuance advice letter must become effective on the date of issuance of the securitized utility tariff bonds (which must not occur before the sixth business day after pricing of the securitized utility tariff bonds) unless before noon on the fourth business day after pricing of the securitized utility tariff bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval.

C. Structure of the Proposed Securitization

1. SPE

28. For purposes of this securitization, Evergy Missouri West will create one or more SPEs, a special purpose securitized utility tariff funding entity (each of which referred to as SPE), each of which will be a Delaware limited liability company with Evergy Missouri West as its sole member. If more than one series of securitized utility tariff bonds are issued, Evergy Missouri West may create a separate SPE for the issuance of a particular series of securitized utility tariff bonds and the rights, structure and restrictions described in this Financing Order with respect to SPE will be applicable to each such purchaser of securitized utility tariff property to the extent of the securitized utility tariff property sold to it and the securitized utility tariff bonds issued by it. SPE will be formed for the limited purpose of acquiring securitized utility tariff property, issuing securitized utility tariff bonds in one or more tranches (and in one or more series if Evergy Missouri West elects to pursue such a structure), and performing other activities relating thereto or otherwise authorized by this Financing Order. SPE will not be permitted to engage in any other activities and will have no assets other than securitized utility tariff property and related

assets to support its obligations under each series of securitized utility tariff bonds. Obligations relating to the securitized utility tariff bonds will be SPE's only significant liabilities. These restrictions on the activities of SPE and restrictions on the ability of Evergy Missouri West to take action on SPE's behalf are imposed to achieve the objective that SPE will be bankruptcy remote and not affected by a bankruptcy of Evergy Missouri West. SPE will be managed by a board of directors or a board of managers with rights and duties similar to those of a board of directors of a corporation. As long as the securitized utility tariff bonds remain outstanding, SPE will be overseen by an independent director or manager to ensure that it only takes actions consistent with its obligations as the holder of the equity interest of the securitized utility tariff bonds. SPE will not be permitted to amend the provisions of the organizational documents that relate to bankruptcy-remoteness of SPE without the consent of the independent director or manager. Similarly, SPE will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert, or merge without the consent of the independent director or manager. Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of SPE as required by the rating agencies.

29. The initial capital of SPE is expected to be not less than 0.50% of the original principal amount of the securitized utility tariff bonds issued by SPE. Adequate funding of SPE at this level is intended to protect the bankruptcy remoteness of SPE. A sufficient level of capital is necessary to minimize this risk and, therefore, assist in achieving the lowest securitized utility tariff charges possible.

2. Statutory Requirements

30. SPE will issue one or more series of securitized utility tariff bonds consisting of one or more tranches. The aggregate amount of all tranches of all series of securitized utility tariff bonds issued under this Financing Order must not exceed the principal amount approved by this Financing Order. SPE will pledge to the indenture trustee, as collateral for payment of the securitized utility tariff bonds, the securitized utility tariff property, including SPE's right to receive the securitized utility tariff charges as and when collected, as described in Evergy Missouri West's Petition.

31. Concurrent with the issuance of any of the securitized utility tariff bonds, Evergy Missouri West will transfer to SPE all of Evergy Missouri West's rights under this Financing Order related to the amount of securitized utility tariff bonds SPE is issuing, including rights to impose, collect, and receive securitized utility tariff charges approved in this Financing Order. This transfer will be structured so that it will qualify as a true sale within the meaning of Section 393.1700.5(3) and that such rights will become securitized utility tariff property concurrently with the sale to SPE as provided in Section 393.1700.2(3)(d). By virtue of the transfer, SPE will acquire all of the right, title, and interest of Evergy Missouri West in the securitized utility tariff property arising under this Financing Order that is related to the amount of securitized utility tariff bonds SPE is issuing.
 32. The use and proposed structure of SPE and the limitations related to its organization and management are necessary to minimize risks related to the proposed securitization transactions and to minimize the securitized utility tariff charges. Therefore, the use and proposed structure of SPE should be approved.
- 3. Credit Enhancement and Arrangements to Enhance Marketability**
33. Evergy Missouri West should be permitted to recover the ongoing costs of any credit enhancements and arrangements to enhance marketability, provided that such credit enhancements are consistent with the Statutory Requirements. If the use of more than de minimis original issue discount, credit enhancements, or other arrangements is proposed by Evergy Missouri West, Evergy Missouri West must provide the Commission's designated representative copies of all cost-benefit analyses performed by or for Evergy Missouri West that support the request to use such arrangements. This finding does not apply to the collection account or its subaccounts approved in this Financing Order.
 34. Evergy Missouri West's proposed use of credit enhancements and arrangements to enhance marketability is reasonable and should be approved.
- 4. Securitized Utility Tariff Property**
35. Under Section 393.1700.1.(18), securitized utility tariff property constitutes all rights and interests of an electrical corporation or successor or assignee of the electrical corporation under a financing order, including the right to impose, bill, charge, collect, and receive securitization utility tariff charges authorized under a financing order and to obtain periodic adjustments to such charges, and all revenues, collections, claims, rights to payments,

payments, money, or proceeds arising from the rights and interests specified in a financing order, regardless of whether such revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money or proceeds.

36. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount of qualified extraordinary costs authorized to be financed by this Financing Order which is securitized by such issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order as they relate to any portion of the total amount of qualified extraordinary costs authorized to be financed that remains unsecuritized must remain with Evergy Missouri West.
37. Securitized utility tariff property and all other collateral will be held and administered by the indenture trustee under the indenture, as described in Evergy Missouri West's Petition. This proposal will help satisfy the Statutory Requirements and should be approved.

5. Servicer and the Servicing Agreement

38. Evergy Missouri West will execute a servicing agreement with SPE. The servicing agreement may be amended, renewed or replaced by another servicing agreement. The entity responsible for carrying out the servicing obligations under any servicing agreement is the servicer. Evergy Missouri West will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement and as authorized by the Commission. Under the servicing agreement, the servicer is required, among other things, to impose and collect the applicable securitized utility tariff charges for the benefit and account of SPE, to make the periodic true-up adjustments of securitized utility tariff charges required or allowed by this Financing Order, and to account for and remit the applicable securitized utility tariff charges to or for the account of SPE in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the indenture trustee acting

under the indenture to be entered into in connection with the issuance of the securitized utility tariff bonds, or the indenture trustee's designee, may, or, upon the instruction of the requisite percentage of holders of the outstanding amount of securitized utility tariff bonds, must, appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed will be more fully described in the servicing agreement. The rights of SPE under the servicing agreement will be included in the collateral pledged to the indenture trustee under the indenture for the benefit of holders of the securitized utility tariff bonds.

39. The obligations to continue to provide service and to collect and account for securitized utility tariff charges will be binding upon Evergy Missouri West and any other entity that provides electrical services to a person that is a retail customer located within Evergy Missouri West's service area as it existed on the date of this Financing Order, or that became a retail customer for electric services within such area after the date of this Financing Order, and is still located within such area. The Commission will enforce the obligations imposed by this Financing Order, its applicable substantive rules, and statutory provisions.
40. To the extent that any interest in the securitized utility tariff property created by this Financing Order is assigned, sold or transferred to an assignee,³⁸ Evergy Missouri West will enter into a contract with that assignee that will require Evergy Missouri West to continue to provide electrical services to Evergy Missouri West's customers. This provision does not prohibit Evergy Missouri West from selling, assigning or otherwise divesting its transmission and distribution system or any part thereof so long as the entity acquiring such facilities agrees to continue operating the facilities to provide electric services to Evergy Missouri West's customers.

³⁸ The term assignee means any corporation, limited liability company, general partnership or limited partnership, public authority, trust, financing entity, or other legally recognized entity to which an interest in securitized utility tariff property is transferred, other than as security, including any assignee of that party. See § 393.1700.1.(2).

41. The provisions described in finding of fact numbers 38 through 40 are reasonable, will reduce risk associated with the proposed securitization and will help satisfy the Statutory Requirements and should be approved.

6. Securitized Utility Tariff Bonds

42. SPE will issue and sell securitized utility tariff bonds in one or more series consisting of one or more tranches. The legal final maturity date of any series of securitized utility tariff bonds will not exceed 17 years from the date of issuance of such series. The legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by Evergy Missouri West and the Commission's designated representative, consistent with market conditions and indications of the rating agencies, at the time the securitized utility tariff bonds are priced, but subject to ultimate Commission review through the issuance advice letter process. Evergy Missouri West will retain sole discretion regarding whether or when to assign, sell, or otherwise transfer any rights concerning securitized utility tariff property arising under this Financing Order, or to cause the issuance of any securitized utility tariff bonds authorized in this Financing Order, subject to the right of the Commission to issue a disapproval letter. The SPE will issue the securitized utility tariff bonds on or after the sixth business day after pricing of the securitized utility tariff bonds unless, before noon on the fourth business day following the Commission's receipt of the issuance advice letter, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval.

43. The Commission finds that the proposed structure—providing for substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds—is in the public interest and should be used. The approved structure is reasonable and should be approved, provided that the issuance advice letter demonstrates that the Statutory Requirements are met.

7. Security for Securitized Utility Tariff Bonds

44. The payment of the securitized utility tariff bonds and related charges authorized by this Financing Order is to be secured by the securitized utility tariff property created by this Financing Order as described in the Petition. Each series of the securitized utility tariff bonds will be issued under an indenture administered by the indenture trustee. The

indenture will include provisions for a collection account for the series and subaccounts for the collection and administration of the securitized utility tariff charges and payment or funding of the principal and interest on the securitized utility tariff bonds and other costs, including fees and expenses, in connection with the securitized utility tariff bonds, as described in Evergy Missouri West's Petition. In accordance with the indenture, SPE will establish a collection account as a trust account to be held by the indenture trustee as collateral to ensure the payment of the principal, interest, and other costs approved in this Financing Order related to the securitized utility tariff bonds in full and on a timely basis. The collection account will include the general subaccount, the capital subaccount, and the excess funds subaccount, and may include other subaccounts.

a. The General Subaccount

45. The indenture trustee will deposit the securitized utility tariff charge remittances that the servicer remits to the indenture trustee for the account of SPE into one or more segregated trust accounts and allocate the amount of those remittances to the general subaccount. The indenture trustee will on a periodic basis apply moneys in this subaccount to pay expenses of SPE, to pay principal and interest on the securitized utility tariff bonds, and to meet the funding requirements of the other subaccounts. The funds in the general subaccount will be invested by the indenture trustee in short-term high-quality investments, and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement (as defined in finding of fact number 56), and otherwise in accordance with the terms of the indenture.

b. The Capital Subaccount

46. When a series of securitized utility tariff bonds is issued, Evergy Missouri West will make a capital contribution to SPE for that series, which SPE will deposit into the capital subaccount. The amount of the capital contribution is expected to be not less than 0.50% of the original principal amount of each series of securitized utility tariff bonds, although the actual amount will depend on tax and rating agency requirements. The capital subaccount will serve as collateral to ensure timely payment of principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement. Any funds drawn from the capital account to pay these amounts due to a

shortfall in the securitized utility tariff charge remittances will be replenished through future securitized utility tariff charge remittances. The funds in this subaccount will be invested by the indenture trustee in short-term high-quality investments, and such funds (including investment earnings) will be used by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and all other components of the periodic payment requirement. Evergy Missouri West will be authorized to receive a return on the capital contribution at the WACC authorized in Evergy Missouri West's most recent general rate case plus applicable taxes as ongoing financing costs recoverable through the securitized utility tariff charge. Upon payment of the principal amount of all securitized utility tariff bonds and the discharge of all obligations that may be paid by use of securitized utility tariff charges, all amounts remaining in the capital subaccount at that time, including any investment earnings, will be released to SPE for payment to Evergy Missouri West. Investment earnings in this subaccount may be released earlier in accordance with the indenture.

c. The Excess Funds Subaccount

47. The excess funds subaccount will hold any securitized utility tariff charge remittances and investment earnings on the collection account (other than earnings attributable to the capital subaccount and released under the terms of the indenture) in excess of the amounts needed to pay current principal and interest on the securitized utility tariff bonds and to pay other periodic payment requirements (including, but not limited to, replenishing the capital subaccount). Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be subtracted from the periodic revenue requirement (as defined in finding of fact number 57) for purposes of the true-up adjustment. The money in this subaccount will be invested by the indenture trustee in short-term high-quality investments, and such money (including investment earnings thereon) will be used by the indenture trustee to pay principal and interest on the securitized utility tariff bonds and other periodic payment requirements.

d. Other Subaccounts

48. Other credit enhancements in the form of subaccounts may be utilized for the transaction provided that the of such subaccounts is consistent with the Statutory Requirements. For example, Evergy Missouri West does not propose use of an overcollateralization

subaccount. Under Rev. Proc. 2002-49, as modified, amplified and superseded by Rev. Proc. 2005-62 issued by the Internal Revenue Service (IRS), the use of an overcollateralization subaccount is not necessary for favorable tax treatment nor does it appear to be necessary to obtain AAA ratings for the proposed securitized utility tariff bonds.

8. General Provisions

49. The collection account and the subaccounts described above are intended to provide for full and timely payment of scheduled principal and interest on the securitized utility tariff bonds and ongoing financing costs and other components of the periodic payment requirement. If the amount of securitized utility tariff charges remitted to the general subaccount is insufficient to make all scheduled payments of principal and interest on the securitized utility tariff bonds and to make payment on all of the other components of the periodic payment requirement, the excess funds subaccount and the capital subaccount will be drawn down, in that order, to make those payments. Any deficiency in the capital subaccount due to such withdrawals must be replenished to the capital subaccount on a periodic basis through the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture. Upon the maturity of the securitized utility tariff bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account, other than amounts that were in the capital subaccount, will be released to SPE and equivalent amounts will be credited by Evergy Missouri West to customers. Amounts remaining in the capital subaccount at that time will be released to SPE for payment to Evergy Missouri West. In addition, upon the maturity of the securitized utility tariff bonds, to the extent the capital subaccount is not depleted below its original amount, any subsequently collected securitized utility tariff charges shall be distributed to retail customers.
50. The use of a collection account and its subaccounts in the manner proposed by Evergy Missouri West is reasonable, will lower risks associated with the securitization and thus helps meet the Statutory Requirement, and should, therefore, be approved.

9. Securitized Utility Tariff Charges—Imposition and Collection, Nonbypassability, and Alternative Electric Suppliers

51. In the event the State of Missouri permits third party billing, the securitized utility tariff charges must continue to be collected by a third party biller and remitted to SPE.
52. Securitized utility tariff charges will be separately identified on bills presented to other entities obligated to pay or collect securitized utility tariff charges.
53. If any customer does not pay the full amount it has been billed, the amount will be allocated to the securitized utility tariff charges in the same proportion that such charges bear to the total bill. The first dollars collected would be attributed to past due balances, if any. If cash collections are not sufficient to pay a customer's current bill once those balances are paid in full then the cash would be prorated between the different components of the bill.
54. Evergy Missouri West will collect securitized utility tariff charges from all existing or future retail customers receiving electrical service from Evergy Missouri West or its successors or assignees under Commission-approved rate schedules, except for customers receiving electrical service under special contracts³⁹ as of August 28, 2021, even if a retail customer elects to purchase electricity from an alternative electricity supplier following a change in regulation of public utilities in Missouri. Any such existing or future retail customer within such area may not avoid securitized utility tariff charges by switching to another electrical corporation, electric cooperative, or municipally owned utility on or after the date this Financing Order is issued.
55. Evergy Missouri West's proposal related to imposition and collection of securitized utility tariff charges is reasonable and is necessary to ensure collection of securitized utility tariff charges sufficient to support recovery of the securitized utility tariff costs and financing costs approved in this Financing Order and should be approved. It is reasonable to approve the form of Evergy Missouri West's Securitized Utility Tariff Rider in this Financing Order and require that these tariff provisions be filed before any securitized utility tariff bonds are issued under this Financing Order.

10. Application of Financing Costs to Missouri Retail Customers

56. The periodic payment requirement is the required periodic payment for a given period (e.g., annually, semi-annually, or quarterly) due under the securitized utility tariff bonds. Each

³⁹ See § 393.1700.1.(19).

periodic payment requirement includes: (a) the principal amortization of the securitized utility tariff bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the securitized utility tariff bonds (including any accrued and unpaid interest); and (c) ongoing financing costs consisting of the servicing fee, rating agencies' fees, trustee fees, legal and accounting fees, other ongoing fees and expenses, and the costs, if any, of maintaining any credit enhancement. The initial periodic payment requirement for the securitized utility tariff bonds issued under this Financing Order should be updated in the issuance advice letter.

57. The periodic revenue requirement represents the aggregate dollar amount of securitized utility tariff charges that must be billed during a given period (e.g., annually, semi-annually, or quarterly) so that the securitized utility tariff charge collections will be sufficient to meet the sum of all periodic payment requirement for that period, given: (i) forecast retail sales at the generation level for all applicable customers during the period; (ii) forecast uncollectibles for the period; and (iii) forecast lags in collection of billed securitized utility tariff charges for the period.
58. The securitized utility tariff costs and financing costs that will be recovered through the securitized utility tariff charges authorized by this Financing Order are determined using an approach based on loss adjusted energy sales . In accordance with Section 393.1700.2(3)(c)h, Evergy Missouri West proposes that its initial determination shall remain in effect until it completes a general rate proceeding, and once the Commission's order from that general rate proceeding becomes final, all subsequent applications of an adjustment mechanism regarding securitization utility tariff charges shall incorporate changes in costs to customers as detailed in the Commissions' order from Evergy Missouri West's most recent general rate proceeding. This approach is reasonable and the total revenue requirements calculated in accordance with it should be adopted.
59. [Reserved]
- 11. True-Up of Securitized Utility Tariff Charges**
60. Under Section 393.1700.2(3)(c)e, the servicer of the securitized utility tariff bonds will use a formula-based true-up mechanism to make periodic, expeditious adjustments, at least annually, to the securitized utility tariff charges to:

- (a) correct any undercollections or overcollections that may have occurred and ensure that the SPE receives payments that are required to satisfy the debt obligations and other required amounts, including without limitation any caused by defaults, during the preceding 12 months; and
- (b) ensure the billing of securitized utility tariff charges necessary to generate the collection amounts sufficient to timely provide all scheduled payments of principal and interest (or deposits to sinking funds in respect of principal and interest) and any other amounts due in connection with the securitized utility tariff bonds (including ongoing fees and expenses and amounts required to be deposited in or allocated to any collection account or subaccount, trustee indemnities, payments due in connection with any expenses incurred by the indenture trustee or the servicer to enforce bondholder rights and all other payments that may be required under the waterfall of payments set forth in the indenture) during the period for which such adjusted securitized utility tariff charges are to be in effect.

With respect to any series of securitized utility tariff bonds, the servicer will make true-up adjustment filings with the Commission annually, and if the servicer forecasts undercollections, semi-annually.

61. True-up filings will be based upon the cumulative differences, regardless of the reason, between the periodic payment requirement (including scheduled principal and interest payments on the securitized utility tariff bonds) and the amount of securitized utility tariff charge remittances to the indenture trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet the periodic payment requirement over the expected life of the securitized utility tariff bonds. To assure adequate securitized utility tariff charge revenues to fund the periodic payment requirement and to avoid large overcollections and undercollections over time, the servicer will reconcile the securitized utility tariff charges using Evergy Missouri West's most recent forecast of retail sales at the generation level and estimates of transaction-related expenses. The calculation of the securitized utility tariff charges will also reflect both a projection of uncollectible securitized utility tariff charges and a projection of payment lags between the billing and

collection of securitized utility tariff charges based upon Evergy Missouri West's most recent experience regarding collection of securitized utility tariff charges.

62. The servicer will make true-up adjustments in the following manner, known as the standard true-up procedure:
- (a) calculate the upcoming period's periodic revenue requirement based on the methodology approved in this Financing Order;
 - (b) calculate undercollections or overcollections, including without limitation any caused by defaults, from the preceding period by subtracting the previous period's securitized utility tariff charge revenues collected from the revenue requirement determined for the same period;
 - (c) sum the amounts in steps (a) and (b) to determine an adjusted revenue requirement for the securitized utility tariff charge; and
 - (d) divide the adjusted revenue requirement by the forecasted sales at the generation level to determine the securitized utility tariff charge. The securitized utility tariff charge is multiplied by the expansion factor by voltage for each voltage level to determine the securitized utility tariff charge rate by voltage for the upcoming period.

12. Interim True-Up

63. In addition to these annual true-up adjustments, true-up adjustments may be made by the servicer more frequently at any time during the term of the securitized utility tariff bonds to correct any undercollection, as provided for in this Financing Order, in order to assure timely payment of securitized utility tariff bonds based on rating agency and bondholder considerations. Further, the servicer must make a mandatory interim true-up adjustment semi-annually (or quarterly beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds):
- (a) if the servicer forecasts that securitized utility tariff charge collections will be insufficient to make all scheduled payments of principal, interest, and other amounts in respect of the securitized utility tariff bonds on a timely basis during the current or next succeeding payment period; or
 - (b) to replenish any draws upon the capital subaccount.

64. In the event an interim true-up (whether mandatory or otherwise) is necessary, the interim true-up adjustment must use the methodology utilized in the most recent annual true-up and be filed not less than 30 days before the first day of the month in which the revised securitized utility tariff charges will be in effect. In no event will mandatory interim true-up adjustments occur more frequently than every six months if semi-annual securitized utility tariff bond payments are required, or every three months if quarterly securitized utility tariff bond payments are required; provided, however, that mandatory interim true-up adjustments beginning 12 months prior to the final scheduled payment date of the last tranche of the securitized utility tariff bonds must occur quarterly.

13. Additional True-Up Provisions

65. The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the securitized utility tariff charges. As provided in Securitized Utility Tariff Rider, the Commission will have 30 days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. As provided in the Securitized Utility Tariff Rider, any true-up adjustment filed with the Commission should be effective on its proposed effective date, which must be not less than 30 days after filing. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment or otherwise, shall be corrected and refiled.

66. The true-up procedures contained in the Securitized Utility Tariff Rider are reasonable and will reduce risks related to the securitized utility tariff bonds, resulting in lower securitized utility tariff bond charges and greater benefits to customers and should be approved.

14. Non-Standard True-Up Provisions

67. The servicer may also submit for approval a non-standard true-up adjustment to propose revisions to the methodology in the Securitized Utility Tariff Rider. The Commission will have 60 days to review any non-standard true-up adjustment. Absent a resolution that modifies or rejects the non-standard true-up adjustment, the servicer may implement the adjustments 60 days after the date of its submission.

15. Designated Representative⁴⁰

⁴⁰ Any discussion in this Form of Financing Order with respect to the responsibilities of a designated representative or financial advisor to the Commission is only applicable should the Commission chose to designate a "designated representative" and/or hire a financial advisor pursuant to § 393.1700.2.(3)(h).

68. To ensure, as required by Section 393.1700.2.(3)(h), that the structuring and pricing of the securitized utility tariff bonds result in the lowest securitized utility tariff bond charges consistent with market conditions at the time the securitized utility bonds are priced and the terms of this Financing Order, the Commission finds that it is advisable for the Commission or its designated representative, who may be advised by a financial advisor, to provide input to Evergy Missouri West and collaborate with Evergy Missouri West in all facets of the structuring, marketing and pricing of the securitized utility tariff bonds, as described in Finding of Fact 24, provided, that Evergy Missouri West shall have the final decision on the structuring, marketing and pricing of the securitized utility tariff bonds. Not later than one day after the issuance advice letter is delivered to the Commission, the Commission's representative or representatives shall provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds.
69. For each series, the Commission may require a certificate [from each book-running underwriter] confirming that the structuring, marketing, and pricing of the securitized utility tariff bonds resulted in the lowest securitized utility tariff charges consistent with market conditions and the terms of this Financing Order. The Commission may also require, for each series, a certificate from Evergy Missouri West confirming that (i) the issuance of securitized utility tariff bonds complies with this Financing Order, (ii) the issuance of securitized utility tariff bonds complies with all other legal requirements (including all requirements of section 393.1700), (iii) that the issuance of securitized utility tariff bonds and the imposition of securitized utility tariff are expected to provide quantifiable net present value benefits to customers as compared to recovery of components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds, and (iv) that the structuring and pricing of the securitized utility tariff bonds will result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of this Financing Order.
70. Evergy Missouri West stated that it expected the following transaction documents to be executed in connection with each series of securitized utility tariff bonds issued under this Financing Order: administration agreement, indenture, limited liability company

agreement, securitized utility tariff property servicing agreement, and securitized utility tariff property purchase and sale agreement.

16. Lowest Securitized Utility Tariff Charges

71. Evergy Missouri West has proposed a transaction structure that is expected to include (but is not limited to):
- (a) the use of SPE as issuer of the securitized utility tariff bonds, limiting the risks to securitized utility tariff bond holders of any adverse impact resulting from a bankruptcy proceeding of its parent or any affiliate;
 - (b) the right to impose and collect securitized utility tariff charges that are non-bypassable and which must be trued-up at least annually, but may be trued-up more frequently under certain circumstances, to assure the timely payment of the debt service and other ongoing financing costs;
 - (c) additional collateral in the form of a collection account that includes a capital subaccount funded in cash in an amount equal to not less than 0.50% of the original principal amount of the securitized utility tariff bonds and other subaccounts resulting in greater certainty of payment of interest and principal to investors and that are consistent with the IRS requirements that must be met to receive the desired federal income tax treatment for the securitized utility tariff bond transaction;
 - (d) protection of securitized utility tariff bondholders against potential defaults by a servicer that is responsible for billing and collecting the securitized utility tariff charges from existing or future retail customers;
 - (e) benefits for federal income tax purposes including (i) the transfer of the rights under this Financing Order to SPE not resulting in gross income to Evergy Missouri West and the future revenues under the securitized utility tariff charges being included in Evergy Missouri West's gross income under its usual method of accounting, (ii) the issuance of the securitized utility tariff bonds and the transfer of the proceeds of the securitized utility tariff bonds to Evergy Missouri West not resulting in gross income to Evergy Missouri West, and (iii) the securitized utility tariff bonds constituting obligations of Evergy Missouri West; and
 - (f) the securitized utility tariff bonds will be marketed using proven underwriting and marketing processes, through which market conditions and investors' preferences,

with regard to the timing of the issuance, the terms and conditions, related maturities, and other aspects of the structuring and pricing, will be determined, evaluated and factored into the structuring and pricing of the securitized utility tariff bonds.

72. Evergy Missouri West's proposed transaction structure is necessary to enable the securitized utility tariff bonds to obtain the best possible bond credit rating and ensures that the structuring and pricing of the securitized utility tariff bonds will result in the lowest charges standard.
73. To ensure that customers receive the quantifiable economic benefits due from the proposed securitization and so that the proposed securitized utility tariff bond transaction will be in accordance with the quantifiable benefits test set forth in Section 393.1700.2.(3)(c), it is necessary that (i) the issuance advice letter demonstrates that the proposed issuance of securitized utility tariff bonds and the imposition of a securitized utility tariff charge are just and reasonable; in the public interest; and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds, (ii) the scheduled final payment of the last tranche of securitized utility tariff bonds will not exceed 15 years (although the legal final maturity of the securitized utility tariff bonds may extend to 17 years) unless deemed necessary to obtain the best possible credit rating, (iii) the amortization of the securitized utility tariff bonds is structured to be in accordance with finding of fact numbers 42 and 43, and (iv) Evergy Missouri West otherwise satisfies the requirements of this Financing Order.
74. To allow the Commission to fulfill its obligations under the Securitization Law related to the securitization approved in this Financing Order, it is necessary for Evergy Missouri West, for each series of securitized utility tariff bonds issued, to certify to the Commission that the structure and pricing of that series results in the lowest charges standard, if additional credit enhancements or arrangements to enhance marketability or reduce interest rate risks were used, to certify that they are expected to provide benefits in excess of their cost as required by finding of fact number 33 of this Financing Order.

D. Use of Proceeds

75. Upon the issuance of securitized utility tariff bonds, SPE will use the net proceeds from the sale of the securitized utility tariff bonds (after payment of upfront financing costs) to pay to Evergy Missouri West the purchase price of the securitized utility tariff property. The proceeds from the sale of the securitized utility tariff property will be applied by Evergy Missouri West to recover the qualified extraordinary costs incurred by Evergy Missouri West in response to the anomalous weather event Winter Storm Uri, including purchases of fuel or power, carrying charges, and upfront financing cost.
76. SPP has issued resettlements in the months of June, August, and December 2021 after the winter weather event. Evergy Missouri West will continue to track and adjust the amount that is ultimately requested to be financed in this proceeding as a result any other resettlements or adjustments that may occur, and will report these to the Commission on a quarterly basis, provided, however, nothing may impact the amount of securitized utility tariff bonds or the securitized utility tariff charges.

IV. Conclusions of Law

The Commission makes the following conclusions of law.

1. Evergy Missouri West is an electrical corporation, as defined in Section 393.1700.1(6).
2. Evergy Missouri West is entitled to file a Petition for a financing order under Section 393.1700.
3. The Commission has jurisdiction and authority over Evergy Missouri West's Petition under Section 393.1700.2.
4. The Commission has authority to approve this Financing Order under Section 393.1700.2.
5. Notice of Evergy Missouri West's Petition was provided in compliance with Section 393.1700.2(3)(a)b.
6. The Securitization Law allows an electrical corporation to finance its securitized utility tariff costs, including its qualified extraordinary costs.
7. SPE will be an assignee as defined in Section 393.1700.1(2) when an interest in the securitized utility tariff property created under this Financing Order is transferred, other than as security, to SPE.
8. The holders of the securitized utility tariff bonds and the indenture trustee will each be a financing party as defined in Section 393.1700.1(10).

9. SPE may issue securitized utility tariff bonds in accordance with this Financing Order.
10. The securitization approved in this Financing Order satisfies the Statutory Requirements⁴¹ mandating that (1) the amount of securitized utility tariff costs to be financed using securitized utility tariff bonds be just and reasonable and in the public interest; (2) the proposed issuance of securitized utility tariff bonds and the imposition of securitized utility tariff charges are just and reasonable, in the public interest, and expected to provide quantifiable net present value benefits to customers as compared to recovery of the components of securitized utility tariff costs that would have been incurred absent the issuance of securitized utility tariff bonds; and (3) the proposed structuring and pricing of the securitized utility tariff bonds are reasonably expected to result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of the financing order.
11. Consistent with fundamental financial principles, the quantifiable benefits test set forth in Section 393.1700.2(2)(e) can only be determined using an economic analysis to account for the time value of money. An analysis that compares in the net present value of the costs to customers that are estimated to result from the issuance of securitized utility tariff bonds and the costs that would result from the application of the customary method of financing and reflecting the qualified extraordinary costs in retail customer rates, demonstrating that the issuance of securitized utility tariff bonds and the imposition of securitized utility tariff charges, is an appropriate economic analysis to demonstrate whether securitization provides quantifiable net present value benefits to customers.
12. Section 393.1700.2(3)(c)l. specifies that the financing order must include a procedure that allows the electrical corporation to earn a return at the electrical corporation's cost of capital authorized from time to time by the Commission in the electrical corporation's rate proceedings, on any moneys advanced by the electrical corporation to fund capital accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to the securitized utility tariff bonds. As a result, for purposes of the Statutory Requirements, it is necessary to compute the revenue requirements associated with non-securitized rates reflecting customary methods of utility financing using a

⁴¹ §§ 393.1700.2.(3)(c)b. and c.

- WACC last approved in a Evergy Missouri West general rate proceeding. This amount, updated from time to time in future rate cases, may be included in the securitized utility tariff charge as an ongoing financing cost.
13. SPE's issuance of the securitized utility tariff bonds approved in this Financing Order in compliance with the criteria established by this Financing Order satisfies the lowest charges standard of Section 393.1700.2(3)(c)c. prescribing that the structuring and pricing of the securitized utility tariff bonds will result in the lowest securitized utility tariff charges consistent with market conditions at the time the securitized utility tariff bonds are priced and the terms of this Financing Order.
 14. The amount approved in this Financing Order for securitization does not exceed the present value of the revenue requirement over the life of the securitized utility tariff bonds approved in this Financing Order that are associated with the costs sought to be securitized, as required by Section 393.1700.2(3)(c)b.
 15. This Financing Order adequately details the amount to be recovered and the period over which Evergy Missouri West will be permitted to recover non-bypassable securitized utility tariff charges in accordance with the requirements of Section 393.1700.2(3)(c)a.
 16. The method approved in this Financing Order for collecting and allocating the securitized utility tariff charges satisfies the requirements of Section 393.1700.2(3)(c)h.
 17. As provided in Section 393.1700.2(3)(f), this Financing Order, together with the securitized utility tariff charges authorized by this Financing Order, is irrevocable and not subject to amendment, modification, termination, reduction, impairment, postponement, or adjustment by further act of the Commission, except for the true-up procedures approved in this Financing Order, as required by 393.1700.2(3)(e).
 18. As provided in Section 393.1700.2.(3)(d), the rights and interests of Evergy Missouri West or its successor or assignee under this Financing Order, including the right to impose, bill, charge, collect, and receive the securitized utility tariff charges authorized in this Financing Order and to obtain periodic adjustments to such charges as provided in this Financing Order, are assignable and will become securitized utility tariff property when they are first transferred to SPE.
 19. The rights, interests, and property conveyed to SPE in the securitized utility tariff property purchase and sale agreement and the related bill of sale, including the irrevocable right to

- impose, bill, charge, collect, and receive securitized utility tariff charges and the revenues and collections from securitized utility tariff charges, are securitized utility tariff property within the meaning of Section 393.1700.1(18).
20. Securitized utility tariff property will constitute an existing, present intangible property right or interest therein for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the securitized utility tariff charges depends on further acts by Evergy Missouri West or others that have not yet occurred, as provided by Section 393.1700.5(1)(a).
 21. All revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in this Financing Order, regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money or proceeds, resulting from the securitized utility tariff charges will constitute proceeds only of the securitized utility tariff property arising from this Financing Order, as provided by Section 393.1700.1(18).
 22. Upon the transfer by Evergy Missouri West of securitized utility tariff property to a SPE, the SPE will have all of the rights, title, and interest of Evergy Missouri West with respect to such securitized utility tariff property, including the right to impose, bill, charge, collect, and receive the securitized utility tariff charges authorized by the Financing Order.
 23. The securitized utility tariff bonds issued under this Financing Order will be securitized utility tariff bonds within the meaning of Section 393.1700.1(15), and the securitized utility tariff bonds and holders thereof are entitled to all of the protections provided under Section 393.1700.11.
 24. Amounts that are required to be paid to the servicer as securitized utility tariff charges under this Financing Order or the tariffs approved hereby are securitized utility tariff charges as defined in Section 393.1700.1(16), and the amounts collected from retail customers with respect to such securitized utility tariff charges are securitized utility tariff charges as defined in Section 393.1700.1(16), whether or not such charges are set out as a separate line item on the retail customer's bill.
 25. [RESERVED]

26. As provided in Section 393.1700.5(1)(e), the interests of an assignee, the holders of securitized utility tariff bonds, and the indenture trustee in securitized utility tariff property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by Evergy Missouri West or any other person or in connection with the reorganization, bankruptcy, or other insolvency of Evergy Missouri West or any other entity.
27. The methodology approved in this Financing Order to true-up the securitized utility tariff charges satisfies the requirements of Section 393.1700.2(3)(c)e.
28. If and when Evergy Missouri West transfers to a SPE the right to impose, bill, charge, collect, and receive the securitized utility tariff charges and to issue the securitized utility tariff bonds, the servicer will be able to recover the securitized utility tariff charges associated with such securitized utility tariff property only for the benefit of the SPE and the holders of the securitized utility tariff bonds in accordance with the servicing agreement.
29. If and when Evergy Missouri West transfers its rights under this Financing Order to a SPE under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of Sections 393.1700.5(3)(a) and (b), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitized utility tariff property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitized utility tariff property will pass to the SPE. As provided by Section 393.1700.5(3)(b), this true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the seller's retention of an equity interest in the securitized utility tariff property, Evergy Missouri West's role as the collector of securitized utility tariff charges relating to the securitized utility tariff property, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.
30. As provided in Section 393.1700.5(2)(b), a valid and binding security interest in the securitized utility tariff property in favor of the holders of the securitized utility tariff bonds or a trustee on their behalf will be created at the later of the time this Financing Order is issued, a security agreement is executed and delivered by the debtor granting such security interest, the debtor has rights in such securitized utility tariff property or the power to

transfer rights in such securitized utility tariff property, or value is received for the securitized utility tariff property. The security interest will attach automatically from the time that value is received for the securitized utility tariff bonds and, on perfection through the filing of notice with the secretary of state in accordance with the rules prescribed by the secretary of state under Section 393.1700.5(2)(c), will be a continuously perfected security interest in the securitized utility tariff property and all proceeds of the securitized utility tariff property, whether accrued or not, will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

31. As provided in Section 393.1700.5(3)(c), the transfer of an interest in securitized utility tariff property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Financing Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed in accordance with the rules prescribed by the secretary of state under Section 393.1700.7. The transfer to a SPE of Evergy Missouri West's rights under this Financing Order will be a transfer of an interest in securitized utility tariff property for purposes of Section 393.1700.5(3)(c).
32. As provided in Section 393.1700.5(3)(d), the priority of a security interest perfected in accordance with Section 393.1700.5(3) will not be impaired by any later change in the securitized utility tariff charges under Section 393.1700.2(3)(c)e. or by the commingling of securitized utility tariff charges with other amounts, and any other security interest that may apply to those amounts will be terminated when they are transferred to a segregated account for an assignee or a financing party.
33. As provided in Section 393.1700.5(3)(d), if securitized utility tariff property is transferred to an assignee, any proceeds of the securitized utility tariff property will be treated as held in trust for the assignee.
34. As provided in Section 393.1700.5(2)(f), if a default or termination occurs under the securitized utility tariff bonds, the financing parties or their representatives may exercise the rights and remedies available to a secured party under part 6 of article 9 of the Missouri Uniform Commercial Code, and, upon application by or on behalf of the financing parties, the Commission may order that amounts arising from the related securitized utility tariff

- charges be transferred to a separate account for the financing parties' benefit, to which their lien and security interest may apply.
35. As provided in Section 393.1700.5(2)(f), if a default occurs under the securitized utility tariff bonds, on application by or on behalf of the financing parties, a district court of Jackson County, Missouri, must order the sequestration and payment to those parties of revenues arising from the securitized utility tariff charges.
 36. As provided by Section 393.1700.9, the securitized utility tariff bonds authorized by this Financing Order are not a debt or a general obligation of the State of Missouri or any of its political subdivisions, agencies, or instrumentalities, nor are they special obligations or indebtedness of the State of Missouri or any agency or political subdivision, and are not a charge on its full faith and credit or taxing power.
 37. Under Section 393.1700.11, the State of Missouri and its agencies, including the Commission, have pledged for the benefit and protection of bondholders, the owners of the securitized utility tariff property, other financing parties and Evergy Missouri West, that it will not take or permit any action that would impair the value of securitized utility tariff property, or, except pursuant to the true-up adjustment mechanism in this Financing Order, reduce, alter or impair the securitized utility tariff charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties, until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the securitized utility tariff bonds have been paid and performed in full. A SPE, in issuing securitized utility tariff bonds, is authorized under Section 393.1700.9 and this Financing Order to include this pledge in any documentation relating to the securitized utility tariff bonds.
 38. This Financing Order will remain in full force and effect and unabated notwithstanding the bankruptcy of Evergy Missouri West, its successors, or assignees.
 39. Evergy Missouri West retains sole discretion regarding whether or when to assign, sell, or otherwise transfer the rights and interests created by this Financing Order or any interest therein, or to cause the issuance of any securitized utility tariff bonds authorized by this Financing Order, subject to the right of the Commission, to issue a disapproval letter

directing that the securitized utility tariff bonds as proposed not be issued as a result of the issuance advice letter process.

40. This Financing Order is subject to judicial review only in accordance with Sections 386.500 and 386.510, pursuant to Section 393.1700.2(3)(a)c. The finality of this Financing Order is not impaired in any manner by the participation of the Commission through its designated representative in any decisions related to issuance of the securitized utility tariff bonds or by the Commission's review of or issuance of an order related to the issuance advice letter required to be filed with the Commission by this Financing Order.
41. This Financing Order meets the requirements for a financing order under Section 393.1700.
42. The true-up mechanism, and all other obligations of the State of Missouri and the Commission set forth in this Financing Order, are direct, explicit, irrevocable, and unconditional upon issuance of the securitized utility tariff bonds and are legally enforceable against the State of Missouri and the Commission in accordance with Missouri law.
43. Evergy Missouri West's proposal to use a future ratemaking process to reconcile any differences between securitized utility tariff costs financed by securitized utility tariff bonds and the costs related to Winter Storm Uri incurred by Evergy Missouri West, is consistent with Section 393.1700.2(2)(f).

V. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

A. Approval

1. **Approval of Petition.** The Petition of Evergy Missouri West for the issuance of a financing order under Section 393.1700 is approved, as provided in this Financing Order.
2. **Authority to Securitize.** Evergy Missouri West is authorized in accordance with this Financing Order to finance and to cause the issuance of securitized utility tariff bonds with a principal amount equal to the sum of (a) the securitizable balance at the time the securitized utility tariff bonds are issued plus (b) upfront financing costs, including, but not limited to (i) underwriters discounts and commissions, (ii) legal costs, (iii) the cost of original issue discount, credit enhancements and other arrangements to enhance

marketability as discussed in ordering paragraph 22, (iv) rating agency fees, (v) United States Securities and Exchange Commission registration fees, (vi) the cost of the Commission's financial advisor and its legal counsel, if any, and any additional costs incurred by Evergy Missouri West to comply with the requests and recommendations of the Commission's financial advisor and/or legal counsel, and (vii) any costs incurred by Evergy Missouri West if this Financing Order is appealed. The securitizable balance as of any given date is equal to the balance of distribution-related securitized utility tariff costs plus carrying costs accruing on that balance at 0.20% for the first six months post February 2021, then the 5.06% long-term debt rate for the period following the first six month post February 2021. If the actual upfront financing costs are less than the upfront financing costs included in the aggregate principal amount of the securitized utility tariff bonds, the periodic revenue requirement for the first annual true-up adjustment must be reduced by the amount of such unused funds (together with interest, if any, earned from the investment of such funds). If the final upfront financing costs are more than the upfront financing costs included in the aggregate principal amount of the securitized utility tariff bonds, Evergy Missouri West will have the right to be reimbursed for such prudently incurred excess amounts through the establishment of a regulatory asset.

3. **Recovery of Securitized Utility Tariff Charges.** Evergy Missouri West must impose on, and the servicer must collect from, other entities serving all existing and future retail customers located within Evergy Missouri West's service area as it exists on the date of this Financing Order and such other entities which, under the terms of this order or the tariffs approved hereby, are required to bill, pay, or collect securitized utility tariff charges, as provided in this Financing Order, securitized utility tariff charges in an amount sufficient to provide for the timely recovery of its aggregate financing costs detailed in this Financing Order (including payment of principal and interest on the securitized utility tariff bonds).
4. **Third Party Billing.** If the State of Missouri or this Commission decides to allow billing, collection, and remittance of the securitized utility tariff charges by a third party supplier within Evergy Missouri West's service territory, such authentication will be consistent with the rating agencies' requirements necessary for the securitized utility tariff bonds to receive and maintain the targeted triple-A rating or as described in finding of fact number 51.

5. **Provision of Information.** Evergy Missouri West must take all necessary steps to ensure that the Commission or its designated representative is provided sufficient and timely information as provided in this Financing Order in order to fulfill its obligations as described in finding of fact numbers 68 and 70.
6. **Issuance Advice Letter.** For each series of securitized utility tariff bonds issued, Evergy Missouri West shall submit a draft issuance advice letter to the Commission Staff for review not later than two weeks before the expected date of commencement of marketing the securitized utility tariff bonds. With the agreement of the Commission's designated representative from Commission Staff, the actual date of the commencement of marketing may be a date other than the expected date. Within one week after receipt of the draft issuance advice letter, Commission Staff shall provide Evergy Missouri West comments and recommendations regarding the adequacy of the information provided. Not later than the end of the first business day after the pricing of the securitized utility tariff bonds and before issuance of the securitized utility tariff bonds, Evergy Missouri West shall provide the Commission an issuance advice letter in substantially the form of the issuance advice letter attached as Appendix A to this Financing Order. As part of the issuance advice letter, Evergy Missouri West, through an officer of Evergy Missouri West, shall provide a certification worded precisely as the statement in the form of issuance advice letter approved by the Commission. The issuance advice letter must be completed, must evidence the actual dollar amount of the initial securitized utility tariff charges and other information specific to the securitized utility tariff bonds to be issued, and must certify to the Commission that the structure and pricing of that series results in the lowest securitized utility tariff charges consistent with market conditions at the time that the securitized utility tariff bonds are priced and with the terms set out in this Financing Order. In addition, if more than de minimis original issue discount, credit enhancements, or arrangements to enhance marketability are used, the issuance advice letter must include certification that such original issue discount, credit enhancements, or other arrangements are reasonably expected to provide benefits as required by this Financing Order. All amounts which require computation must be computed using the mathematical formulas contained in the form of the issuance advice letter in Appendix A to this Financing Order and the Storm Securitized Utility Tariff Rider. Electronic spreadsheets with the formulas supporting the

schedules contained in the issuance advice letter must be included with such letter. The initial securitized utility tariff charges and the final terms of the securitized utility tariff bonds set forth in the issuance advice letter must become effective on the date of issuance of the securitized utility tariff bonds (which must not occur before the sixth business day after pricing) unless before noon on the fourth business day after the Commission receives the issuance advice letter, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued and the basis for that disapproval.

7. **Approval of Tariff.** The form of Securitized Utility Tariff Rider attached as Appendix B to this order is approved.⁴² Before the issuance of any securitized utility tariff bonds under this Financing Order, Evergy Missouri West must file compliance tariff sheets that conform to the form of the Securitized Utility Tariff Rider tariff provisions attached to this Financing Order, but with rate elements left blank. With its submission of the issuance advice letter, Evergy Missouri West shall also submit a compliance tariff sheet, bearing an effective date that is the date the securitized utility tariff bonds will be issued, containing the rate elements of the securitized utility tariff charge. That compliance tariff sheet shall become effective on the date the securitized utility tariff bonds are issued with no further action of the Commission unless the Commission issues a disapproval letter as described in Ordering Paragraph A.6.

B. Securitized Utility Tariff Charges

8. **Imposition and Collection.** Evergy Missouri West is authorized to impose on, and the servicer is authorized to collect from all existing and future retail customers⁴³ located within Evergy Missouri West's service area, except for customers receiving electrical service under special contracts as of August 28, 2021, as they existed on the date this Financing Order is issued and other entities which, under the terms of this Financing Order or the tariffs approved hereby, are required to bill, pay, or collect securitized utility tariff charges, securitized utility tariff charges in an amount sufficient to provide for the timely recovery of the aggregate periodic payment requirements (including payment of principal and interest on the securitized utility tariff bonds), as approved in this Financing Order. If

⁴² *Note to Draft:* To conform with Lutz Testimony.

⁴³ Excluding special contract customers as of August 28, 2021.

there is a partial payment of an amount billed, the amount paid shall first be to past due balances and must be apportioned ratably between the securitized utility tariff charges and other fees and, other than late fees, and second, any remaining portion of the payment must be allocated to late fees.

9. **SPE's Rights and Remedies.** Upon the transfer by Evergy Missouri West of the securitized utility tariff property to a SPE, the SPE must have all of the rights and interest of Evergy Missouri West with respect to such securitized utility tariff property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to authorize disconnection of electric service and to assess and collect any amounts payable by any retail customer in respect of the securitized utility tariff property. If securitized utility tariff bonds are issued in more than one series, then the securitized utility tariff property transferred as a result of each issuance must be only those rights associated with that portion of the total amount authorized to be securitized under this Financing Order, which is securitized by such issuance. The rights to impose, bill, charge, collect, and receive securitized utility tariff charges along with the other rights arising under this Financing Order as they relate to any portion of the total amount authorized to be securitized utility tariff that remains unsecuritized must remain with Evergy Missouri West and shall only become securitized utility tariff property upon the transfer of the securitized utility tariff property to a SPE and its pledge to secure an issuance of securitized utility tariff bonds.
10. **Collector of Securitized Utility Tariff Charges.** Evergy Missouri West or any subsequent servicer of the securitized utility tariff bonds must bill a customer or other entity, which, under the terms of this Financing Order or the tariffs approved hereby, is required to bill or collect securitized utility tariff charges for the securitized utility tariff charges attributable to that customer.
11. **Collection Period.** The securitized utility tariff charges related to a series of securitized utility tariff bonds must be designed to be collected over the scheduled life of the securitized utility tariff bonds of 15 years and not to exceed 17 years, although this does not prohibit recovery of securitized utility tariff charges for service rendered during the 17-year period but not actually collected until after the 17-year period; provided, however, the

proposed [collection period of the securitized utility tariff charges may be longer if deemed necessary to obtain the best possible credit rating.](#)

12. **Determination of the charge.** Evergy Missouri West must determine the securitized utility tariff charges in the manner described in this Financing Order.
13. **Nonbypassability.** Evergy Missouri West and any other entity providing electrical services to any retail customer within Evergy Missouri West's certificated service area as it existed on the date this Financing Order is issued, except one customer that was receiving service under a special contract as of August 28, 2021, are entitled to collect and must remit, in accordance with this Financing Order. The Commission will ensure that such obligations are undertaken and performed by Evergy Missouri West, any other entity providing electrical services to Evergy Missouri West's retail customers.
14. **True-Ups.** True-ups of the securitized utility tariff charges must be undertaken and conducted as described in this Financing Order. If securitized utility tariff bonds are issued in more than one series, then each series will be subject to separate true-up adjustments under the Securitization Law and this Financing Order, provided, however, that more than one series may be trued-up in a single proceeding.
15. **Ownership Notification.** Any entity that bills securitized utility tariff charges to retail customers must, at least annually, provide written notification to each retail customer for which the entity bills securitized utility tariff charges that the securitized utility tariff charges are the property of SPE and not of the entity issuing such bill.

C. Securitized Utility Tariff Bonds

16. **Issuance.** Evergy Missouri West is authorized through one or more SPEs to issue one or more series of securitized utility tariff bonds as specified in this Financing Order. The securitized utility tariff bonds must be denominated in United States Dollars.
17. **Upfront Financing Costs.** Evergy Missouri West may finance upfront financing costs in accordance with the terms of this Financing Order, which provides that the total amount for upfront financing cost, including, but not limited to (i) underwriters' discounts and commissions, (ii) legal fees, (iii) auditor fees, (iv) structuring advisor fees, (v) the cost of original issue discount, credit enhancements and other arrangements to enhance marketability as discussed in ordering paragraphs 6 and 22, (vi) information technology programming costs, (vii) rating agency fees, (viii) United States Securities and Exchange

Commission registration fees, (ix) the cost of the Commission's financial advisor and its legal counsel, if any, and any additional costs incurred by Evergy Missouri West to comply with the requests and recommendations of the Commission's financial advisor and/or legal counsel, and (x) any costs incurred by Evergy Missouri West if this Financing Order is appealed.

18. **Ongoing Financing Costs.** Evergy Missouri West may recover its actual ongoing financing costs through its securitized utility tariff charges set forth in finding of fact number 23 and Appendix C to this Financing Order. Ongoing financing costs also include an annual return at the authorized WACC on the capital contribution determined in Evergy Missouri West's most recent general rate case plus applicable taxes discussed in finding of fact number 46. The amount of ongoing financing costs is subject to updating in the issuance advice letter to reflect a change in the size of the securitized utility tariff bond issuance and any decision to issue the bonds in more than one series and other information available at the time of submission of the issuance advice letter. As provided in ordering paragraph 29, a servicer, other than Evergy Missouri West, may collect a servicing fee higher than that set forth in Appendix C to this Financing Order, if such higher fee is approved by the Commission and the indenture trustee.
19. **Collateral.** All securitized utility tariff property and other collateral must be held and administered by the indenture trustee under the indenture as described in Evergy Missouri West's Petition. SPE must establish a collection account with the indenture trustee as described in finding of fact number 44. Upon payment of the principal amount of all securitized utility tariff bonds authorized in this Financing Order and the discharge of all obligations in respect thereof, all amounts in the collection account, including investment earnings, other than amounts in the capital subaccount, must be released by the indenture trustee to SPE for distribution in accordance with ordering paragraph 20.
20. **Distribution Following Repayment.** Following repayment of the securitized utility tariff bonds authorized in this Financing Order and release of the funds held by the trustee, the servicer, on behalf of SPE, must distribute to retail customers, the final balance of the general, excess funds, and all other subaccounts (except the capital subaccount), whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other financing costs have been paid. SPE or its

successor in interest to the securitized utility tariff property must, to the extent the capital subaccount is not depleted below its original amount, also distribute to retail customers any subsequently collected securitized utility tariff charges.

21. **Funding of Capital Subaccount.** The capital contribution by Evergy Missouri West to be deposited into the capital subaccount must, with respect to each SPE and series of securitized utility tariff bonds, be funded by Evergy Missouri West and not from the proceeds of the sale of securitized utility tariff bonds at an amount required by tax and rating agency requirements at the time of issuance. Evergy Missouri West is authorized to receive a return on the capital contribution at the WACC authorized in Evergy Missouri West's most recent general rate case plus applicable taxes. Upon payment of the principal amount of all securitized utility tariff bonds and the discharge of all obligations in respect thereof, all amounts in the capital subaccount, including investment earnings, and any amounts required to replenish the capital subaccount to the level of Evergy Missouri West's capital contribution, and any unpaid authorized return on capital contributions of the original principal amount of the securitized utility tariff bonds, if any, for a series of securitized utility tariff bonds must be released to SPE for payment to Evergy Missouri West. Authorized return on capital contributions of the original principal amount of the securitized utility tariff bonds, if any, may be released earlier in accordance with the indenture.
22. **Original Issue Discount, Credit Enhancement.** Evergy Missouri West may provide original issue discount or provide for various forms of credit enhancement, including letters of credit, an overcollateralization subaccount or other accounts, surety bonds, and other mechanisms designed to promote the credit quality or marketability of the securitized utility tariff bonds to the extent not prohibited by this Financing Order. Except for a de minimis amount of original issue discount, any decision to use such arrangements to enhance credit or promote marketability must be made in conjunction with the Commission acting through its designated representative. Evergy Missouri West may not enter into an interest rate swap, currency hedge, or interest rate hedging arrangement. Evergy Missouri West may include the costs of original issue discount, credit enhancements or other arrangements to promote credit quality or marketability as financing costs only if Evergy Missouri West certifies that such arrangements are reasonably expected to provide benefits

greater than their cost and such certifications are agreed with by the Commission's designated representative. Evergy Missouri West must not be required to enter any arrangements to promote credit quality or marketability unless all related costs and liabilities can be included in financing costs. Evergy Missouri West and the Commission's designated representative must evaluate the relative benefits of the arrangements in the same way that benefits are quantified under the quantifiable benefits test. This ordering paragraph does not apply to the collection account or its subaccounts approved in this Financing Order.

23. **Recovery Period.** The Commission authorizes Evergy Missouri West to recover the securitized utility tariff costs and financing costs over period not to exceed 17 years from the date the securitized utility tariff bonds are issued, although this does not prohibit recovery of securitized utility tariff charges for service rendered during the 17-year period but not actually collected until after the 17-year period; [provided, however, the proposed recovery period of the securitized utility tariff costs and financing costs may be longer if deemed necessary to obtain the best possible credit rating.](#)
24. **Amortization Schedule.** The securitized utility tariff bonds must be structured to provide a securitized utility tariff charge that is based on substantially levelized annual revenue requirements over the expected life of the securitized utility tariff bonds, subject to modification in accordance with this Financing Order. The structure employing substantially levelized annual revenue requirements will allow the resulting securitized utility tariff charges to remain level or decline over time, if billing determinants remain level or grow. If the securitized utility tariff bonds are issued in more than one series, each series must meet the requirement of substantially levelized annual revenue requirements.
25. **Commission Participation in Bond Issuance.** The Commission, acting through its designated representative, which shall be a Commissioner or member of Commission Staff, may participate with Evergy Missouri West in discussions regarding the structuring and pricing of the securitized utility tariff bonds. The Commission's designated representative has the right to provide input to Evergy Missouri West and collaborate with Evergy Missouri West in all facets of the structuring, marketing and pricing of the securitized utility tariff bonds, including but not limited to, (1) the underwriter selection process, allocations and economics; (2) the structure of the securitized utility tariff bonds; (3) credit

rating agency presentation materials; (4) the underwriters' preparation, marketing and syndication of the securitized utility tariff bonds; (5) the pricing of the securitized utility tariff bonds and certifications provided by Evergy Missouri West and, to the extent required by the Commission, the book-running underwriters; (6) all associated costs, (including upfront and ongoing financing costs), servicing and administrative fees; (7) bond maturities; (8) reporting templates; (9) the amount of any equity contributions; (10) credit enhancements; and (11) the initial calculation of the securitized utility tariff charge, provided, that Evergy Missouri West shall have the final decision on the structuring, marketing and pricing of the securitized utility tariff bonds. [Not later than one day after the issuance advice letter is delivered to the Commission, the Commission's representative or representatives shall provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds.].

26. **Use of SPE.** Evergy Missouri West must use SPE, a special purpose securitized utility tariff funding entity as proposed in its Petition, in conjunction with the issuance of a series of securitized utility tariff bonds authorized under this Financing Order. SPE must be funded with an amount of capital that is sufficient for SPE to carry out its intended functions and to avoid the possibility that Evergy Missouri West would have to extend funds to SPE in a manner that could jeopardize the bankruptcy remoteness of SPE. Evergy Missouri West may create more than one SPE in which event, the rights, structure, and restrictions described in this Financing Order with respect to SPE would be applicable to each purchaser of securitized utility tariff property to the extent of the securitized utility tariff property sold to it and the securitized utility tariff bonds issued by it.

D. Servicing

27. **Servicing Agreement.** The Commission authorizes Evergy Missouri West to enter into the servicing agreement with SPE and to perform the servicing duties approved in this Financing Order. Without limiting the foregoing, in its capacity as initial servicer of the securitized utility tariff property, Evergy Missouri West is authorized to calculate, bill and collect for the account of SPE, the securitized utility tariff charges initially authorized in this Financing Order, as adjusted from time to time to meet the periodic payment requirements as provided in this Financing Order; and to make such filings and take such other actions as are required or permitted by this Financing Order in connection with the

periodic true-ups described in this Financing Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that, as set forth in Appendix C, the annual servicing fee payable to Evergy Missouri West while it is serving as servicer (or to any other servicer affiliated with Evergy Missouri West) must not at any time exceed 0.05% of the original principal amount of the securitized utility tariff bonds. The annual servicing fee payable to any other servicer not affiliated with Evergy Missouri West must not at any time exceed 0.60% of the original principal amount of the securitized utility tariff bonds unless such higher rate is approved by the Commission under ordering paragraph 29.

28. **Administration Agreement.** The Commission authorizes Evergy Missouri West to enter into an administration agreement with each SPE to provide the services covered by the administration agreements. The fee charged by Evergy Missouri West as administrator under that agreement must not exceed \$75,000 per annum per SPE plus reimbursable third-party costs.
29. **Replacement of Evergy Missouri West as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the securitized utility tariff charges, the financing parties may replace Evergy Missouri West as the servicer in accordance with the terms of the servicing agreement. If the servicing fee of the replacement servicer will exceed the applicable maximum servicing fee specified in ordering paragraph 27, the replacement servicer must not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or (ii) if the Commission does not act to either approve or disapprove the appointment, the date which is 30 days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace Evergy Missouri West as the servicer in any of its servicing functions with respect to the securitized utility tariff charges and the securitized utility tariff property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the securitized utility tariff bonds to be suspended, withdrawn, or downgraded.
30. **Amendment of Agreements.** The parties to the servicing agreement, administration agreement, indenture, and securitized utility tariff property purchase and sale agreement may amend the terms of such agreements; provided, however, that no amendment to any

such agreement must increase the ongoing financing costs without the approval of the Commission. Any amendment that does not increase the ongoing financing costs may be effective without prior Commission authorization. Any amendment to any such agreement that may have the effect of increasing ongoing financing costs must be provided by SPE to the Commission along with a statement as to the possible effect of the amendment on the ongoing financing costs. The amendment must become effective on the later of (i) the date proposed by the parties to the amendment or (ii) 31 days after such submission to the Commission unless the Commission issues an order disapproving the amendment within a 30-day period.

31. **Collection Terms.** The servicer must remit collections of the securitized utility tariff charges to SPE or the indenture trustee for SPE's account in accordance with the terms of the servicing agreement.
32. **Contract to Provide Service.** To the extent that any interest in the securitized utility tariff property created by this Financing Order is assigned, sold or transferred to an assignee, Evergy Missouri West must enter into a contract with that assignee that requires Evergy Missouri West to continue to operate its transmission and distribution system to provide electrical services to Evergy Missouri West's customers; provided, however, that this provision must not prohibit Evergy Missouri West from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof so long as the entities acquiring such system agree to continue operating the facilities to provide electric service to Evergy Missouri West's customers.
33. **Federal Securities Law Requirements.** Each other entity responsible for collecting securitized utility tariff charges from retail customers must furnish to SPE or Evergy Missouri West or to any successor servicer information and documents necessary to enable SPE or Evergy Missouri West or any successor servicer to comply with their respective disclosure and reporting requirements, if any, with respect to the securitized utility tariff bonds under federal securities laws.

E. Structure of the Securitization

34. **Structure.** Evergy Missouri West must structure the securitization as proposed in Evergy Missouri West's Petition. This structure must be in accordance with finding of fact numbers 42 through 43.

F. Use of Proceeds

35. **Use of Proceeds.** Upon the issuance of securitized utility tariff bonds, SPE must pay the net proceeds from the sale of the securitized utility tariff bonds (after payment of upfront financing costs) to pay to Evergy Missouri West the purchase price of the securitized utility tariff property. Evergy Missouri West will apply these net proceeds to recover the qualified extraordinary costs incurred by Evergy Missouri West in response to the anomalous weather event Winter Storm Uri, including purchases of fuel or power, carrying charges, and upfront financing cost.

G. Miscellaneous Provisions

36. **Resettlement or Adjustment of Winter Storm Uri Costs.** If there are any resettlements or adjustments to the costs incurred as a result of Winter Storm Uri after the issuance of the securitized utility tariff bonds, then Evergy Missouri West shall include those resettlement or adjustment costs associated with fuel and purchase power costs net of associated off system sales to be included in future Evergy Missouri West fuel adjustment clause filings unless this would produce a customer rate impact that is unduly material. In event of an unduly material impact to customer rates, Evergy Missouri West shall request deferral authority and Commission approval of a different ratemaking approach to mitigate such impact. If final costs incurred by Evergy Missouri West for Winter Storm Uri differ in costs other than fuel and purchase power costs included in the qualified extraordinary costs financed by the issuance of the securitized utility tariff bonds, Evergy Missouri West shall defer those amounts into a regulatory asset to be included a subsequent general rate case, provided, however that any such reconciliation shall not affect the amount of securitized utility tariff bonds or the associated securitized utility tariff charges paid by customers.
37. **Continuing Issuance Right.** In accordance with Section 393.1700.2(3)(c)n., Evergy Missouri West has the continuing irrevocable right to cause the issuance of securitized utility tariff bonds in one or more series in accordance with this Financing Order for a period commencing with the date of this Financing Order and extending 24 months following the later of (i) the date on which this Financing Order becomes final and no longer subject to any appeal; or (ii) the date on which any other regulatory approvals necessary to issue the securitized utility tariff bonds are obtained and no longer subject to

- any appeal. If, at any time during the effective period of this Financing Order, there is a severe disruption in the financial markets of the United States, the effective period must automatically be extended to a date which is not less than 90 days after the date such disruption ends.
38. **Binding on Successors.** This Financing Order, together with the securitized utility tariff charges authorized in it, must be binding on Evergy Missouri West and any successor to Evergy Missouri West that provides transmission and distribution service directly to retail customers in Evergy Missouri West's certificated service area as it existed on the date of this Financing Order, any other entity that provides transmission or distribution services to retail customers within that service area, and any successor to such other entity. In this paragraph, a successor means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, consolidation, conversion, assignment, pledge or other security, by operation of law or otherwise.
39. **Flexibility.** Subject to compliance with the requirements of this Financing Order, Evergy Missouri West and SPE must be afforded flexibility in establishing the terms and conditions of the securitized utility tariff bonds, including the final structure of SPE, repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, interest rates, use of original issue discount, and other financing costs and the ability of Evergy Missouri West, at its option, to cause one or more series of securitized utility tariff bonds to be issued.
40. **Effectiveness of Order.** This Financing Order will become effective in ten days, given the need to provide for prompt resolution of any issues regarding this proceeding, as well as to allow Evergy Missouri West flexibility in accessing the financial markets. Notwithstanding the foregoing, no securitized utility tariff property is created hereunder, and Evergy Missouri West is not authorized to impose, collect, and receive securitized utility tariff charges until Evergy Missouri West's rights and interests under this Financing Order have been transferred to SPE in conjunction with the issuance of the securitized utility tariff bonds.
41. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the securitized utility tariff charges

associated with the costs that are the subject of the Petition and for all related transactions contemplated in the Petition are granted.

42. **Payment of Commission's Costs for Professional Services.** Evergy Missouri West must pay the costs of the Commission of acquiring professional services for the purpose of evaluating Evergy Missouri West's proposed transaction, including, but not limited to, the Commission's outside attorneys' fees in the amounts specified in this Financing Order no later than 30 days after the issuance of any securitized utility tariff bonds. Such costs shall be upfront financing costs and payable only from the proceeds of an issuance of securitized utility tariff bonds.
43. **Effect.** This Financing Order constitutes a legal financing order for Evergy Missouri West under the Securitization Law. The Commission finds this Financing Order complies with the Securitization Law. A financing order gives rise to rights, interests, obligations, and duties as expressed in the Securitization Law. It is the Commission's express intent to give rise to those rights, interests, obligations, and duties by issuing this Financing Order. Evergy Missouri West and the servicer are directed to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to compliance with the criteria established in this Financing Order.
44. **Further Commission Action.** The Commission guarantees that it will act under this Financing Order as expressly authorized by the Securitization Law to ensure that expected securitized utility tariff charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the securitized utility tariff bonds issued under this Financing Order and ongoing financing costs and other required amounts and charges payable in connection with the securitized utility tariff bonds.
45. **Designated Representative or Representatives from Commission Staff.** The Commission designates [●] to serve as its representative under this Financing Order until such time as the Commission designates a new representative. The Commission will notify Evergy Missouri West if it designates a new representative.
46. **All Other Motions Denied.** The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.

Signed at _____, Missouri the _____ day of [●] 20[●].

MISSOURI PUBLIC SERVICE COMMISSION

FORM OF ISSUANCE ADVICE LETTER

_____ day, _____, 20[22]

Case No. _____

MISSOURI PUBLIC SERVICE COMMISSION

SUBJECT: ISSUANCE ADVICE LETTER FOR SECURITIZED UTILITY TARIFF BONDS

Pursuant to the Financing Order adopted in *Petition of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for a Financing Order*, Case No. _____ (the “Financing Order”), EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST (“Petitioner”) hereby submits, no later than the end of the first business day after the pricing date of this series of Securitized Utility Tariff Bonds, the information referenced below. This Issuance Advice Letter is for the 20[●] Securitized Utility Tariff Bonds, tranches A-1 through A-____. Any capitalized terms not defined in this letter have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing establishes the following:

- (a) the total amount of Securitized Utility Tariff Costs and Financing Costs being financed;
- (b) confirmation of compliance with issuance standards;
- (c) the actual terms and structure of the Securitized Utility Tariff Bonds being issued;
- (d) the initial Securitized Utility Tariff Charge for retail customers; and
- (e) the identification of the Special Purpose Entity (SPE).

SECURITIZED UTILITY TARIFF COSTS AND FINANCING COSTS BEING FINANCED

The total amount of Securitized Utility Tariff Costs and Financing Costs being financed (the “Securitized Costs”) is presented in Attachment 1.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Petitioner to confirm, using the methodology approved therein, that the actual terms of the Securitized Utility Tariff Bonds result in compliance with the standards set forth in the Financing Order. These standards are:

1. The financing of Qualified Extraordinary Costs and Financing Costs will provide quantifiable net present value benefits to retail customers, greater than would be achieved compared to the customary method of financing and reflecting the Qualified Extraordinary Costs in retail customer rates (See Attachment 2, Schedule D);
2. The Securitized Utility Tariff Bonds will be issued in one or more series comprised of one or more tranches having a scheduled final payment of ___ years and legal final maturities not exceeding ___ years from the date of issuance of such series (See Attachment 2, Schedule A);
3. The Securitized Utility Tariff Bonds may be issued with an original issue discount, additional credit enhancements, or arrangements to enhance marketability provided that the Petitioner certifies that the original issue discount, additional credit enhancements, or arrangements to enhance marketability are reasonably expected to provide quantifiable net present value benefits greater than its cost; and
4. The structuring and pricing of the Securitized Utility Tariff Bonds is certified by the Petitioner to result in the lowest Securitized Utility Tariff Charges consistent with market conditions at the time the Securitized Utility Tariff Bonds were priced and the terms of the Financing Order (See Attachment 4).
5. The amount of [Securitized Utility Tariff Costs] to be financed using Securitized Utility Tariff Bonds are \$_____.
6. The recovery of such [Securitized Utility Tariff Costs] is just and reasonable and in the public interest.
7. The estimate of the amount of Financing Costs that may be recovered through Securitized Utility Tariff Charges is \$_____.
8. The period over which the Securitized Utility Tariff Costs and Financing Costs may be recovered is ___ years.
- [9. Add other findings from Section 393.1700.2.(3)(c).?]

ACTUAL TERMS OF ISSUANCE

Securitized Utility Tariff Bond Series: _____

Securitized Utility Tariff Bond Issuer: [SPE]

Trustee: _____

Closing Date: _____, 20[●]

Bond Ratings: [S&P AAA(sf), Moody's Aaa(sf)]

Amount Issued: \$ _____

Securitized Utility Tariff Bond Upfront Financing Costs: See Attachment 1, Schedule B.

Securitized Utility Tariff Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Scheduled Final Payment	Legal Final Maturity
A-1	__%	__	__

Effective Annual Weighted Average Interest Rate of the Securitized Utility Tariff Bonds:	[__]%
Life of Series:	__ years
Weighted Average Life of Series:	__ years
Call provisions (including premium, if any):	__
Target Amortization Schedule:	Attachment 2, Schedule A
Scheduled Final Payment Dates:	Attachment 2, Schedule A
Legal Final Maturity Dates:	Attachment 2, Schedule A
Payments to Investors:	Semi-annually Beginning __, 20__
Initial annual Servicing Fee as a percent of original Securitized Utility Tariff Bond principal balance:	[●]%

INITIAL SECURITIZED UTILITY TARIFF CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial Securitized Utility Tariff Rate.

1	Principal and Interest (for the Recovery Period)		\$ _____
2	Prior Securitized Revenue Requirement True-Up Amount	+	\$ _____
3	Other Financing Costs (for the Recovery Period)	+	\$ _____
4	Total Securitized Revenue Requirement	=	\$ _____
5	Forecasted Sales at Generation Level (S_{RP})	÷	
6	SUR Rate	=	\$ _____

Determination of the TSRR among customer voltage levels: See Attachment 3.

Based on the foregoing, the initial Securitized Utility Tariff Charges calculated for Loss Adjusted Voltage Level are as follows:

TABLE II	
<u>Loss Adjusted Voltage Level</u>	<u>Initial Securitized Utility Tariff Charge</u>
Transmission Voltage Customers	\$ ____/kWh
Substation Voltage Customers	\$ ____/kWh
Primary Voltage Customers	\$ ____/kWh
Secondary Voltage Customers	\$ ____/kWh

IDENTIFICATION OF SPE

The owner of the Securitized Utility Tariff Property will be: _____ [SPE].

EFFECTIVE DATE

In accordance with the Financing Order, the Securitized Utility Tariff Charge shall be automatically effective upon the Petitioner’s receipt of payment in the amount of \$ _____ from [SPE], following Petitioner’s execution and delivery to [SPE] of the Bill of Sale transferring Petitioner’s rights and interests under the Financing Order and other rights and interests that will become Securitized Utility Tariff Property upon transfer to [SPE] as described in the Financing Order.

NOTICE

Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Petitioner's corporate headquarters.

AUTHORIZED OFFICER

The undersigned is an officer of Petitioner and authorized to deliver this Issuance Advice Letter on behalf of Petitioner.

Respectfully submitted,

EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST

By: _____
Name: _____
Title: _____

ATTACHMENT 1
SCHEDULE A
CALCULATION OF SECURITIZED UTILITY TARIFF COSTS AND FINANCING
COSTS

Securitized Utility Tariff Costs to be financed:	\$ _____
Upfront Financing Costs	\$ _____
TOTAL COSTS TO BE FINANCED	\$ _____

ATTACHMENT 1
SCHEDULE B
ESTIMATED UPFRONT FINANCING COSTS

UPFRONT FINANCING COSTS	
Legal Fees (Company, Issuer, Trustee, and Underwriter)	\$ _____
Underwriters' Fees	\$ _____
Auditor's Fee	\$ _____
Structuring Advisor's Fee (including discount)	\$ _____
Information Technology Programming Costs	\$ _____
Commission Advisors	\$ _____
Original Issue Discount	\$ _____
SEC Registration Fee	\$ _____
Bond Rating Fees	\$ _____
Miscellaneous	\$ _____
TOTAL UPFRONT FINANCING COSTS FINANCED	\$ _____

Note: Differences that result from the Estimated Upfront Financing Costs financed being more than the Actual Upfront Financing Costs incurred will be resolved through the process described in the Financing Order. If the Estimated Upfront Financing Costs are less than the Actual Upfront Financing Costs incurred, Evergy Missouri West will have the right to collect such excess Actual Upfront Financing Costs incurred through the establishment of a regulatory asset.

ATTACHMENT 2
SCHEDULE B
ESTIMATED ONGOING FINANCING COSTS

	ANNUAL AMOUNT
Servicing Fee (Evergy Missouri West as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount)	\$ _____
Administration Fee	\$ _____
Trustee's/Trustee's Counsel Fees and Expenses	\$ _____
Auditing/Accounting Fees	\$ _____
Legal Fees/Expenses for Company's/Issuer's Counsel	\$ _____
Rating Agency Fees	\$ _____
Return on Capital Account	\$ _____
Printing/Edgarizing Fees	\$ _____
Independent Director's or Manager's Fees	\$ _____
Miscellaneous	\$ _____
TOTAL ESTIMATED ONGOING FINANCING COSTS (with Evergy Missouri West as Servicer)	\$ _____
Ongoing Servicers Fee (Third Party as Servicer) (0.60% of principal amount)	\$ _____
TOTAL ESTIMATED ONGOING FINANCING COSTS (Third Party as Servicer)	\$ _____

Note: The amounts shown for each category of operating expense on these attachments are the expected expenses for the first year of the Securitized Utility Tariff Bonds. Securitized Utility Tariff Charges will be adjusted at least annually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order.

ATTACHMENT 2
SCHEDULE C
CALCULATION OF SECURITIZED UTILITY TARIFF CHARGES

Year	Securitized Utility Tariff Bond Payments⁴⁴	Ongoing Costs⁴⁵	Total Nominal Securitized Utility Tariff Charge Requirement⁴⁶	Present Value of Securitized Utility Tariff Charges⁴⁷
1	\$ _____	\$ _____	\$ _____	\$ _____
2	\$ _____	\$ _____	\$ _____	\$ _____
3	\$ _____	\$ _____	\$ _____	\$ _____
4	\$ _____	\$ _____	\$ _____	\$ _____
5	\$ _____	\$ _____	\$ _____	\$ _____
6	\$ _____	\$ _____	\$ _____	\$ _____
7	\$ _____	\$ _____	\$ _____	\$ _____
8	\$ _____	\$ _____	\$ _____	\$ _____
9	\$ _____	\$ _____	\$ _____	\$ _____
10	\$ _____	\$ _____	\$ _____	\$ _____
11	\$ _____	\$ _____	\$ _____	\$ _____
12	\$ _____	\$ _____	\$ _____	\$ _____
13	\$ _____	\$ _____	\$ _____	\$ _____
14	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

⁴⁴ From Attachment 2, Schedule A.

⁴⁵ From Attachment 2, Schedule B.

⁴⁶ Sum of Securitized Utility Tariff Bond payments and ongoing costs.

⁴⁷ The discount rate used is the weighted average effective annual interest rate of the Securitized Utility Tariff Bonds.

ATTACHMENT 2
SCHEDULE D
COMPLIANCE WITH SECTION 393.1700

Quantifiable Benefits Test:⁴⁸

	Securitization	FAC/PISA 20 years	Amortization: 15 Years
Storm Uri costs (incl. carrying)	\$[●]	\$[●]	\$[●]
Upfront financing costs	\$[●]		-
Total	\$[●]	\$[●]	\$[●]
Carrying cost	[●]%	[●]%	[●]%
Term (years)	[●]	[●]	[●]
Monthly payment	\$[●]		
Ongoing costs (monthly)	\$[●]		\$[●]
Monthly revenue requirement	\$[●]	\$[●]	\$[●]
Total payments/Collected	\$[●]	\$[●]	\$[●]
Securitization benefit		\$[●]	\$[●]
WACC (Settled ER-2018-0146)	[●]%	[●]%	[●]%
NPV payments discounted @ WACC	\$[●]	\$[●]	\$[●]
NPV securitization benefit		\$[●]	\$[●]

⁴⁸ Calculated in accordance with the methodology cited in the Financing Order.

ATTACHMENT 3

INITIAL SUR CHARGE BY LOSS ADJUSTED ENERGY SALES

1	Principal and Interest (for the Recovery Period)		\$
2	Prior Securitized Revenue Requirement True-Up Amount	+	\$
3	Other Financing Costs (for the Recovery Period)	+	\$
4	Total Securitized Revenue Requirement	=	\$
5	Forecasted Sales at Generation Level (S_{RP})	÷	
6	SUR Rate	=	\$
Loss Adjusted SUR Rates			
7	Secondary (SUR Rate x VAF_{Sec} #####) per kWh	=	\$
8	Primary (SUR Rate x VAF_{Prim} #####) per kWh	=	\$
9	Substation (SUR Rate x VAF_{Sub} #####) per kWh	=	\$
10	Transmission (SUR Rate x VAF_{Trans} #####) per kWh	=	\$

ATTACHMENT 4
FORM OF PETITIONER'S CERTIFICATION

[Eversource Missouri West Letterhead]

Date: _____, 20[●]

Missouri Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, MO 65102-0360

Re: *Petition of Eversource Missouri West, Inc. d/b/a Eversource Missouri West for a Financing Order*,
Case No. _____

Eversource Missouri West, Inc. d/b/a Eversource Missouri West (the "Petitioner") submits this Certification pursuant to Ordering Paragraph No. ___ of the Financing Order in *Petition of Eversource Missouri West, Inc. d/b/a Eversource Missouri West for a Financing Order*, Case No. _____ (the "Financing Order"). All capitalized terms not defined in this letter have the meanings ascribed to them in the Financing Order.

In its issuance advice letter dated _____, 20[●], the Petitioner has set forth the following particulars of the Securitized Utility Tariff Bonds:

Name of Securitized Utility Tariff Bonds: _____

SPE: [SPE]

Closing Date: _____

Amount Issued: \$ _____

Expected Amortization Schedule: See Attachment 2, Schedule A to the Issuance
Advice Letter

Distributions to Investors (quarterly or semi-annually):

Weighted Average Coupon Rate: _____%

Weighted Average Yield⁴⁹: _____%

⁴⁹ The internal rate of return, calculated including all up-front and ongoing costs.

The following actions were taken in connection with the design, marketing, structuring and pricing of the bonds:

- [[Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount.]
- Registered the Securitized Utility Tariff Bonds with the Securities and Exchange Commission to facilitate greater liquidity.
- Achieved preliminary Aaa(sf)/AAA(sf) ratings from at least two of the three major rating agencies with final Aaa(sf)/AAA(sf) ratings a condition of closing.
- Selected underwriters that have relevant experience and execution capability.
- Provided the preliminary prospectus by e-mail to prospective investors.
- Allowed sufficient time for investors to review the preliminary prospectus and to ask questions regarding the transaction.
- Arranged for the issuance of rating agency pre-sale reports during the marketing period.
- During the period that the Securitized Utility Tariff Bonds were marketed, held daily market update discussions with the underwriting team to develop recommendations for pricing.
- Had multiple conversations with all of the members of the underwriting team before and during the marketing phase in which we stressed the requirements of the Financing Order.
- Developed and implemented a marketing plan designed to give each of the underwriters incentive to aggressively market the Securitized Utility Tariff Bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.
- Provided potential investors with access to an internet roadshow for viewing on repeated occasions at investors' convenience.
- Adapted the Securitized Utility Tariff Bond offering to market conditions and investor demand at the time of pricing. Variables impacting the final structure of the transaction were evaluated including the length of average lives and maturity of the Securitized Utility Tariff Bonds and interest rate requirements at the time of pricing so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings, while meeting the requirements of the Financing Order. [After evaluation, incorporated the use of original issue discount to investors consistent with the expectation that it would provide greater benefit than its cost.
- Worked with underwriters (and each of our respective counsels) to finalize documentation in accordance with established standards for transactions of this sort and the terms of the Financing Order.]

[Note: Foregoing bullet points are illustrative and will be modified to reflect actual activities in this transaction.]

Based upon information reasonably available to the officers, agents, and employees of the Petitioner, the Petitioner hereby certifies that the structuring, marketing and pricing of the Securitized Utility Tariff Bonds, as described in the issuance advice letter, will result in the lowest Securitized Utility Tariff Charges consistent with market conditions at the time the Securitized Utility Tariff Bonds were priced and the terms of the Financing Order (including the amortization structure, if any, ordered by the Commission), all within the meaning of Sections Section 393.1700.2.(b) and (c).

EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST

By: _____
Name: _____
Title: _____

EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST
TARIFF FOR ELECTRIC DELIVERY SERVICE

Applicable:

Chapter: Section:

Section Title: Delivery System Charges

Revision: Original Effective Date: Bills Rendered on or after [●], 20[●]

6.1.1.6.3 Storm Securitized Utility Tariff Rider – Securitized Utility Tariff Charge

[Appendix B to be updated with final form of tariff included with Lutz Testimony]

ESTIMATED UPFRONT FINANCING COSTS

UPFRONT FINANCING COSTS	
Legal Fees (Company, Issuer, Trustee, and Underwriter)	\$ 3,025,000
Underwriters' Fees	\$ 1,450,000
Auditor's Fee	\$ 1,000,000
Structuring Advisor Fee	\$ 200,000
Information Technology Programming Costs	\$ 70,000
Commission Advisors	\$ 300,000
Original Issue Discount	\$ TBD
SEC Registration Fees	0.00920%
Bond Rating Fees	0.1325%
Miscellaneous	\$ 90,000
TOTAL UPFRONT FINANCING COSTS FINANCED	\$ 6,639,931

ESTIMATED ONGOING FINANCING COSTS

	ANNUAL AMOUNT
Servicing Fee (Evergy Missouri West as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount)	\$ 153,052
Administration Fee	\$ 75,000
Trustee's/Trustee's Counsel Fees and Expenses	\$ 5,000
Auditing/Accounting Fees	\$ 75,000
Legal Fees/Expenses for Company's/Issuer's Counsel	\$ 35,000
Rating Agency Surveillance Fees	\$ 45,000
Return on Capital Account	\$ 125,965
Printing/Edgarizing Fees	\$ 10,000
Independent Manager's Fees	\$ TBD
Miscellaneous	\$ 10,000
TOTAL ESTIMATED ONGOING FINANCING COSTS (with Evergy Missouri West as Servicer)	\$ 534,018
Ongoing Servicers Fee (Third Party as Servicer) ([0.60] % of principal amount)	\$ 1,836,621
TOTAL ESTIMATED ONGOING FINANCING COSTS (Third Party as Servicer)	\$ 2,214,267