Exhibit: _____
Issues: Overview of Securitization Financing; Proposed Structure of Transaction; Essential Elements of Financing Order
Witness: Steffen Lunde
Type of Exhibit: Direct Testimony
Sponsoring Party: Evergy Missouri West
Case No. EF-2022-0155
Date Testimony Prepared: March 11, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO:

EF-2022-0155

DIRECT TESTIMONY

OF

STEFFEN LUNDE

ON BEHALF OF

EVERGY MISSOURI WEST

Kansas City, Missouri
March 2022

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DIRECT TESTIMONY

OF

STEFFEN LUNDE

Case No. EF-2022-0155

I. NAME AND QUALIFICATIONS

Q. Please state your name, business address, and current employment position.

A. My name is Steffen Lunde. My business address is 388 Greenwich Street, New York, New York. I am a Director in the Global ABS Financing and Securitization group with Citigroup Global Markets Inc. ("Citi") My responsibilities include leading the utility securitization efforts on behalf of Citigroup Global Markets Inc.

Q. Please describe the role of Citi in the proposed securitization.

A. Citi has been retained by Evergy Missouri West, Inc. ("Evergy Missouri West," "EMW," or "Company"), as its structuring advisor in the proposed securitization. In this capacity, Citi will, among other things, assist EMW in preparing certain parts of the application for a financing order authorizing the issuance of securitization bonds to recover certain Qualified Extraordinary Costs related to Winter Storm Uri (the "Proposed Securitization").

Q. Please discuss your educational background and professional experience.

A. I graduated from the Columbia University Business School with an MBA in Finance and additionally hold a master degree in accounting, business law and taxation from the Copenhagen Business School. I joined Citi in 1989 and have spent the last 24 years originating, structuring and executing capital markets transactions and credit facilities for Citi's securitization clients. During this period, I have been involved in several types of asset backed securities transactions across multiple classes.

In the utility securitization sector, I have worked as structuring advisor and / or underwriter on transactions for a variety of clients, including CMS Energy, DTE Electric, AEP Texas, Public Service New Hampshire, Duke Energy and Pacific Gas & Electric.

Q. Do you possess any professional licenses related to the securities industry?

A. Yes. I am both Series 7 (NASD General Securities Representative Qualification) and Series 63 (Uniform Securities Agent State Law Examination) qualified by the National Association of Securities Dealers ("NASD"). These qualifications allow an individual to function as a representative dealing in a full range of products including corporate equity and debt securities, real estate investment trusts, options, municipal securities, government securities, open-end and closed-end investment company shares, variable contracts, real estate securities, limited partnerships, oil and gas, and other direct participation programs.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide an overview of the characteristics and rationale for financings of the type proposed by EMW in its filing of this application, and to discuss the structure and necessary elements of the transaction and related financing order. In my testimony I will:

- Present information on the use of utility securitization bonds (also called transition bonds, rate reduction bonds or system restoration bonds) by utilities in other jurisdictions and non-utility companies in other industries;

- Present a proposed structure of the Proposed Securitization which will include the interest rate that today is considered the most likely recognizing the period until actual issuance of the Proposed Securitization and the uncertainty of future market conditions (the "Expected Case"); and

- Describe the essential content to be included in the Commission's financing order to meet the standards against which the Proposed Securitization will be tested. In this context, I will provide support for the requirement that the structuring of the securitization bonds should result in the lowest Securitized Utility Tariff Charges[1] consistent with market conditions and the terms of the financing order.

Q. Are you sponsoring any schedules in this proceeding?

A. Yes, as further described below, I am sponsoring two separate schedules.

Q. Please identify the schedules that you are sponsoring in connection with your testimony.

A. I am submitting the following schedules:

- Schedule SL-1 Annual Cash Flow Requirements and Indicative Structure of the Proposed Securitization, which is a two-page schedule sponsored and prepared under my supervision; and
- Schedule SL-2 Form of Financing Order. I am sponsoring the portions of the form of financing order which set forth the essential content required to meet the standards against which the Proposed Securitization will be tested, including the requirements for the structuring of the securitization bonds that should result in the lowest securitization charges consistent with market conditions at the time the Securitized Utility Tariff Bonds are priced and the terms of the financing order.

III. <u>SUMMARY OF RECOMMENDATIONS</u>

Q. Please summarize your testimony in this proceeding.

A. Pursuant to RSMo. §393.1700 (the "Securitization Law"), EMW is seeking the issuance by the Missouri Public Service Commission (the "Commission") of a financing order containing the terms and provisions referenced in my testimony, thereby permitting the Company to use securitization to recover certain Qualified Extraordinary Costs (as defined in the Securitization Law) and to meet the statutory standards for the use of this type of financing. I believe that a

[1] The term "Securitized Utility Tariff Charges" used in the Securitization Law (see below) is also generically referred to as "securitization charges" in this testimony .

financing order containing the features identified by my testimony should enable EMW to achieve the highest possible credit rating and lowest financing costs for the Proposed Securitization and respectfully propose its adoption by the Commission.

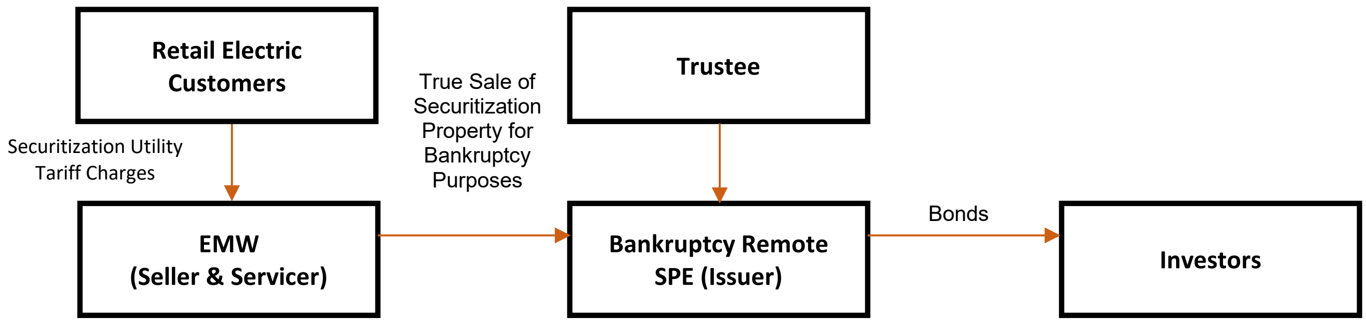
IV. SECURITIZATION BACKGROUND AND TRANSACTION OVERVIEW

Q. Please provide a simple description of securitization.

A. Securitization is the financing of a property right by a utility with securities whose credit quality is separated from that of the utility in order to achieve higher credit ratings and lower financing costs. In order to accomplish this, the utility sells the revenue stream and other entitlements and property created by the financing order to a newly-established bankruptcy remote special purpose entity ("SPE" or "Issuer") in a transaction which, consistent with the Securitization Law, represents a "true sale" for bankruptcy purposes. This sale insulates the securitization property from the creditors of the utility and, thereby, from the credit risk of the utility. The SPE then issues bonds backed by the securitization property and "other collateral" to investors / bondholders. A trustee acts on behalf of bondholders, remits payments to bondholders and ensures bondholders' rights are protected in accordance with the terms of the financing documents. The Company will perform routine billing, collection, and reporting duties as the servicer for the Issuer pursuant to a servicing agreement between the Company, the Issuer and the trustee. In addition to the bankruptcy remote status of the Issuer, credit enhancements, such as a capital contribution to the Issuer and a true-up mechanism, are necessary to reach the rating standard for this type of securitization, which is the highest rating (a "triple-A rating") from each of two or more of the major rating agencies.

Diagram 1, which is representative of a securitization transaction, follows on the next page.

Diagram 1



Q. How are the economic benefits of a securitization created?

A. The statutory requirements of cost savings to electric retail customers generated by a securitization transaction is primarily satisfied through (a) a very strong credit structure backed by legislation and a financing order which allows for the issuance of highly rated utility securitization bonds, (b) broad investor acceptance of utility securitization bonds at competitive interest rates and (c) a more cost efficient capital structure utilizing 100% debt financing (or 99.5% if the capital contribution from the sponsoring utility is considered) as opposed to the traditional utility capital structure deploying both debt and equity. The combination of these elements almost always means that a utility securitization is creating cost savings for electric retail customers compared to more traditional utility financing alternatives. These traditional or customary financing alternatives are discussed further in Company witness Klote's testimony.

Q. From a financing perspective, what makes up the "securitization property" that is sold to the Issuer?

A. The securitization property (defined in Section 393.1700.1(18) of the Securitization Law as "Securitized Utility Tariff Property") that is sold to the Issuer is composed of the rights and interests of EMW created under the financing order, including the irrevocable right to impose, bill, charge, collect and receive from EMW's retail electric customers, amounts necessary to pay principal and interest on the securitization bonds, as well as the Issuer's "Ongoing Financing

Costs," timely and in full, and including the ability to obtain adjustment to the amounts of the securitization charges (known as the "Securitized Utility Tariff Charge" under Section 393.1700.1(16)) periodically through the "true-up" mechanism. The securitization property, as well as the Issuer's rights under the transaction documents, and the "other collateral" hereinafter discussed, are then pledged by the Issuer as collateral to the trustee under the indenture under which the securitization bonds are issued.

Q. What are the Issuer's Ongoing Financing Costs referred to in your prior answer?

A. Ongoing Financing Costs are qualified costs arising from the issuance of securitization bonds that will be payable from securitization charge collections on an ongoing basis over the transaction's life. These costs are primarily composed of servicing fees, trustee fees and expenses, auditor expenses, administrative fees, rating agency fees, independent manager fees, SEC reporting expenses and other operating expenses incurred by or on behalf of the SPE. These anticipated fees and expenses are estimated in the testimony of Company witness Humphrey and in his Schedule JOH-1. Based on my experience, his estimates are reasonable.

Q. What is the composition of the "other collateral" that you mentioned above?

A. The "other collateral" is composed of the "Collection Account", which is established by the Issuer as a trust account to be held by the trustee to ensure the payment of principal, interest, and other costs associated with the securitization bonds in full and on a timely basis. The Collection Account, in turn, includes the "General Subaccount," the "Capital Subaccount," and the "Excess Funds Subaccount," each of which is described below. The Company would like authorization, as hereinafter discussed, to use an overcollateralization subaccount to the extent that the Company later deems such a subaccount necessary in the context of the credit ratings review process, the optimal bond structure, and market conditions. The "other collateral" also includes any other credit enhancements provided by or on behalf of the Issuer, as well as a pledge of the Issuer's rights under the transaction documents, including the agreement for the sale of the securitization property, the servicing agreement, and an administration agreement, whereby the Company provides administration services to the Issuer for an annual fee of $75,000. The "other collateral" also includes an intercreditor agreement or agreements, among the Issuer, the servicer, the trustee for the Proposed Securitization, the agent / trustee for any existing securitizations (e.g., the existing accounts receivable financing facility) and the trustee for any future securitization, establishing conventions for the allocation among the transactions of payments from customers received by the servicer. Additionally, the Company will covenant in the Proposed Securitization that it will not undertake a securitization transaction under the Securitization Law or any similar law or execute any new accounts receivables financings unless such intercreditor agreement is amended to cover those other financing transactions.

The General Subaccount is the subaccount in which the trustee deposits securitization charge remittances and investment earnings on the subaccounts (other than the Capital Subaccount). Moneys in this subaccount will be applied by the trustee on a periodic basis to pay the expenses of the Issuer, to pay principal and interest on the securitization bonds of the Proposed Securitization, and to meet the funding requirements of the other subaccounts.

The Capital Subaccount represents the equity capital of the Issuer and is funded by an amount contributed by EMW at issuance that is equal to 0.5% of the initial principal balance of the securitization bonds. The availability of these funds mitigates the risks of payment fluctuations causing a delay in the payment of scheduled principal, interest or operating expenses. If the Capital Subaccount is drawn upon, it is replenished from securitization charge collections up to the amount of the initial contribution. Investment earnings on funds in this subaccount will be periodically released to the Issuer if funds are available after paying principal, interest, all fees and expenses required on each payment date. Pursuant to Internal Revenue Service Revenue Procedure 2005-62, the Internal Revenue Service has established this equity capital investment in the Issuer as necessary for the desired tax treatment of the Proposed Securitization, which avoids recognition by the Company of gross income upon receipt from the Issuer of the net proceeds of the securitization bonds as the sales price of the securitization property, and treats the securitization charges as gross income to the Company under its usual method of accounting.

The Excess Funds Subaccount will receive deposits of any amounts remaining in the Collection Account after payment of interest, scheduled principal, operating expenses of the Issuer and required deposits into the Capital Subaccount when due. This subaccount, if drawn upon, is not replenished through the true-up. Amounts in the Excess Funds Subaccount are available to cover shortfalls in securitization charge collections in order to meet scheduled cash flow requirements.

Q. Will an overcollateralization subaccount be needed to provide credit support to the transaction?

A. Although it is not anticipated, an overcollateralization subaccount may be required by the credit ratings agencies in order for the transaction to achieve the highest credit ratings and lowest financing costs. Such an account (should it be necessary) would be funded by securitization charges and if drawn upon or at an amount less than required, would be funded from additional securitization charge collections through the periodic true-up process.

The proposed structure and estimated costs outlined in Schedule SL-1 do not incorporate an overcollateralization subaccount because EMW does not, at the present time, believe that such a subaccount will be necessary to achieve the desired credit rating or marketability of the securitization bonds in the Proposed Securitization. However, as already noted, the Company would like authorization to use an overcollateralization subaccount to the extent that the Company later deems such a subaccount necessary in the context of the credit ratings review process, the optimal bond structure, and market conditions.

Q. May amounts in the Collection Account be invested?

A. Amounts on deposit in the subaccounts will be invested by the trustee in "eligible" investments. The indenture for the Proposed Securitization will define eligible investments such that the counter-party criteria of the rating agencies are satisfied. Eligible investments will be limited to securities and issuers with specified ratings and characteristics designed to minimize credit risk, such as U.S. government issued or guaranteed obligations and commercial paper or money market funds bearing the highest ratings.

Q. Please describe the treatment of any funds remaining in the various subaccounts upon payment in full of the securitization bonds.

A. Funds remaining in the General Subaccount, the Excess Funds Subaccount and an overcollateralization subaccount, if needed, upon payment in full of the securitization bonds and all other related costs and expenses, will be released to the Issuer, and the payment or credit of any of these amounts to customers will be determined later by the Commission. The transaction documents will provide, as is typical in these transactions, that the remaining balance will be released to the Issuer free from the lien of the indenture following repayment of all securitization bonds. The Issuer is then free to pay over to EMW any amounts released to the Issuer upon retirement of the securitization bonds, subject to the Commission's determination as to ultimate disposition. In addition, upon payment in full of the securitization bonds, funds remaining in the

Capital Subaccount and any investment earnings thereon will be released to the Issuer for future disposition as determined by the Issuer since this subaccount was funded at issuance by EMW.

Q. Should other forms of credit enhancement be utilized to minimize the costs of the Proposed Securitization?

A. Although asset-backed securitization ("ABS") transactions sometimes use additional credit enhancement such as letters of credit or insurance to enhance ratings and reduce net costs, such enhancements have not generally been utilized in the context of utility securitizations. While such enhancements have not been needed under current market conditions to achieve the highest ratings for the bonds with the types of legislative support, financing order and transaction structure being proposed for this transaction, I do suggest that, as reflected in the proposed financing order, the financing order provide the ability to use additional forms of credit enhancement, such as letters of credit, if required in order to obtain the highest credit rating or if market conditions at the time of issuance would result in the expected benefits of additional credit enhancement outweighing the costs.

Q. What has been the experience of states to date with respect to utility securitization bonds?

A. Over $59.7 billion of securitization bonds have been issued successfully by or on behalf of electric utilities in various states as shown below in Table A.

Table A

Utility Securitization Transactions
As of March 10, 2022

State	Utility	Pricing Date	Issuance ($mm)
Michigan	DTE Electric	3/10/22	236
California	Southern California Edison	2/8/2022	533
Texas	Rayburn Country Electric Cooperative, Inc.	2/3/2022	908
North Carolina	Duke Energy	11/17/2021	770
North Carolina	Duke Energy	11/17/2021	237
California	PG&E	11/5/2021	860
Wisconsin	Wisconsin Electric Power Co	3/10/2021	119
California	Southern California Edison	2/17/2021	338
Texas	AEP Texas	9/11/2019	235
New Hampshire	Public Service Company of New Hampshire	5/1/2018	636
New York	Long Island Power Authority	10/25/2017	369
New York	Long Island Power Authority	8/11/2016	469
Florida	Duke Energy Florida	6/15/2016	1,294
New York	Long Island Power Authority	3/2/2016	637
New York	Long Island Power Authority	10/16/2015	1,002
Louisiana	Entergy New Orleans	7/14/2015	99
Hawaii	Hawaiian Electric; Hawaii Electric Light; Maui Electric	11/4/2014	150
Louisiana	Entergy Gulf States Louisiana	7/29/2014	71
Louisiana	Entergy Louisiana	7/29/2014	244
Michigan	Consumers Energy	7/14/2014	378
New York	Long Island Power Authority	12/12/2013	2,022
West Virginia	Appalachian Power	11/6/2013	380
Ohio	Ohio Power	7/23/2013	267
Ohio	Cleveland Electric Illuminating; Ohio Edison; Toledo Edison	6/12/2013	445
Texas	AEP Texas Central	3/7/2012	800
Texas	CenterPoint Energy Houston Electric	1/11/2012	1,695
Louisiana	Entergy Louisiana	9/15/2011	207
Arkansas	Entergy Arkansas	8/11/2010	124
Louisiana	Entergy Gulf States Louisiana	7/15/2010	244
Louisiana	Entergy Louisiana	7/15/2010	469
West Virginia	Monongahela Power	12/16/2009	64

West Virginia	Potomac Edison	12/16/2009	22
Texas	CenterPoint Energy Houston Electric	11/18/2009	665
Texas	Entergy Texas	10/29/2009	546
Louisiana	Entergy Gulf States Louisiana	8/20/2008	278
Louisiana	Entergy Louisiana	7/22/2008	688
Louisiana	Cleco Power	2/28/2008	181
Texas	CenterPoint Energy Houston Electric	1/29/2008	488
Texas	Entergy Gulf States	6/22/2007	330
Maryland	Baltimore Gas and Electric	6/22/2007	623
Florida	Florida Power & Light	5/17/2007	652
West Virginia	Monongahela Power	4/3/2007	344
West Virginia	Potomac Edison	4/3/2007	115
Texas	AEP Texas Central	10/4/2006	1,740
New Jersey	Jersey Central Power & Light	8/4/2006	182
Texas	CenterPoint Energy Houston Electric	12/9/2005	1,851
California	Pacific Gas and Electric	11/3/2005	844
Pennsylvania	West Penn Power	9/22/2005	115
New Jersey	Public Service Electric and Gas	9/9/2005	103
Massachusetts	Boston Edison; Commonwealth Electric	2/15/2005	675
California	Pacific Gas and Electric	2/3/2005	1,888
New Jersey	Rockland Electric	7/28/2004	46
Connecticut	Connecticut Light and Power	6/23/2004	205
Texas	Oncor Electric Delivery	5/28/2004	790
New Jersey	Atlantic City Electric	12/18/2003	152
Texas	Oncor Electric Delivery	8/14/2003	500
New Jersey	Atlantic City Electric	12/11/2002	440
New Jersey	Jersey Central Power & Light	6/4/2002	320
Texas	Central Power and Light	1/31/2002	797
New Hampshire	Public Service of New Hampshire	1/16/2002	50
Michigan	Consumers Energy	10/31/2001	469
Texas	Reliant Energy	10/17/2001	749
Massachusetts	Western Massachusetts Electric	5/14/2001	155
New Hampshire	Public Service of New Hampshire	4/20/2001	525
Connecticut	Connecticut Light and Power	3/27/2001	1,438
Michigan	DTE Electric (f/k/a/ Detroit Edison)	3/2/2001	1,750
Pennsylvania	PECO Energy	2/15/2001	805

New Jersey	Public Service Electric and Gas	1/25/2001	2,525
Pennsylvania	PECO Energy	4/27/2000	1,000
Pennsylvania	West Penn Power	11/3/1999	600
Pennsylvania	PP&L	7/29/1999	2,420
Massachusetts	Boston Edison	7/26/1999	725
California	Sierra Pacific Power	4/8/1999	24
Pennsylvania	PECO Energy	3/18/1999	4,000
Montana	Montana Power	12/22/1998	63
Illinois	Illinois Power	12/10/1998	864
Illinois	Commonwealth Edison	12/7/1998	3,400
California	Southern California Edison	12/4/1997	2,463
California	San Diego Gas & Electric	12/4/1997	658
California	Pacific Gas and Electric	11/25/1997	2,901
Washington	Puget Sound Energy	7/30/1997	35
Washington	Puget Sound Power & Light	6/8/1995	202
		Total	59,703

A broad range of investors have participated in utility securitization bond issues to date, including domestic and international banks, institutional and retail trust funds, money managers, investment advisors, pension funds, insurance companies, securities lenders, state trust funds, and corporate cash managers. Traditional utility unsecured and first mortgage bond investors have also participated broadly, as some perceive utility securitization bonds as a highly-rated substitute for the product they traditionally purchase. Securitization bonds backed by securitization property and financing orders have maintained their high ratings, even when the credit of the utility has been downgraded and in one case notwithstanding the bankruptcy of the utility, thus justifying the investors' confidence in the bonds.

Q. Has this type of financing structure been widely accepted by the market?

A. Yes. Utility securitization is a subset of the larger $290.1 billion securitization market (full year 2021 volumes) has been widely accepted, even during the disruptions in the larger securitization market in the 2007-2008 financial crises. Additionally, the broader securitization market has shown resilience amidst broader market dislocation, as most recently evidenced in its quick rebound following the COVID-19 outbreak. 2021 ABS supply of $290.1 billion has surpassed 2019's post-crisis record of $237 billion, with the largest year-over-year volumes seen in the auto, esoteric, credit card and student loan spaces when compared to the 2020 issuance volume.

Compared to more recent years, 2021 (as can be seen in Table A above) saw an increase in both the number of utility securitizations as well as the aggregate amount of bonds offered in this asset class. The year 2022 is expected to see even more activity primarily driven by financings to recover costs resulting from Winter Storm Uri in the Central and Southern Great Plains region, wildfire mitigation in California and retirement of fossil fuel plants.

V. <u>DESCRIPTION OF BONDS</u>

A. <u>Bond Structure & Terms</u>

Q. Please describe the structure of EMW's Proposed Securitization, including projected interest rates and bond maturities.

A. The precise terms and conditions of the Proposed Securitization will not be known until just prior to the time of sale anticipated to take place in early 2023. The bond structure will reflect specific input from the rating agencies and be adjusted to then current market conditions and investor preferences so that the highest credit ratings and lowest financing costs can be achieved. This flexibility will serve the goal of obtaining the lowest interest rates consistent with market conditions and the financing order.

I have provided a preliminary financing structure and terms developed in the context of current market conditions in my Schedule SL-1, reflecting the suggested bond structure (page 2), and reflecting cash flows for the Expected Case (page 1) scenario, assuming a transaction size of $356,842,681. The structure shown in Schedule SL-1 was chosen in order to provide the most efficient distribution of securities across the maturity spectrum and thus the lowest cost of funds to the Issuer.

At this time we expect that the Proposed Transaction will have either two or three tranches of bonds. By dividing the transaction into separate tranches, we are able to better target specific investor preferences with respect to weighted average lives. Several factors are considered when determining the bond structure of the tranches (*i.e.,* number and sizes of individual sub-groups of bonds each with a different maturity and average life), including the weighted average life, length of the payment windows, index eligibility, tranche liquidity and investor preferences at the time of issuance, to take advantage of discrete pockets of investor demand across the entire term of the transaction. The underlying tranches of the Proposed Securitization set forth in Schedule SL-1 have been designed to have a large enough tranche size to enhance secondary market liquidity while at the same time maintain an attractive tenor profile. Average life, in this context, is a measure of the average amount of time it takes to repay the principal balance of the securitization bonds in full. Liquidity refers to the ability of a bondholder to sell the bond without having to significantly discount its price.

As previously discussed, rating agency requirements and investor demand at the time of pricing will determine the number, size and average lives of tranches offered to investors, and as a result, structures and pricing terms are provided only on a preliminary and estimated basis, and the actual structures and pricing may differ.

The preliminary financing structure and cash flows reflect annual debt service and revenue requirements which are substantially level on an annualized basis. I note that in the final structure at the time of issuance (a) the individual semi-annual debt service amounts will be designed to reflect seasonality in the consumption patterns of EMW’s customers and (b) the annual debt service and revenue requirements for the first period likely will be somewhat larger than other payment periods given the extended period). The projected levels for these requirements are designed to satisfy rating agency stress scenarios required for triple-A ratings in precedent utility securitization bond transactions and also provide relatively stable securitization charges on a kWh basis.

Q. Will the securitization bonds pay fixed or floating rates?

A. It is my recommendation that the bonds pay fixed rates, which is consistent with recent similar utility securitization bonds precedent. Fixed rates enable the costs and benefits to be evaluated in advance and ensure roughly equal charges over time. I should note that this result could be achieved with floating rate bonds, if converted for this purpose to a fixed rate through an interest rate swap within the bond structure. Under a swap, the Issuer would pay a fixed rate of interest to the swap counterparty and, in exchange, would receive the bonds' floating rate from the swap counterparty. The Issuer would use the payments from the swap counterparty to pay the floating rate bondholders. The economic effect upon customers is as if the bonds had been issued at the fixed rate established by the swap agreement. The use of a swap would create additional documentation costs and risks, which have been deemed inappropriate in the recent utility securitization market. Citi does not believe that the assumption of swap counterparty risk, as discussed below, or the incremental legal expenses associated with the solicitation and documentation of proposals for swaps within the bond structure is justified. Investors which seek a floating rate coupon can independently execute a swap of this type with third parties outside of the bond structure and without the SPE incurring the risks discussed.

Q. What are the risks associated with an interest rate swap?

A. Interest rate swaps introduce counterparty risk for customers. This is a risk of a ratings downgrade of the financial institution providing the swap, and that an appropriate replacement swap provider may not be able to be obtained. Such counterparty credit and replacement risks present significant potential interest rate risk exposure for customers. Furthermore, if the swap counterparty defaults on its payment obligations under the interest rate swap, an increase of utility securitization charges may be required to cover the interest payments on the floating rate notes or to pay the cost of obtaining a replacement swap, if such a replacement happens to be available. Additionally, the Issuer may potentially owe "termination payments" to the counterparty if the termination occurs after rates have declined, regardless of whose default caused the termination. Such termination payments potentially might be offset by another counterparty paying to undertake the swap at the original fixed rate, or by the savings associated with obtaining a swap at a rate lower than the original fixed rate. However, the availability of these potential offsets is uncertain.

Moreover, an interest rate swap typically requires payment of interest on a notional amount specified in the swap instrument. Any swap instrument used in a utility securitization would be an "amortizing swap." This means that the notional amount on each payment date would reduce over time, equaling the principal amount that is scheduled to remain outstanding on the related tranche, assuming principal payments are made as scheduled. However, actual principal payments on securitization bonds could vary from the scheduled principal payments, depending on the actual cash flows received by the Issuer. The cash flows could be affected by several variables, such as weather-driven consumption volatility, customer delinquencies and charge-offs. Therefore, the actual principal balance of the bonds may be more or less than the scheduled notional amounts of the swaps. If the bond principal balance is more, the floating rate payment from the swap counterparty may not be adequate to satisfy the Issuer's actual interest payment obligation. Since the Issuer will have no significant available assets other than the irrevocable right to impose, bill, charge, collect and receive securitization charges, this risk would likely be borne by customers, who would have to pay, with increased charges, for the shortfall between the floating rate payments owed to bondholders and the floating rate payments received from the swap counterparty.

For the reasons mentioned above, I recommend that the securitization bonds are issued with a fixed rate coupon.

Q. What is the expected tenor of the proposed financing?

A. In support of Company witness Klote's testimony, I have structured a scheduled final payment date of around 15 years after closing with a legal final maturity date of around 17 years after closing. I note that depending on market conditions at the time of issuance, this tenor and associated structure may have to be amended if deemed necessary to obtain the best possible credit ratings.

Q. What is the difference between the scheduled final payment date of securitization bonds and their legal final maturity date?

A. Unlike corporate bonds with fixed date-certain maturities, securitization bonds reflect the uncertainty with respect to the timing of principal repayment dependent upon a dedicated pool of cash flows subject to delinquencies and write-offs. In lieu of the single fixed maturity date, securitization bonds schedule amortization resulting in payment by an "expected" or "scheduled final" payment date, the date when principal is expected to be repaid, and then specify a "legal final" maturity date, the date following the scheduled final payment date by which all principal is due. No legal obligation exists to retire a bond by the scheduled final payment date, only by the legal final maturity date. In other words, inability to make periodic scheduled principal amortization payments will not result in a payment default as long as the principal repayment in full of a particular tranche has been satisfied by the legal final maturity date of such tranche. The legal final maturity date of the securitization bonds generally may be up to two years beyond the scheduled final payment date and it is the date by which final payment on the securitization bonds must be made. The time gap between the scheduled final payment date and the legal final maturity date provides time to implement additional true-ups, as necessary, to ensure timely payment of all interest and principal by the legal final maturity date.

In this case, EMW is proposing a scheduled final payment date of 15 years from issuance, with a legal final maturity date of 17 years, i.e., two years beyond the scheduled final payment date. The ratings on the securitization bonds are derived in part based on the assumption that the outstanding principal of a tranche will be paid in full by the legal final maturity date. Both the scheduled final payment and the legal final maturity date will meet the Securitization Law requirements.

Q. What offering formats should be considered?

A. The vast majority of past utility securitizations have been offered through transactions registered with the U.S. Securities and Exchange Commission (i.e. "public" offerings). While this offering format may entail somewhat higher transaction costs than transactions exempt from registration (i.e. "private" offerings under rule 144a), it offers the benefit that all type investors can purchase a "public" offering whereas "private" offerings can only be sold to qualified institutional buyers. Additionally, this type offering is also viewed as having greater liquidity further adding to its attractiveness for investors. For these reasons, "public" offerings typically carry lower coupons than "private" offerings and I believe that it would be in the interest of electric retail customers to use this offering format.

B. Cash Flow Requirements

Q. Please discuss the cash flows required for the Proposed Securitization in terms of the credit and rating agency analysis of the bonds.

A. Credit and rating agency analysis of securitization bonds differ from that of corporate bonds. The credit analysis of a corporate bond broadly examines the company's financial risks (e.g., debt leverage, cash flow coverage of fixed charges), operating risks (e.g. competitive pressures and, for a utility, regulatory environment) and management's overall commitment to a healthy balance sheet, taking into account security such as the property, plant and equipment securing utility first mortgage bonds. The analysis of securitization bonds is necessarily more limited because the sole sources of payment are the dedicated revenue streams and other assets of the SPE. The rating agencies perform extensive analyses – often referred to as "stress tests" – on the cash flows of the underlying assets to assess whether interest will be paid in a timely fashion and principal will be fully repaid by the legal final maturity date, even when actual experience deviates significantly from predicted historical norms. For example, if the historical charge-off experience is 2%, the analysis may examine the resilience of the structure to a 5%, 10% or 15% charge-off rate.

Q. Describe the total estimated annual cash flow required to make interest and principal payments as well as ongoing fees and expenses on the Proposed Securitization under the Expected Case scenario.

A. Company witness Humphrey provided me with the level of Qualified Extraordinary Costs and Financing Costs to be recovered through securitization pursuant to the Securitization Law. That figure, combined with the transaction structure discussed earlier in my direct testimony, and the three tranches we have modeled, leads to the projected annual cash flow requirements of the Proposed Securitization, i.e., the level of cash needed each year to fund the payment of principal and interest and all other costs associated with the securitization bonds under the interest rates associated with the Expected Case scenario.

These estimated annual cash flow requirements are shown in my Schedule SL-1 and were provided to Company witness Klote to use in his analysis of the Proposed Securitization. With respect to the annual cash flow requirements of the Expected Case, Schedule SL-1, page 1, column (B), shows the amount of principal payments required for each bond payment date for the securitization bonds. Schedule SL-1, page 1, column (C) shows the amount of interest payments required for each bond payment date for the securitization bonds. Schedule SL-1, page 1, column (D) calculates the total debt service amount required for each bond payment date by adding the principal and interest amounts for each such date. Schedule SL-1, page 1, column (E) shows the estimated annual servicing and expenses payments for each bond payment date. These are the "Ongoing Financing Costs" discussed earlier in my testimony which were provided to me by Company witness Humphrey. Schedule SL-1, page 1, column (F) calculates the total cash requirement for each bond payment date for the securitization bonds by adding the total debt service amounts from column (D) to the servicing and expense amounts from column (E). Finally, Schedule SL-1, page 1, column (G) calculates the total annual cash requirement for each year for the securitization bonds by adding the amounts due on each bond payment date in column (F) for the year.

It should be noted that the interest rates, credit enhancement, payment dates, maturity date, cash flow requirements, frequency of principal payments, terms, number of tranches, and tranche sizes are estimates, and may vary at the time of pricing to ensure optimal pricing and ratings. Market conditions and rating agency considerations leading up to the marketing of the transaction will determine the final amortization structure, and market conditions for these securities at the time of pricing will determine the final interest rates.

Q. What assumptions are you employing in your Expected Case?

A. While utility securitizations historically have been priced in relation to the interpolated swap curve, most recent transactions have been priced off US Treasuries. This change is driven by larger transaction sizes and longer tenors which has caused issuers to target corporate investors more directly – this type of investor is used to using US Treasures as the benchmark for corporate bond transactions. A final decision about which benchmarks to use for the Proposed Securitization will be made based on market conditions and conventions at the time of issuance.

The benchmark yield on the Proposed Securitization was determined assuming the securitization bonds are issued in February 2023 and by using current forward US Treasury rates as of February 28, 2022. These assumptions were made at the time of modeling because it is impossible to definitively predict future interest rates (given recent rise in interest rates combined with the expectation of further increases, moving the transaction quickly towards pricing will likely be in the best interest of the retail electric customers). The yields of various extremely liquid, risk-free government securities and interest rate swap yields are integral to predicting the characteristics of the securitization bonds because securities in the fixed income market are traditionally priced with reference to these "benchmark" indices. The yield of the securitization bonds will be determined by noting the yield of a predetermined benchmark index at the time of pricing and then adding a margin determined by the marketing and pricing process (the "spread to benchmark"). The term of the applicable benchmark for a given tranche generally matches the average life of such tranche (or in the base of US Treasuries the closest duration). This margin over the benchmark yield is commonly measured in hundredths of a percentage point or "basis points." Finally, given the extended period until the Proposed Securitization will be issued, a volatility factor to reflect the uncertainty of future market conditions at the time of issuance has been added to the estimated coupon. Additional assumptions may be found on Schedule SL-1

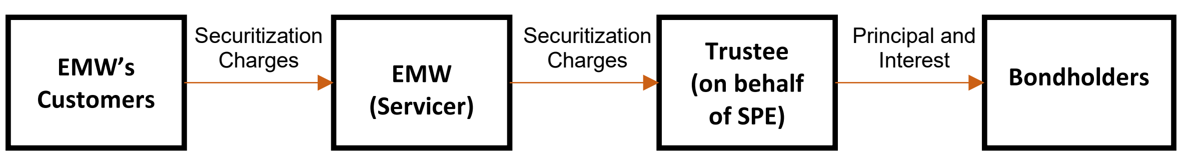
VI. SECURITIZATION CHARGE COLLECTION

Q. Please describe the ongoing billing, collection and remittance of securitization charges over the life of the Proposed Securitization.

A. As is the case for the prior issuances of securitization bonds, EMW, as servicer, will be responsible for billing and collecting securitization charges for the issuance of securitization bonds. EMW as servicer will remit collections to the trustee and the trustee will distribute amounts to bondholders in accordance with the terms of the transaction. In circumstances where the servicer is unable to track actual collections from customers on a timely basis, collections may be remitted to the trustee based on an aging or collection curve, with a periodic reconciliation to actual collections.

The following diagram (Diagram 2) represents the ongoing securitization cashflow remittances in respect of principal and interest.

Diagram 2



Q. How should partial payments of customers' bills be allocated to the securitization charges?

A. Partial payments should be allocated ratably among (1) the securitization charges of the Proposed Securitization and (2) other billed amounts, based on the ratio of each of those three components of the bill to the total bill. The intercreditor agreement previously referenced will document this convention among the servicer and the trustees for the securitization as well as the existing and any future accounts receivables financing agreements to which the Company is or may become a party. Ratable allocation of partial payments is acceptable to the rating agencies if controlled through an acceptable intercreditor agreement.

VII. RATING AGENCY PROCESS AND STANDARDS

Q. Please describe the ratings process.

A. EMW and the lead underwriter will meet with the rating agency personnel to discuss the terms, documentation and legal and credit framework for the Proposed Securitization. Each agency asked to rate the bonds will review EMW's forecasting, billing and collections operations and capabilities. They will review EMW's operational capabilities as servicer and its related systems. The rating agencies will analyze the constituent documents and seek extensive opinions in reviewing the transaction and will review those matters with EMW, the lead underwriter and counsel. The lead underwriter will be required to prepare various cash flow stress scenarios to demonstrate that the bonds will be repaid in full and on a timely basis under stressed cash flow projections. The rating agencies will review the transaction for key elements including, among others, (1) non-bypassability of the securitization charges, (2) bankruptcy remote status for the Issuer, (3) a current property right in the rights under the Securitization Law and financing order, which is established by the financing order and statute and transferred to the Issuer pursuant to a true sale, (4) the assignment of the Issuer's rights to the trustee in a perfected first priority security interest, (5) the terms of a true-up mechanism occurring with requisite frequency and subject only to mathematical review by the Commission, (6) the irrevocability of the financing order, (7) the state's non-impairment pledge and reaffirmation of the state's pledge by the Commission, (8) federal and state constitutional protections and (9) the breadth of the market to whom the securitization charge will be applied and the extent to which the charge might be "bypassable" by the retail electric distribution customers. The agencies will also assess the political and legal environment in the state and analyze the credit characteristics of EMW's service area.

Historically, most utility securitizations were rated by the three major rating agencies (Standard and Poor's, Moody's and Fitch), but more recently there has been a trend towards only using two rating agencies. Using only two rating agencies presents a cost savings opportunity and has not been met by adverse reactions by investors. Depending on market conditions at the time of issuance, this transaction may only obtain ratings from two rating agencies.

VIII. <u>CRITICAL ELEMENTS OF THE FINANCING ORDER</u>

Q. Are there elements which should be included in the Commission's financing order that are critical to achieving a successful utility securitization transaction?

A. Yes. Schedule SL-2 contains a proposed financing order with all of the critical elements necessary for a successful securitization bond issuance. It is based upon the factual circumstances of this current transaction and reflects current standards for utility securitization documentation as well as current market and rating agency requirements, and the contents of the order required by the Securitization Law. My testimony contains a general discussion of the critical elements. These include terms which, when combined with the elements of the Securitization Law, ensure that securitization charges will produce revenues adequate to meet scheduled debt service requirements and the Issuer's ongoing operational costs on a timely basis. Among the most significant of these terms are (i) irrevocability of the financing order and a reaffirmation by the Commission of the state's non-impairment pledge, (ii) non-bypassability for the securitization charges among the retail electric distribution customers of the utility and its successors irrespective of the source of generation provided to customers (with limited and clearly pre-defined exceptions, as discussed further below), (iii) an annual, semi-annual, and more frequent if needed true-up mechanism subject to only mathematical review by the Commission, and (iv) aggregate securitization charges to customers for all such securitization transactions which do not exceed levels likely to result in political stress. The financing order schedule should be consulted for the precise financing order terms and provisions being recommended for this issuance of securitization bonds. These elements, when taken together with provisions of the Securitization Law, will enable EMW to effectuate the financing in a manner consistent with investor preferences and to meet rating agency standards for achieving a triple-A ratings level, resulting in optimal structure and pricing.

The financing order describes the structure of the Proposed Securitization, whereby EMW will transfer the irrevocable right to impose, bill, charge, collect and receive the securitization charges and its other rights under the financing order to a bankruptcy remote Issuer in order to separate the issued securitization bonds from the credit of EMW. As Issuer, the SPE will receive the proceeds from the sale of the securitization bonds and then, after paying expenses, transfer the remaining funds to EMW as consideration for the securitization property, including the irrevocable right to impose, bill, charge, collect and receive the securitization charges and certain other rights.

The financing will be structured to allow the rating agencies and investors to conclude that the Issuer will not become the subject of a bankruptcy proceeding through a substantive consolidation with EMW following an EMW bankruptcy or otherwise. It is my understanding that under the Federal Bankruptcy Code, payments on the debt obligations of an issuer in a bankruptcy proceeding become subject to an automatic stay – *i.e.*, the payments are suspended until the courts decide which creditors of an issuer are to be paid, when they will be paid, and whether they are to be paid in whole or in part. Unless all practical risk of a bankruptcy of EMW is removed from the rating agencies' credit analysis, the financing cannot achieve the highest possible ratings since EMW's secured debt obligations are currently rated below this level. The creation of a bankruptcy remote SPE that is legally distinct from EMW is designed to limit the risk of the SPE being consolidated, for bankruptcy purposes, with EMW. Characterization of the transfer of the securitization property by EMW to the Issuer as a "true sale" will also limit the risk that the securitization property would be deemed part of EMW's estate if it were to become bankrupt.

Q. Please describe the process by which the lowest securitization charges will be achieved in satisfaction of the statutory test in the Securitization Law.

A. Securitization bonds will be issued and result in the lowest securitization charges consistent with the terms of the financing order and market conditions by use of the following plan:

- It is expected that the securitization bonds will be rated by at least two rating agencies. While utility securitizations in the past typically obtained three credit ratings, two rating agencies have more recently been employed for cost reasons. Given the recent increase in the volume of utility securitizations, investors are becoming more familiar with this asset class and are increasingly comfortable with only two ratings;

- The latest maturing tranche of the securitization bonds will have expected scheduled final payment dates of approximately 15 years after the date of issuance with a legal final maturity date approximately two years thereafter. We currently estimate that the proposed offering will have three tranches with an overall weighted average life of approximately 8.36 years. The final structure will be selected to produce the lowest securitization average interest cost based on actual investor demand which could result in adjustments in the number of tranches being offered to maintain secondary market liquidity based on then existing market conditions;

- Extensive education will be provided to investors regarding the bonds. Following the delivery of a preliminary prospectus and a preliminary term sheet to potential investors, EMW and the underwriter(s) will work together to bring the issue to the attention of such investors, to inform them of its structure and terms, and to directly answer any questions they may have. This process will include a "net roadshow" internet presentation to potential investors. The purpose of this overall process is to stimulate the broadest investor demand for the issue, so that the pricing process will result in the lowest available interest rates;

- As mentioned previously, US Treasuries have more recently been used as the benchmark to broaden the appeal to corporate investors. For similar reasons, more recent transactions have also used a corporate Bloomberg ticker as opposed to the historical mortgage ticker. While the benefit of this strategy may be higher with very long tenor bond (20+ years), this approach will also be considered in the Proposed Transaction with a decision on the ticker to be made shortly before issuance based on investor preferences at that time.

- The securitization bonds will be offered for sale to investors through one or more underwriter(s), each of which should have wide experience in the marketing of asset-backed and corporate debt securities and specific experience in the marketing of utility securitization and corporate utility issues. The underwriter(s) will disclose a benchmark index and informal spread ranges relative to the benchmark rate for each tranche, in response to which investors will provide indications of interest. As representative for EMW, the book-running lead underwriter(s) will be charged with keeping the master record (known as “the book”) in which all indications of interest received by the underwriter(s) from potential investors are recorded;

- At the official launch of the transaction, the underwriter(s) will disclose specific spreads for each tranche and investors will be invited to place orders through the underwriter(s) for the amount and specific tranches of securitization bonds they are willing to purchase, at certain prices and securitization bond coupon rates;

- The book-running lead underwriter(s), exercising professional judgment based on the amounts of orders received from potential investors and with the express concurrence of EMW, may adjust the prices and securitization bond coupon rates to ensure maximum distribution of the securitization bonds at the lowest bond yields consistent with a fixed price offering. If a tranche is oversubscribed, the lead underwriter(s) may lower the coupon, provided that this adjustment does not decrease the aggregate investor interest below the size of the tranche; or, if a tranche is undersubscribed, the lead underwriter(s) may increase the coupon to attract sufficient investor orders to sell the entire tranche; and

- Taking into account the actual demand for the securitization bonds on the day of pricing, the underwriter(s), acting through the book-running lead underwriter(s) and pursuant to the terms of an executed underwriting agreement, will agree to purchase the securitization bonds at specified prices and coupon rates.

In sum, it is through the marketing and price discovery process that I have described that the actual market for the securitization bonds is determined. It should be noted that this determination is specific to the issue of the securitization bonds in question. It is based on the actual investor orders for particular securitization bonds on the actual day of pricing.

Q. Why do you assume that the securitization bonds will have a legal final maturity date of approximately 17 years?

A. A date approximately 15 years after the issuance of the securitization bonds (currently assumed to be February 2023) was selected as the scheduled final payment date. The legal final maturity date is expected to be set approximately two years following the scheduled final payment date in order to have a period of time after the scheduled final payment date during which securitization charges can be collected to make up for any shortfall. This period of time after the scheduled payment date is typically up to two years to account for the volatility of electric utility revenues.

Q. How do the elements of the financing order enable the rating agencies to conclude that the bankruptcy risk to the Issuer's debt obligations is sufficiently remote to achieve the highest possible ratings?

A. The financing order must enable EMW to create the securitization property in a manner that will allow the Company to sell irrevocably the securitization property to an Issuer that is "bankruptcy remote" as required by the rating agencies, in a transaction treated as a "true sale" for bankruptcy law purposes. My understanding that the Issuer will be "bankruptcy remote" is based on a series of contractual and organizational restrictions that will apply to the SPE's activities. The SPE is the Issuer and it will be formed as a limited liability company with EMW as owner of all beneficial interests in the Issuer. The SPE will further be structured to conform with the rating agency requirements for a bankruptcy-remote entity, including having at least one independent member of the board whose vote will be required in order to take certain actions (such as a voluntary bankruptcy petition for relief). The SPE will be formed for the limited purpose of acquiring the securitization property, issuing the securitization bonds, pledging its assets to the trustee under the indenture, entering into related contracts, and performing other limited activities related to these basic purposes. The SPE will be prohibited from engaging in any other activities and will have no assets other than the securitization property and related assets, such as rights under the sale agreement, the servicing agreement and any interest rate swap or other hedge agreements. Obligations relating to the securitization bonds will be the SPE's only significant liabilities. Additionally, my understanding is that securitization property will be sold to the Issuer pursuant to a "true sale" and not a secured transaction, that title, legal and equitable, will pass to the SPE and that a bankruptcy court would not be expected to overturn and declare the securitization property to be owned by EMW in the event of an EMW bankruptcy. The financing order must enable the Issuer to issue the securitization bonds, irrevocably pledging the securitization property as security for the payment thereof. The practical effect of such protections is that they allow the rating agencies to ignore or discount any legal risk that EMW itself may in the future become the subject of a bankruptcy proceeding, and to focus solely on the risk that the Issuer may itself become subject to such a proceeding; a risk that, pursuant to rating agency bankruptcy remoteness requirements for the Issuer, is satisfactorily mitigated. The rating agencies can then focus strictly on the credit strength of the securitization property, which other elements of the financing order, including the right to obtain periodic adjustments of the securitization charges under the Securitization Law, ensure will be sufficient to achieve the highest possible ratings and will not be subject to impairment by subsequent acts of the Commission.

Q. What elements of a financing order are necessary to ensure credit strength of the securitization property?

A. The financing order must contain provisions that ensure the collection of securitization charges arising from the securitization property sufficient to pay the Issuer's financing obligations on a timely basis by their terms, even in the face of:

- Dramatic reductions in electricity usage by customers taking retail electric distribution service from EMW;
- Dramatic increases in delinquencies and losses on payments from customers taking retail electric distribution service from EMW;
- Increases in the number of customers or consumption not being subject to certain of the securitization charges; or

- Self-generation of electric power by significant numbers of customers without those customers taking any form of auxiliary service, stand-by service, back-up service or any other electric service from EMW.

Q. What should be the nature of any statutory and regulatory overview contained in a financing order?

A. The financing order should provide the legal context for the financing order itself, connecting it unambiguously to the Securitization Law and other relevant provisions of Missouri law and regulations. The financing order should interpret and implement the provisions of the Securitization Law, establishing an irrevocable set of rights and entitlements, not subject to further Commission or judicial review. The objective is to make it clear to the rating agencies that the financing order is rooted in statutory law and irrevocable, thereby making it possible for the rating agencies to conclude that legal risks investors cannot measure, and for which they would otherwise demand a disproportionately higher yield, have been mitigated.

Q. Why does the financing order describe the Qualified Extraordinary Costs being financed through securitization?

A. The financing order must contain a section that describes and approves the various Qualified Extraordinary Costs defined in the Securitization Law that are to be recovered through securitization. This is contemplated by the definition of "Qualified Extraordinary Costs" in Sections 393.1700.1(13) and 393.1700.2(3)(c)a of the Securitization Law and provides assurance for rating agencies and investors of the Commission's irrevocable authorization of their recovery through the issuance of securitization bonds. This reduces legal uncertainty to enable the highest credit ratings by the rating agencies on the securitization bonds and to reduce investor perception of legal risks.

Q. Please discuss the provisions of the financing order devoted to securitization charges.

A. For purposes of providing certainty to investors, the imposition and amount, collection period, allocation among customers, non-bypassability, and true-up mechanism need to be described, authorized and affirmed by the Commission in the financing order. The non-bypassability element minimizes the degree to which the collection of securitization charges will be hampered by customers who switch generation suppliers (in the event of a fundamental change in regulation of public utilities in Missouri) and also captures future customers connecting to the electric system of EMW or its successor. Non-bypassability is extremely important. It is essential that the load (or a clearly pre-defined and certain portion thereof) connected to EMW's distribution system will be responsible for paying the securitization charges and cannot avoid the payment of securitization charges in the future after the bonds are issued. An assured customer base to pay securitization charges is essential for the triple-A securitization rating analysis. As explained in Company witness Lutz's testimony, the Proposed Securitization would apply the securitization charge to all existing and future retail electric distribution customers of EMW or its successors, except for one customer that was receiving electrical service under a special contract on August 28, 2021. This portion of the financing order also creates a binding obligation of the Company, its successor, or its assignee to collect the securitization charges in exchange for a servicing fee and would allow that obligation to be performed by an assignee determined by the trustee if EMW or its replacement servicer does not so perform.

The true-up mechanism provisions of the Securitization Law and the financing order represent the most fundamental component of credit enhancement to investors and is a cornerstone of the low interest rate levels achieved in prior utility securitization transactions. Pursuant to Section 393.1700.2(3)(c)e of the Securitization Law, an annual true-up adjustment must be included in the financing order to correct for any over- or under-collections for any reason and to ensure that the collection of future securitization charges will generate sufficient funds to timely pay all scheduled payments of principal and interest on the securitization bonds and the Issuer's other Ongoing Financing Costs. Consistent with current market standards, I also recommend that in addition to the annual true-up mandated by the Securitization Law, true-ups be required on a semi-annual basis (and quarterly beginning one year prior to the last scheduled final payment date of the last tranche of a series of securitization bonds) if the servicer determines that a true-up adjustment is necessary to ensure the expected recovery during the succeeding twelve months of amounts sufficient to pay scheduled principal and interest on the securitization bonds, the Issuer's Ongoing Financing Costs and amounts necessary to replenish the draws on the Capital Subaccount. Furthermore, I recommend that interim true-ups, in addition to the true-ups proposed above, be permitted at any time if the servicer determines that a true-up adjustment is necessary to ensure the expected recovery, during the succeeding period, of amounts sufficient to pay scheduled principal and interest on the securitization bonds, the Issuer's Ongoing Financing Costs and amounts necessary to replenish the draws on the Capital Subaccount.

The requested Commission language with respect to true-ups is incorporated in the proposed financing order in Schedule SL-2. Such a true-up structure will help achieve the desired credit ratings and to repay in full the securitization bonds by the scheduled final payment date of the transaction. It is critical to achieve the lowest cost financing that true-up adjustments (1) be implemented on a regular basis over a specified short period of time and (2) are implemented subject only to mathematical review by the Commission. Company witness Klote has included an initial implementation procedure and a true-up procedure in his testimony. In my opinion, if the Commission adopts these procedures, that will be satisfactory to the rating agencies.

The rating agencies furthermore look to the actual level of securitization charges and associated true-up mechanics to mitigate a variety of risks evaluated as part of triple-A rating scenarios, such as significant declines in consumption, high levels of customer bankruptcy, self-generation risk which enables customers to avoid paying the securitization charge, or significant exodus of customers from EMW's service territory. For example, the rating agencies may evaluate the potential impact of some or all customers in a given rate class leaving the system, leaving a certain amount of securitized costs to be recovered under a true-up procedure from other rate classes. If recovery were not assured, the rating agencies may, in that instance, require additional credit enhancement. Shortfalls in collections from one particular customer rate class must be readily allocated among all customer rate classes as part of the true-up process to provide the broadest possible customer base against which to adjust securitization charges.

I understand from Company witness Lutz's testimony that the calculations for determining the securitization charges will be based on the customer class allocations approved in EMW's most recent rate case. Accordingly, the Company proposes that the servicer be permitted to modify the allocations among rate classes used in the true-up mechanism to use the then current Commission-approved rate case customer class allocations at the time of a true-up. I believe this approach should be acceptable to the rating agencies.

Q. What bearing is there on your recommendation of the fact that this would be the first outstanding securitization transaction for EMW?

A. Given that this would be EMW's first utility securitization transaction, the rating agencies can be expected to perform extensive due diligence on the Company's ability to perform its obligations under the servicing agreement. One advantage of this being EMW's first utility securitization is that there are no other existing securitizations on the customer's bills. The rating agencies take the position that the higher the level of securitization charges on the bill, the greater the risk of political or legal challenge. Based on information provided by Company witness Lutz, the securitization charge resulting from the Proposed Securitization for an average residential customer (1,020 kWh per month) is estimated to be approximately 6.33% of the total average monthly electric bill immediately following the issuance of the Proposed Securitization. In my view this percentage of the bill should be acceptable to the rating agencies.

Q. From the perspective of the rating agencies evaluating the credit quality of the securitization bonds, is it possible to impose any limitations on the size of adjustments to the securitization charges that might be accomplished through the true-up mechanism?

A. There can be no artificial or arbitrary limitations placed on the size of those adjustments over the life of the securitization bonds without jeopardizing the rating agency analysis that the securitization bonds merit triple-A ratings.

Q. Please identify other features the financing order should contain.

A. The financing order should reserve to EMW the sole discretion as to whether and when to issue securitization bonds. This discretion is critical to the Company's achieving the lowest financing cost possible, as receptive market conditions do not always exist. The financing order should also affirm the Company's use of the proceeds of the securitization bonds consistent with the Securitization Law.

Q. What concerns do the rating agencies have with a third-party biller?

A. To the extent a third-party biller ("TPB") bills, collects and remits securitization charges, the process is one step removed from the servicer, which may result in the servicer receiving the securitization charges later than it otherwise would. The greater the delay in receipt of payment, the larger the amount of payments subject to the risk of non-payment due to default, bankruptcy or insolvency of the TPB holding the funds. TPB billing places also increase information requirements on the servicer. It requires the servicer to perform double tracking of securitization charge payments because the servicer has the responsibility of accounting for the securitization charge payments due to bond holders regardless of which entity provides a customer's electric power. As a result, the security of the cash flows that constitute securitization property may be reduced, thereby increasing risks to investors, potentially reducing the credit rating and/or increasing the interest rate of the bonds that would be required by investors. This concern is especially acute if the TPB is a start-up company or minimally capitalized entity unrated by rating agencies.

It is important that the Commission ensure that any TPB, in the event there is any change in utility regulation, must bill, collect and remit the securitization charges in a manner that will not cause any of the then-current credit ratings of the bonds to be suspended, withdrawn, or downgraded. Language to this effect is included in the proposed financing order.

Q. Please describe the contents and purpose of a servicing agreement.

A. The servicing agreement will be an agreement among EMW as initial servicer of the securitization bonds, the trustee and the SPE that is the Issuer of the bonds. EMW, as initial servicer, will be responsible for making all required and permitted filings with the Commission, including true-up adjustment filings, and for preparing and filing any other reports with the Commission, trustee, rating agencies and other interested parties. The servicing agreement sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of securitization charges, responding to customer inquiries, terminating electric service, filing for true-up adjustments, and remitting collections to the trustee for distribution to bondholders. The servicing agreement would prohibit EMW, as the initial servicer, from resigning as servicer unless it shall no longer be permissible under applicable law for the initial servicer to continue in such a capacity. Such resignation would not be effective until a successor servicer has assumed the initial servicer's obligations in order to continue servicing the securitization property without interruption. The servicer may also be terminated from its responsibilities under certain instances upon a majority vote of bondholders, such as the failure to remit collections within a specified period of time. Any merger or consolidation of the servicer with another entity would require the merged entity to assume the servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Proposed Securitization and the ability to achieve the highest credit ratings.

As compensation for its role as servicer, EMW will receive a fixed servicing fee payable out of securitization charge collections in a per annum amount up to 0.05% of the original principal amount of securitization bonds. This servicing fee is meant to offer the servicer a reasonable compensation for services provided and is consistent with current market practice in this type transaction. A servicing fee based on a fixed percentage of the original principal amount of the bonds has the benefit for the arms-length analysis of being a constant even when the amount of outstanding bonds is significantly reduced. Ensuring there is reasonable compensation to the servicer is important to the rating agencies and the bankruptcy analysis of the transaction since it assures that EMW is acting in an arms-length fashion as servicer of the securitization property. Utility securitizations to date have also allowed an increase in the servicing fee should a successor servicer, which is not part of the electric utility business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility as servicer, since the successor servicer would require additional inducement because of its lack of a servicing relationship with utility distribution customers. Under the same analysis as above and consistent with current practice, this successor fee can be increased from the level authorized for EMW to an annual amount up to 0.60% of the original principal amount of the securitization bonds.

The servicer discussion in the proposed financing order delineates standard arrangements for servicing securitization bonds, in particular ensuring that such obligations are assignable and will be so assigned in the event of a servicer default. Allowing for commingling of securitization charges with funds of EMW eases administrative burden and is standard for utility securitization servicers. The use of estimates together with adjustments for actual tracked receipts is also normal for these transactions and may lend administrative ease for servicers that have systems reporting limitations.

Q. Please explain the purpose of the issuance advice letter ("IAL") and describe the IAL process and key features.

A. The purpose of the IAL is to advise the Commission of the final structure and pricing terms of the securitization bonds for its approval. EMW will prepare an IAL to deliver to the Commission following the determination of the final terms of the securitization bonds, and no later than one day after pricing of the securitization bonds.

The IAL will indicate the pricing, terms, and conditions of the bonds, as well as provide actual amounts for the total up-front financing costs and the best available estimate of total ongoing financing costs. Certain of these values are provided as estimates up to that point as they cannot be determined until after pricing of the securitization bonds. Reconciliation of the difference between estimated and actual up-front financing costs is described in Company witness Humphrey's testimony. The IAL will also include the initial securitization charge and other information specific to the securitization bonds as set forth in the proposed form of the IAL attached as an exhibit to the proposed Form of Financing Order in Schedule SL-2.

The purpose of the IAL is to demonstrate that the issuance of the securitization bonds is consistent with the applicable Financing Order and will meet the Securitization Law requirements.

In the Proposed Financing Order, I recommend that EMW may proceed with the issuance of the securitized utility tariff bonds unless, prior to noon on the fourth business day after pricing of the bonds, the Commission issues a disapproval letter directing that the securitized utility tariff bonds as proposed shall not be issued together with the basis for such disapproval. This timeline provides the Commission with one business day less than what is specified in section 393.1700.2(3)(h) of the Securitization Law but is recommended since there otherwise would not be enough time to settle the bonds in accordance with market practice on the fifth business day after pricing.

Q. In summary, what is critical for the financing order to convey?

A. The financing order is the means by which the Commission definitively interprets the language of the Securitization Law and affirms the conformity of the financing with the applicable provisions of the Securitization Law. The Commission's findings and conclusions in the financing order provide the legal foundation upon which the rating agencies may definitively rely in order to determine the highest possible ratings for the securitization bonds. With the structure authorized in the financing order as proposed, the stability of the cash flows securing the securitization bonds will be maximized. The combination of maximized cash flow stability and highest possible ratings will allow the securitization bonds, when offered pursuant to the Company's financing plan, to be structured and priced so as to result in the lowest securitization charges consistent with market conditions and the terms of the financing order.

The financing order should also address two additional key issues that merit further discussion. The finality and irrevocability of the financing order should be affirmed. Thus, so long as the securitization bonds are outstanding, all of the rights and benefits arising from the securitization property created by virtue of the financing order may be definitively relied upon by the rating agencies and investors.

Equally important, the Commission, in the financing order, should definitively reaffirm the pledge of the state set forth in section 393.1700(3)(f) of the Securitization Law not to take or permit any action that would impair the value of the securitization property, or, except pursuant to a true-up adjustment, reduce or alter the securitization charges to be imposed, collected, and remitted to the financing parties, until the principal and interest, and any other charges incurred and contracts to be performed in connection with the securitization bonds have been paid and performed in full.

Securitization bond investors and rating agencies generally perceive the possibility of a change in law that affects the securitization property or their rights under the financing order as the greatest risk that securitization bonds might not be paid according to their terms. The Commission's reaffirmation in the financing order of the state's legislative non-impairment pledge will enhance investor perception that the risk of an adverse change in law or regulation is remote.

In addition, the Commission in the financing order should recognize the need for, and afford the Company, the flexibility to establish the final terms and conditions of the securitization bonds, flexibility which will allow the Company to achieve the structure and pricing that is expected to result in the lowest possible securitization charges consistent with market conditions, rating agency considerations, and the terms of the financing order. Finally, the Securitization Law provides that 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 must be established. Recognizing that the debt capital markets from time to time can be volatile and not always may offer the best possible market conditions (examples of such recent market disruptions include March 2021 (COVID-19) and March 2022 (Ukraine conflict)), I recommend to give the Company up to 24 months from the date the financing order is no longer subject to appeal to issue the securitized utility tariff bonds (the "Effective Period"). Furthermore, if any such market disruption occurs during the 24 months following the date when the financing order is no longer subject to appeal, I recommend extending the Effective Period to a date which is not less than 90 days after the date such disruption ends.

IX. <u>CONCLUSION</u>

Q. Please summarize your testimony.

A. The elements of the financing order discussed above in my testimony will enable EMW to achieve the highest possible ratings for the Proposed Securitization and to structure the financing in a manner consistent with investor preferences at the time of sale. Moreover, the elements proposed for the financing order allow optimal pricing of the securitization bonds, resulting in the lowest securitization charges consistent with market conditions and the terms of the financing order. For these reasons, the Commission should adopt these elements in its financing order, as more precisely shown in Schedule SL-2.

Q. Does this complete your direct testimony at this time?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF STEFFEN LUNDE

STATE OF New York)
) **ss**
COUNTY OF New York)

Steffen Lunde, being first duly sworn on his oath, states:

1. My name is Steffen Lunde and I am employed by Citigroup Global Markets Inc. ("Citi") as Director in the Global ABS Financing and Securitization.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Evergy Missouri West consisting of forty-three (43) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Steffen Lunde

Subscribed and sworn before me this 09 day of March 2022.

Notary Public

Reneisha Williams
STATE OF NEW YORK
NOTARY PUBLIC
King
01WI6421579
MY COMMISSION EXPIRES 09/07/2025

My commission expires: 09/07/25

Internal Use Only

Case No. EF-2022-0155

Witness S. Lunde

Cash Flow Requirements of Proposed Transaction
(Expected Case) [(1)(2)]

(A)	*(B)*	*(C)*	*(D) = (B) + (C)*	*(E)*	*(F) = (D) + (E)*	*(G)*
Bond Payment Date [(3)]	**Principal**	**Interest**	**Total Debt Service**	**Servicing & Expenses**	**Total Cash Requirements ($)**	**Total Annual Cash Requirements ($)**
1	$9,412,806	$5,888,015	$15,300,821	$278,033	$15,578,855	
2	$9,550,704	$5,750,117	$15,300,821	$278,033	$15,578,855	$31,157,709
3	$9,690,622	$5,610,199	$15,300,821	$278,033	$15,578,855	
4	$9,832,589	$5,468,232	$15,300,821	$278,033	$15,578,855	$31,157,709
5	$9,976,637	$5,324,184	$15,300,821	$278,033	$15,578,855	
6	$10,122,795	$5,178,027	$15,300,821	$278,033	$15,578,855	$31,157,709
7	$10,271,094	$5,029,728	$15,300,821	$278,033	$15,578,855	
8	$10,421,565	$4,879,256	$15,300,821	$278,033	$15,578,855	$31,157,709
9	$10,574,241	$4,726,580	$15,300,821	$278,033	$15,578,855	
10	$10,729,154	$4,571,667	$15,300,821	$278,033	$15,578,855	$31,157,709
11	$10,886,336	$4,414,485	$15,300,821	$278,033	$15,578,855	
12	$11,045,821	$4,255,001	$15,300,821	$278,033	$15,578,855	$31,157,709
13	$11,216,316	$4,084,505	$15,300,821	$278,033	$15,578,855	
14	$11,407,554	$3,893,267	$15,300,821	$278,033	$15,578,855	$31,157,709
15	$11,602,053	$3,698,768	$15,300,821	$278,033	$15,578,855	
16	$11,799,868	$3,500,953	$15,300,821	$278,033	$15,578,855	$31,157,709
17	$12,001,056	$3,299,765	$15,300,821	$278,033	$15,578,855	
18	$12,205,674	$3,095,147	$15,300,821	$278,033	$15,578,855	$31,157,709
19	$12,413,781	$2,887,040	$15,300,821	$278,033	$15,578,855	
20	$12,625,436	$2,675,385	$15,300,821	$278,033	$15,578,855	$31,157,709
21	$12,840,699	$2,460,122	$15,300,821	$278,033	$15,578,855	
22	$13,059,633	$2,241,188	$15,300,821	$278,033	$15,578,855	$31,157,709
23	$13,286,640	$2,014,181	$15,300,821	$278,033	$15,578,855	
24	$13,523,142	$1,777,679	$15,300,821	$278,033	$15,578,855	$31,157,709
25	$13,763,854	$1,536,967	$15,300,821	$278,033	$15,578,855	
26	$14,008,851	$1,291,970	$15,300,821	$278,033	$15,578,855	$31,157,709
27	$14,258,208	$1,042,613	$15,300,821	$278,033	$15,578,855	
28	$14,512,004	$788,817	$15,300,821	$278,033	$15,578,855	$31,157,709
29	$14,770,318	$530,503	$15,300,821	$278,033	$15,578,855	
30	$15,033,230	$267,591	$15,300,821	$278,033	$15,578,855	$31,157,709
	$356,842,681	**$102,181,952**	**$459,024,633**	**$8,341,003**	**$467,365,636**	**$467,365,636**

Weighted Average Coupon [(4)]	3.427%
Annual Servicing & Expenses	$556,067

All amounts rounded and certain sums may not add up due to this rounding

1 These preliminary results are subject to change or amendment based on market conditions at the time of offering and are based in part on information provided by Evergy Missouri West. No representation or warranty is being made relating to this structure. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Citigroup does not represent that any such assumptions will reflect actual future events.

2 Assumes triple-A ratings obtained from at least two major NRSRO's.

3 All bond payment dates will be semi-annual.

4 US Treasury Benchmarks are determined using 3-year and 10-year Bloomberg Forward US Treasury Rates for 02/01/2023 effective date, as of 02/28/2022.

Indicative Structure
(Expected Case) (1)(2)(3)

Class	Balance	WAL (Years)	Benchmark	Benchmark Rate	Spread	Coupon	Prin Window	Scheduled Maturity
A-1	$ 118,900,000	3.26	3-year 1YR FWD UST	1.937%	1.000%	2.930%	8/23 - 2/29	2/1/2029
A-2	$ 119,000,000	8.63	10-year 1YR FWD UST	2.019%	1.400%	3.410%	2/29 - 2/34	2/1/2034
A-3	$ 118,942,681	13.18	10-year 1YR FWD UST	2.019%	1.550%	3.560%	2/34 - 2/38	2/1/2038
Total / WA	**$ 356,842,681**	**8.36**				**3.427%**	**8/23 - 2/38**	**2/1/2038**

NOTES

1 These preliminary results are subject to change or amendment based on market conditions at the time of offering and are based in part on information provided by Evergy Missouri West. No representation or warranty is being made relating to this structure. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Citigroup does not represent that any such assumptions will reflect actual future events.

2 Assumes triple-A ratings obtained from at least two major NRSRO's.

3 US Treasury Benchmarks are determined using 3-year and 10-year Bloomberg Forward US Treasury Rates for 02/01/2023 effective date, as of 02/28/2022.

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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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

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 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.

In accordance with the terms of this Financing Order, the Commission approves the recovery of approximately $357 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) 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

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

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".[4]

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.[5]

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 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

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[2] *See* § 393.1700.2.(3)(c)b.

[3] *See* § 393.1700.2.(3)(c)c.

[4] ***Note to Draft***: Where in the Testimony do we address both of these tests? If not addressed, who is the best person to address each test?

[5] *See* § 393.1700.2.(2).

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."[6] 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 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.

[6] *See* § 393.1700.2.(3)(c)b.

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;[7] (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;[8] (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;[9] (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;[10] (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 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;[11] (f) the securitized utility tariff property that is, or shall be, created in favor of

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[7] *See* § 393.1700.2.(3)(c)a.
[8] *See* § 393.1700.2.(3)(c)b.
[9] *See* § 393.1700.2.(3)(c)c.
[10] *See* § 393.1700.2.(3)(c)d.
[11] *See* § 393.1700.2.(3)(c)e.

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;[12] (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;[13] (h) how securitized utility tariff charges will be allocated among retail customer classes;[14] (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;[15] (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;[16] (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;[17] (l) a procedure that shall allow the electrical corporation to earn a return, at the 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;[18] (m) an

[12] *See* § 393.1700.2.(3)(c)f.

[13] *See* § 393.1700.2.(3)(c)g.

[14] *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"

[15] *See* § 393.1700.2.(3)(c)i.

[16] *See* § 393.1700.2.(3)(c)j.

[17] *See* § 393.1700.2.(3)(c)k.

[18] *See* § 393.1700.2.(3)(c)l.

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;[19] and (n) any other conditions that the Commission considers appropriate and that are not inconsistent with the Securitization Law.[20]

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 the process undertaken by Evergy Missouri West to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission Staff nor any financial advisors advising Commission Staff shall have authority to direct how Evergy Missouri West places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Evergy Missouri West to address placement of the securitized utility tariff bonds to market. 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 day of 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. Should Evergy Missouri West cause the issuance of more than one series of securitized utility tariff bonds pursuant to this Financing Order,

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[19] *See* § 393.1700.2.(3)(c)n.

[20] *See* § 393.1700.2.(3)(c)o.

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.[21]

Securitized utility tariff charges constitute securitized utility tariff charges as defined in § 393.1700.1.(16) of the Securitization Law[22] 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 contracts[23] 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.[24] Securitized utility tariff charges will be allocated to customers in accordance with Evergy Missouri West's most recent general rate proceeding.[25]

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.[26] 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.[27] 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

[21] *See* § 393.1700.2.(3)(h).
[22] *See* § 393.1700.1.(16).
[23] *See* § 393.1700.1.(19).
[24] *See* § 393.1700.1.(16).
[25] *See* § 393.1700.2.(3)(c)h.
[26] *See* § 393.1700.1.(18) and § 393.1700.5.(3)(c).
[27] *See* § 393.1700.1.(16).

and other required amounts and charges in connection with the securitized utility tariff bonds.[28] 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.[29]

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.[30] 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

[28] *See* § 393.1700.2.(3)(e).
[29] *See* § 393.1700.11.
[30] *See* § 393.1700.1.(18).

reorganization, bankruptcy, or other insolvency of the electrical corporation or any other entity.[31] 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.[32]

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

[31] *See*§ 393.1700.5.(1)(e).

[32] *See* .§ 393.1700.5.(2)(a). *See* § 400.

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.[33] 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.

[33] 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 allocates this amount to the various classes of 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 allocation factors across rate classes, 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 the customer class allocations 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 (including non-fuel operating and maintenance ("NFOM") costs associated with Winter Storm Uri), (2) plus carrying costs at the date of issuance of the securitized utility tariff bonds calculated at the relevant weighted average cost of capital authorized by this Commission in Case No. ER-2018-0146 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 $357 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 advisor[34], are 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

[34] 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.

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.

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 extraordinary qualified 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 $299.8 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 Every 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 $121 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 $357 million, consisting of (1) the securitizable balance of (i) $296 million of qualified extraordinary costs including NFOM incremental costs incurred following Winter Storm Uri through the issuance of securitized utility tariff bonds, plus (ii) approximately $55 million of carrying costs through the date of issuance of the securitized utility tariff bonds as updated in the issuance advice letter[35], $6.6 million of upfront financing costs.[36] 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.

[35] Assuming the securitized utility tariff bonds are issued on February 1, 2023.

[36] 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 allocate the securitized utility tariff charges in accordance with its most recent general rate proceeding.[37]
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

[37] *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.[38]

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;

[38] *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 $121 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 $363.5 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

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 process undertaken by Evergy Missouri West to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative

or representatives from the Commission Staff nor one or more financial advisors advising Commission Staff shall have authority to direct how Evergy Missouri West places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Evergy Missouri West to address placement of the securitized utility tariff bonds to market. 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 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. 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 fifth 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,[39] 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.

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.

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[39] 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).

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 fifth business day after pricing of the securitized utility tariff bonds unless, before noon on the fourth business day following 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.

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 is successors or assignees under Commission-approved rate schedules, except for customers receiving electrical service under special contracts[40] 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. Allocation of Financing Costs Among 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 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

[40] *See* § 393.1700.1.(19).

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 usage data for 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 allocated among the customer classes using an approach based on the class revenues presented in Evergy Missouri West's rate case in Case No. ER-2018-0146. In accordance with Section 393.1700.2(3)(c)h, Evergy Missouri West proposes that its initial allocation 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 the allocation of 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 class revenue requirements for each customer rate class calculated in accordance with it should be adopted.

59. Under the approach described in finding of fact number 58, the Commission adopts the following allocation factors ("AFs"):

Class	AF
Residential	51.26%
Small General Service	15.97%
Large General Service	13.32%
Large Power Service	17.56%
Thermal Energy Storage Service	0.07%
Lighting	1.82%
Special	N/A
Total	100%

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 electricity deliveries (i.e., forecasted billing units) 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) allocate the upcoming period's periodic revenue requirement based on the customer rate classes approved in this Financing Order;

(b) calculate undercollections or overcollections, including without limitation any caused by defaults, from the preceding period in each class by subtracting the previous period's securitized utility tariff charge revenues collected from each rate class from the class revenue requirement determined for that rate class for the same period;

(c) sum the amounts allocated to each customer class in steps (a) and (b) to determine an adjusted class revenue requirement for each securitized utility tariff charge customer rate class; and

(d) divide the amount assigned to each customer class in step (c) above by the appropriate forecasted billing units to determine the securitized utility tariff charge rate by class for the upcoming period.

12. Interim True-Up

63. In addition to these annual and semi-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 optional) 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 billing cycle 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 Representative[41]

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 process undertaken by Evergy Missouri West to place the securitized utility tariff bonds to market so the Commission's representative or representatives can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission Staff nor one or more financial advisors advising Commission Staff shall have authority to direct how Evergy Missouri West places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Evergy Missouri West to address placement of the securitized utility tariff bonds to market.

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[41] 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).

69. For each series, the Commission or its designated representative may require a certificate from Evergy Missouri West, for which Evergy Missouri West will rely on 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.

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, NFOM incremental costs associated with Winter Storm Uri, 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 inSection 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 Requirements[42] 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

[42] §§ 393.1700.2.(3)(c)b. and c.

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 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 the WACC authorized in Evergy Missouri West's most recent general rate case through the date the securitized utility tariff bonds are issued. 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 fifth business day after pricing) 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.

7. **Approval of Tariff**. The form of Securitized Utility Tariff Rider attached as Appendix B to this order is approved.[43] 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 no earlier than five business days after its submission, 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 customers[44] located

[43] ***Note to Draft***: To conform with Lutz Testimony.

[44] Excluding special contract customers as of August 28, 2021.

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 there is a partial payment of an amount billed, the amount paid must first 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 recovery period of the securitized utility tariff charges may be longer if deemed necessary to obtain the best possible credit rating.

12. **Allocation**. Evergy Missouri West must allocate the securitized utility tariff charges among rate classes 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.

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 and utilize consistent allocation factors across rate classes, 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 process undertaken by Evergy Missouri West to place the securitized utility tariff bonds to market so that the Commission's designated representative can provide the Commission with an opinion on the reasonableness of the pricing, terms, and conditions of the securitized utility tariff bonds on an expedited basis. Neither the designated representative or representatives from the Commission staff nor one or more financial advisors advising Commission staff shall have authority to direct how Evergy Missouri West places the securitized utility tariff bonds to market although they shall be permitted to attend all meetings convened by Evergy Missouri West to address placement of the securitized utility tariff bonds to market.

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, NFOM incremental costs associated with Winter Storm Uri, 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, _________, 2019

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 Charges.

TABLE I	
Input Values For Initial Securitized Utility Tariff Charges	
Applicable period: from _____________ to _____________	
Forecasted retail kWh/kW sales for the applicable period:	$ ___________
Securitized Utility Tariff Bond debt service for the applicable period	$ ___________
Percent of billed amounts expected to be charged-off:	$ ___________
Forecasted % of Billing Paid in the Applicable Period:	$ ___________
Forecasted retail kWh/kW sales billed and collected for the applicable period.	$ ___________
Forecasted annual ongoing (Excluding Securitized Utility Tariff interest): transaction expenses Bond principal and interest):	$ ___________
Initial Securitized Utility Tariff Bond outstanding balance:	$ ___________
Target Securitized Utility Tariff Bond outstanding balance as of: __/__/__:	$ ___________
Total Periodic Revenue Requirement for applicable period:	$ ___________

Allocation of the PRR among customer classes: See Attachment 3.

Based on the foregoing, the initial Securitized Utility Tariff Charges calculated for retail users are as follows:

TABLE II[45]	
Rate Class	Initial Securitized Utility Tariff Charge
Residential	**$ _____/kWh**
Small General Service	**$ _____/kWh**
Large General Service	**$ _____/kWh**
Large Power Service	**$ _____/kWh**
Thermal Energy Storage Service	**$ _____/kWh**
Lighting	**$ _____/kWh**
Special	**N/A**

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.

[45] Note to Draft: Update consistent with p. 32 of the Financial 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 A

SECURITIZED UTILITY TARIFF BOND REVENUE REQUIREMENT INFORMATION

SERIES, ___ TRANCHE __________

Payment Date	Principal Balance	Interest	Principal	Total Payment
	$____________			
__________	____________	$____________	$____________	$____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________

SERIES, ___ TRANCHE ______

Payment Date	Principal Balance	Interest	Principal	Total Payment
__________	$____________	$____________	$____________	$____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________
__________	____________	____________	____________	____________

ATTACHMENT 2
SCHEDULE B
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 ONGOING FINANCING COSTS (with Evergy Missouri West as Servicer)	$ ______
Ongoing Servicers Fee (Third Party as Servicer) (0.60% of principal amount)	$ ______
TOTAL 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 Payments[46]	Ongoing Costs[47]	Total Nominal Securitized Utility Tariff Charge Requirement[48]	Present Value of Securitized Utility Tariff Charges[49]
1	$ ___________	$ ___________	$ ___________	$ ___________
2	$ ___________	$ ___________	$ ___________	$ ___________
3	$ ___________	$ ___________	$ ___________	$ ___________
4	$ ___________	$ ___________	$ ___________	$ ___________
5	$ ___________	$ ___________	$ ___________	$ ___________
6	$ ___________	$ ___________	$ ___________	$ ___________
7	$ ___________	$ ___________	$ ___________	$ ___________
8	$ ___________	$ ___________	$ ___________	$ ___________
9	$ ___________	$ ___________	$ ___________	$ ___________
10	$ ___________	$ ___________	$ ___________	$ ___________
11	$ ___________	$ ___________	$ ___________	$ ___________
12	$ ___________	$ ___________	$ ___________	$ ___________
13	$ ___________	$ ___________	$ ___________	$ ___________
14	$ ___________	$ ___________	$ ___________	$ ___________
Total	$ ___________	$ ___________	$ ___________	$ ___________

[46] From Attachment 2, Schedule A.
[47] From Attachment 2, Schedule B.
[48] Sum of Securitized Utility Tariff Bond payments and ongoing costs.
[49] 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:[50][51]

	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	$[●]	$[●]	$[●]
NPV securitization benefit		**$[●]**	**$[●]**

[50] Calculated in accordance with the methodology cited in the Financing Order.

[51] ***Note to Draft***: Table from Klote Testimony (RAK-4). Update to conform, as needed.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO SURCLASSES[52]

(1) SUR Class	(2) PBRAF[53]	(3) Periodic Revenue Requirement	(4) Billing Requirement per SUR Class	(5) Forecasted Billing Determinants	(6) SUR Charge
	%	$_________	$_________	_________	$_____/kWh
	%	$_________	$_________	_________	$_____/kWh
	%	$_________	$_________	_________	$____/Distribution Billing kW
	%	$_________	$_________	_________	$____/Distribution Billing kW
	%	$_________	$_________	_________	$____/kWh
Total	100.0000 %	$_________	$_________		

[52] ***Note to Draft***: Lutz to review and updated, as needed, this table.

[53] Determined in accordance with the methodology set forth in the Financing Order and Storm Securitized Utility Tariff Rider.

ATTACHMENT 4
FORM OF PETITIONER'S CERTIFICATION

[Evergy Missouri West Letterhead]

Date: _______________, 20[●]

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

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

Evergy Missouri West, Inc. d/b/a Evergy Missouri West (the "Petitioner") submits this Certification pursuant to Ordering Paragraph No. ___ of the Financing Order in *Petition of Evergy Missouri West, Inc. d/b/a Evergy 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 Yield[54]: ________%

[54] 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**

ONGOING FINANCING COSTS

		ANNUAL AMOUNT
Servicing Fee (Evergy Missouri West as Servicer) (0.05% of initial Securitized Utility Tariff Bond principal amount)	$	178,421
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 ONGOING FINANCING COSTS (with Evergy Missouri West as Servicer)	**$**	**559,387**
Ongoing Servicers Fee (Third Party as Servicer) ([0.60] % of principal amount)	$	2,141,056
TOTAL ONGOING FINANCING COSTS (Third Party as Servicer)	**$**	**2,518,702**