Exhibit No. 14

Evergy Missouri West – Exhibit 14
Steffen Lunde
Surrebuttal Testimony
File No. EF-2022-0155

Exhibit: _____
Issues: Overview of Securitization Financing; Proposed Structure of Transaction; Essential Elements of Financing Order
Witness: Steffen Lunde
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Evergy Missouri West
Case No. EF-2022-0155
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO:

EF-2022-0155

SURREBUTTAL TESTIMONY

OF

STEFFEN LUNDE

ON BEHALF OF

EVERGY MISSOURI WEST

Kansas City, Missouri
July 2022

SURREBUTTAL TESTIMONY

OF

STEFFEN LUNDE

Case No. EF-2022-0155

I. <u>NAME AND QUALIFICATIONS</u>

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: Are you the same Steffen Lunde who submitted direct testimony in this docket on March 11, 2022?

A: Yes.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW" or the "Company").

Q: What is the purpose of your surrebuttal testimony?

A: The purpose of my surrebuttal testimony is to respond to the Rebuttal Testimony of Mark Davis with Ducera Partners, LLC (the "Davis Rebuttal").

Q: The Davis Rebuttal states that the 10-year forward US Treasury rate, effective as of February 1, 2023, has increased from 2.019% to 3.268% since February 28, 2022. Do you agree with this increase in rates, and if so what is the impact on the weighted average coupon of the securitization?

A: Yes, the forward US Treasury rates have increased since the filing of the Financing Order Application, as have credit spreads.

In the original filing, the weighted average coupon of securitization was estimated to be 3.427%, which assumed a weighted average benchmark rate of 2.008% (based upon the 3-year and 10-year Bloomberg Forward US Treasury Rates for February 1, 2023 as of February 28, 2022) plus a spread and a volatility factor. The possibility of increases in both benchmarks and credit spreads over an approximately one year period between the filing of the Financing Order Application and the assumed execution date was always recognized which is why a volatility factor (as described in my original direct testimony) was included in the estimation of the weighted average coupon of securitization. However, given the significant increases in rates (benchmarks and spreads), this volatility factor has not proven to be sufficient to cover these movements.

As of July 8, 2022, Citi ran updated[1] cashflows assuming a weighted average benchmark rate of 2.905% (based upon the interpolated Bloomberg Forward US Treasury Rates for February 1, 2023 as of July 8, 2022) and a weighted average spread of 1.596%, which resulted in an updated weighted average cost of securitization of 4.500%. An updated Schedule SL-3 is attached to my testimony.

[1] Note that these cash flows have been "reoptimized" to generate substantially level debt service payments based on the revised coupons and weighted average lifes of individual tranches may accordingly have changed. Note further than no "volatility factor" has been included in these coupons.

Q: Is the weighted average benchmark rate and weighted average spread rate subject to change before marketing the transaction? Could such changes in benchmarks and spreads, if any, be expected to positively or adversely affect the transaction?

A: Yes. Benchmarks and spreads are market driven and further movements are likely before the time of execution. Given the market driven nature of these rate movements, it is not possible to determine if such changes will have a positive or adverse impact on the transaction.

Q: Considering the rising interest rate environment, is a securitization financing still an appropriate approach for financing the recovery of the Winter Storm Uri Costs?

A: Yes. To support this view, Citi ran a break-even analysis which calculated the maximum weighted average coupon the securitization can withstand before it no longer remains economically beneficial to customers (i.e., when the NPV savings are reduced exactly to zero), when compared to the alternative recovery methods described in the Direct Testimony of EMW witness Ronald A. Klote (the "Klote Testimony"). The break-even analysis determined that the weighted average coupon of the securitization could increase to approximately 7.0% and approximately 9.7% when compared to the Fuel Adjustment Clause ("FAC") method and Accounting Authority Order ("AAO"), respectively, as defined in further detail in the Klote Testimony. A summary of this analysis is attached in Schedule SL-4.

Q: Assuming a weighted average cost of securitization of 4.500%, calculated as of July 8, 2022 and noted above, how much can the weighted average coupon of the securitization increase before the securitization recovery method no longer remains economically beneficial to customers?

A: The weighted average securitization spread has cushion to rise by approximately 2.5% and approximately 5.2% under the FAC method and AAO method, respectively, before a securitization recovery method no longer remains economically beneficial to customers.

Q: Are there any market indicators that support your analysis that a securitization financing method will remain the most economically beneficial recovery method going forward?

A: Yes, there are. Firstly, the benchmark rates used to develop the updated Schedule SL-3 are based on market rates for the US Treasury rates in early 2023. Secondly, Bloomberg polled a sample of 50 analysts to determine a weighted average forecast of the 10-year US Treasury rate which is projected to be 3.22% in Q1 of 2023 (as of June 9, 2022). Based upon these possible benchmarks, and the break-even analysis described above, there is significant support for the securitization method remaining the most economically beneficial financing method.

It should further be noted that after pricing of the bonds (but before closing of the transaction), the Company will be required to submit an Issuance Advice Letter to the Commission for its review. During the Issuance Advice Letter process, the Company will certify that 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 customers' rates.

Q: Does that conclude your testimony?

A: Yes, it does.

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	$8,682,989	$7,778,924	$16,461,912	$279,641	$16,741,554	
2	$8,856,127	$7,605,785	$16,461,912	$279,641	$16,741,554	$33,483,107
3	$9,032,719	$7,429,194	$16,461,912	$279,641	$16,741,554	
4	$9,212,831	$7,249,081	$16,461,912	$279,641	$16,741,554	$33,483,107
5	$9,396,535	$7,065,377	$16,461,912	$279,641	$16,741,554	
6	$9,583,902	$6,878,010	$16,461,912	$279,641	$16,741,554	$33,483,107
7	$9,775,005	$6,686,907	$16,461,912	$279,641	$16,741,554	
8	$9,969,918	$6,491,994	$16,461,912	$279,641	$16,741,554	$33,483,107
9	$10,168,719	$6,293,194	$16,461,912	$279,641	$16,741,554	
10	$10,371,483	$6,090,429	$16,461,912	$279,641	$16,741,554	$33,483,107
11	$10,578,290	$5,883,622	$16,461,912	$279,641	$16,741,554	
12	$10,789,221	$5,672,691	$16,461,912	$279,641	$16,741,554	$33,483,107
13	$11,004,358	$5,457,554	$16,461,912	$279,641	$16,741,554	
14	$11,240,915	$5,220,998	$16,461,912	$279,641	$16,741,554	$33,483,107
15	$11,487,653	$4,974,259	$16,461,912	$279,641	$16,741,554	
16	$11,739,807	$4,722,105	$16,461,912	$279,641	$16,741,554	$33,483,107
17	$11,997,495	$4,464,417	$16,461,912	$279,641	$16,741,554	
18	$12,260,840	$4,201,072	$16,461,912	$279,641	$16,741,554	$33,483,107
19	$12,529,966	$3,931,946	$16,461,912	$279,641	$16,741,554	
20	$12,804,999	$3,656,914	$16,461,912	$279,641	$16,741,554	$33,483,107
21	$13,086,068	$3,375,844	$16,461,912	$279,641	$16,741,554	
22	$13,373,308	$3,088,605	$16,461,912	$279,641	$16,741,554	$33,483,107
23	$13,667,078	$2,794,834	$16,461,912	$279,641	$16,741,554	
24	$13,988,664	$2,473,248	$16,461,912	$279,641	$16,741,554	$33,483,107
25	$14,317,817	$2,144,095	$16,461,912	$279,641	$16,741,554	
26	$14,654,716	$1,807,196	$16,461,912	$279,641	$16,741,554	$33,483,107
27	$14,999,541	$1,462,371	$16,461,912	$279,641	$16,741,554	
28	$15,352,480	$1,109,432	$16,461,912	$279,641	$16,741,554	$33,483,107
29	$15,713,724	$748,188	$16,461,912	$279,641	$16,741,554	
30	$16,083,468	$378,444	$16,461,912	$279,641	$16,741,554	$33,483,107
	$356,720,636	**$137,136,729**	**$493,857,365**	**$8,389,241**	**$502,246,606**	**$502,246,606**

Weighted Average Coupon (4)	4.500%
Annual Servicing & Expenses	$559,283

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 interpolated Bloomberg Forward US Treasury Rates for 02/01/2023 effective date, as of 07/08/2022.

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	3.43	Interpolated FWD UST	2.938%	1.050%	3.988%	8/23 - 8/29	8/1/2029
A-2	$ 118,900,000	8.89	Interpolated FWD UST	2.891%	1.500%	4.390%	8/29 - 2/34	2/1/2034
A-3	$ 118,920,636	13.31	Interpolated FWD UST	2.906%	1.800%	4.706%	2/34 - 2/38	2/1/2038
Total / WA	**$ 356,720,636**	**8.54**				**4.500%**	**8/23 - 2/38**	**2/1/2038**

NOTES

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Break-Even Analysis [1][2][3][4][5][6][7]

	Securitization (Compared to FAC Method)	FAC Method (20 Years)	Securitization (Compared to AAO Method)	AAO Method (15 Years)
Storm Uri Costs (Including Carrying Costs)	$350,080,878	$308,304,983	$350,080,878	$347,504,534
Upfront Financing Costs	6,639,758	-	6,639,757.90	-
Total	$356,720,636	$308,304,983	$356,720,636	$347,504,534
Maximum Weighted Average Coupon	6.986%	8.900%	9.720%	8.900%
Term (years)	15	21	15	15
Monthly Payment	$3,203,541		$3,772,461	
Ongoing Costs (monthly)	$46,607		$46,607	
Monthly Revenue Requirement	$3,250,148	$2,211,115	$3,819,068	$3,573,488
Total Payments / Collected	$585,026,589	$557,201,041	$687,432,283	$643,227,919
WACC (Settled ER-2018-0146)		8.90%		8.90%
NPV Payments Discounted at WACC	$322,330,910	$322,330,910	$378,753,167	$378,753,167
NPV Securitization Benefit	$0		$0	
Weighted Average Coupon	4.500%		4.500%	
Cushion	2.486%		5.220%	

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Assumes triple-A ratings obtained from at least two major NRSRO's.
All bond payment dates will be semi-annual.
US Treasury Benchmarks are determined using interpolated Bloomberg Forward US Treasury Rates for 02/01/2023 effective date, as of 07/08/2022.
The FAC Method and AAO Method Storm Uri Costs assume deferral in rate base 1/1/23 then every four years thereafter.
The FAC Method Storm Uri Costs include $78.4 million collected over 12 months in the MO West FAC.
The FAC Method and AAO Method Monthly Revenue Requirement assume the average over the recovery period.