MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EF-2025-0245, Evergy Metro, Inc., d/b/a Evergy Missouri Metro

FROM: Johnny Garcia, Financial Analysis Department

/s/ *Seoung Joun Won, PhD* 06/16/2025
Financial Analysis Department / Date

SUBJECT: Staff Recommendation concerning the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro ("Evergy Metro," "Company," or "Applicant"), for Authority to issue, in principal amount, up to Four Hundred and Fifty Million Dollars ($450,000,000) of General Mortgage Bonds through December 31, 2025.

DATE: June 11, 2025

FINDING OF FACTS:

1. (a) **Type of Issue:** Senior secured indebtedness ("General Mortgage Bonds") issued under the Applicant's existing General Mortgage Indenture and Deed of Trust,[1] dated as of December 1, 1986 ("General Mortgage Indenture").[2]

(b) **Amount:** Up to $450,000,000.[3]

(c) **Rate:** Applicant will file a report with the Commission within ten (10) days of the issuance of any General Mortgage Bonds authorized in this case, including the amount of General Mortgage Bonds issued, date of issuance, interest rate (initial rate if variable), maturity date, and redemption schedules or special terms, if any.[4] ** [redacted][5] [redacted][6]**

[1] Paragraph 12, The Application.
[2] Paragraph 1, The Application.
[3] Paragraph 11, The Application.
[4] Paragraph 16, The Application.
[5] Staff Data Request No. 0004.
[6] Ibid

2. **Proposed Date(s) of Transaction:** ** [redacted] **[7] There is no specific transaction date contemplated at this time, however, the application is anticipated to cover any unsecured debt issuances during an approximate period following the effective date of an order approving the Applicant's proposed financing in this case extended to December 31, 2025.[8]

3. (a) **Statement of Purpose of the Issue:** Applicant seeks Commission financing authorization for general corporate purposes, including to repay senior secured notes, refinance existing short-term indebtedness, and fund capital investments.[9]

   (b) **From a financial perspective, does Staff deem this Statement of Purpose of the Issue reasonable?**

   Yes, with Staff's recommended conditions as indicated below on pages 6 & 7.

4. **Copies of executed instruments defining terms of the proposed securities:**

   No, the proposed securities have not been executed yet.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

   Yes.[10]

6. **Pro-forma Balance Sheet and Income Statement reviewed:**

   Yes.[11]

7. **Capital expenditure schedule reviewed:**

   Yes.[12]

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[7] Staff Data Request No. 0002.
[8] Paragraph 17, the Application.
[9] Paragraph 9, the Application.
[10] Exhibit 1, The Application.
[11] Staff Data Request 0001.
[12] Exhibit 2, The Application; Staff Data Request 0014.

8. **Journal entries required to be filed by Evergy Metro to allow for the Fee Schedule to be applied:**

Currently, the issuance amount of new long-term debt is unknown, therefore, there is no current anticipated fee schedule. The Applicant states its Supplemental Report of Financing Activity will include a statement identifying the portion of the issuances of long-term indebtedness that are subject to the fee schedule set forth in § 386.300 RSMo, in accordance with 20 CSR 4240-10.125(1)(F). It is expected that none of these debt issuances will be subject to the fee schedule in Section 386.300, RSMo.[13]

9. **Recommendation of the Staff:**

Conditional Approval recommended (see Comments and Recommended Conditions below).

<u>COMMENTS:</u>

Evergy Missouri Metro ("Evergy Metro") is a wholly-owned subsidiary of Evergy Inc.[14] Applicant is a corporation duly organized and existing under the laws of the State of Missouri, with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. The Company is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy in portions of eastern Kansas and western Missouri.[15]

On May 8, 2025, Evergy Metro filed an Application with the Commission requesting approval to issue up to $450 million of General Mortgage Bonds through December 31, 2025.[16] The General Mortgage Bonds will be senior and secured debt, as provided under the Applicant's General Mortgage Indenture.[17] Applicant seeks Commission financing authorization for general

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[13] Paragraph 16, The Application.
[14] S&P Capital IQ Pro – Evergy Metro, Inc. Retrieved May 23, 2025.
[15] Paragraph 1, The Application.
[16] Paragraph 11, The Application.
[17] Paragraph 12, The Application.

corporate purposes, including to repay senior secured notes, refinance existing short-term indebtedness, and fund capital investments.[18]

Applicant had $294.7 million of short-term indebtedness outstanding on December 31, 2024, (consisting of $158.7 million of commercial paper and $136.0 million of collateralized notes payable related to an accounts receivable securitization program).[19] As of December 31, 2024, Applicant's long-term indebtedness was $3,223.4 million, represented by (i) $1,600.0 million of collateralized Senior Secured Notes less $11.0 million of unamortized discounts and issuance costs; (ii) $1,465.5 million of General Mortgage Bonds (consisting of $79.5 million of collateralized tax-exempt debt less $1.3 million in three (3) unamortized discounts and issuance costs plus $1,400.0 million of taxable General Mortgage Bonds less $12.6 million of unamortized discounts and issuance costs); and (iii) $169.9 million of Environmental Improvement Revenue Refunding bonds less $1.0 million of unamortized discounts and issuance costs.[20]

The proposed new long-term debt will be used to repay $350 million of 3.65% senior secured notes due on August 15, 2025, repay outstanding short-term indebtedness, or finance capital investments, with the exact amount and issuance dates subject to market conditions.[21]

Staff has verified that Evergy Metro's future capital expenditures support the need to obtain additional debt financing.[22] Evergy Metro's 2025 total projected capital expenditures total ** [redacted] ** for the fiscal year.[23] Evergy Metro anticipates approximately ** [redacted] ** for capital expenditures in the period 2025 to 2029.[24] The total five-year capital expenditure plan compared to the requested long-term debt of $450,000,000 represents

[18] Paragraph 9, The Application.
[19] Paragraph 7, The Application.
[20] Paragraph 6, The Application.
[21] Paragraph 11, The Application.
[22] Exhibit 2, The Application; Staff Data Request 0014.
[23] Ibid.
[24] Ibid.

** [redacted] ** of the total projected capital expenditures.[25] Staff analyzed the pro forma impact of Evergy Metro's proposed debt financing on their balance sheet as of March 31, 2025, is as follows:[26]

	As of March 31, 2025,	**Pro Forma**
Common Equity	** [redacted] **	** [redacted] **
Total Debt	** [redacted] **	** [redacted] **
Long-Term Debt	** [redacted] **	** [redacted] **
Short-Term Debt	** [redacted] **	** [redacted] **

This transaction indicates a minimal change for the ratio of Total Debt to Common Equity. Common equity increases by ** [redacted] ** while Long-Term Debt increases ** [redacted] ** because new Long-Term Debt will be used to refinance Short-Term Debt.[27] The results of financial ratios, such as Funds from Operations ("FFO") to Debt, Debt to Earnings, ("EBITDA"), and Debt to Capital, indicate that all ratios for Evergy Metro's financial risk profile are not significantly changed by the approval of the Application. The FFO to Debt ratio changed from ** [redacted] **, which are both classified as "Significant."[28] The Debt to EBITDA sees no change from ** [redacted] **, which is classified as "Significant." The Total Debt to Total Capital shows a minimal increase from ** [redacted] **, which is classified as "Aggressive."[29] In the pro forma financial risk profile analysis, there was an insignificant change to each financial benchmark.

Staff has taken note of recent global developments, particularly the ongoing discussions and implementation of tariffs by the United States on various foreign countries. Over the past few

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[25] Ibid.
[26] Staff Data Request No. 0007.
[27] Ibid.
[28] The S&P classifies the various financial ratios from "Minimal" to "Highly Leveraged" based on a company's resulting financial risk. Table 2 – Financial Risk Indicative Ratios of Methodology: Business Risk/Financial Risk Matrix Expanded breaks down these ratios and risk levels. https://disclosure.spglobal.com/ratings/pt/regulatory/article/-/view/sourceId/7549527.
[29] Staff Data Request No. 0010.

months, these trade measures have sparked widespread debate and uncertainty, leading to increased volatility across financial markets. Investors and analysts alike are closely monitoring these events, as tariff-related news continues to influence market sentiment and drive fluctuations. As the situation evolves and new policies are introduced or adjusted, it is expected that this volatility will persist, impacting both domestic and international financial landscapes.[30]

In May 2025, The Federal Open Market Committee ("FOMC") of the Federal Reserve System ("Fed") decided to maintain the target range for the federal funds rate at 4.25% to 4.50% with the aim of bringing inflation back to its 2% objective.[31] ** [redacted] **[32] The new issuance of debt securities in the Application will not be detrimental to the public interest because Evergy Metro is a regular issuer of such debt securities with an investment grade rating which gives it access to relatively low-cost debt capital. As a result, the market is expected to be receptive to the proposed structure; and the secured ("First Mortgage Bonds") nature of the debt securities will provide for a more attractive rate option than long-term, unsecured debt. The new issuance of debt will also consist of fixed rate debt, which will not expose the public to the risk of rising interest rates for the selected term of the debt issuance. Additionally, issuance of long-term debt to repay senior secured note and commercial paper borrowings allows for continuity in the debt structure and preserves liquidity for essential operations and working capital needs.[33] ** [redacted] **[34] A portion of the short-term debt being refinanced consists of variable-rate obligations, including commercial paper and notes payable

[30] J.P. Morgan - https://www.jpmorgan.com/insights/global-research/current-events/us-tariffs
[31] Federal Reserve Bond- Federal Reserve issues FOMC statement; https://www.federalreserve.gov/monetarypolicy/files/monetary20250507a1.pdf
[32] Staff Data Request No. 0004.
[33] Staff Data Request No. 0013.
[34] Staff Data Request No. 0011.

under an accounts receivable securitization program. By replacing this variable-rate debt with fixed-rate long-term General Mortgage Bonds, the Company can lock in a known interest rate and mitigate exposure to rising interest rates. This shift enhances cost certainty and reduces potential volatility in interest expense, which in turn, minimizes the risk that such fluctuations could be passed on to ratepayers. The fixed-rate structure offers greater stability and predictability for both the Company and the public.

In addition, Staff has investigated the pro forma embedded cost of long-term debt and the historical 12-month average of embedded cost of short-term debt for Evergy Metro. The 12-month average embedded cost of short-term debt was equal to ** [redacted] **,[35] compared to pro forma embedded cost of long-term debt which is estimated to be ** [redacted] **.[36] This, in turn, shows that a replacement of short-term debt with long-term debt would be beneficial to the public interest, based on the 12-month historical weighted average embedded cost of short-term debt.

Staff applies the "not detrimental to the public interest" standard to financing applications. In reviewing requests for issuing financing, Staff analyzes the requested amount as it relates to the stated uses to ensure that the amount requested is reasonable, and that it generally supports long-term capital investment. Staff also analyzes the pro forma impact the requested financing may have on the company's credit metrics.

Consequently, the impact of the proposed issuance on Evergy Metro's financial risk is manageable and insignificant.

[35] Ibid
[36] Staff Data Request No. 0007.

RECOMMENDED CONDITIONS:

Staff recommends that the Commission approve the Application submitted by Evergy Metro in this case subject to the following conditions:

1. That the debt issuance approved in this case will have a ceiling rate of 7%.
2. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate-making purposes, and that the Commission reserves the right to consider the rate-making treatment to be afforded the financing transaction and its impact on cost of capital, in any future proceeding;
3. That the Company shall file with the Commission through its electronic filing and information system ("EFIS") in this case any information concerning communication with credit rating agencies concerning this issuance;
4. That the Company shall file with the Commission as a non-case related submission in EFIS under "Resources" - "Non-Case Related Query" - "Ordered Submission" any credit rating agency reports published on Evergy Metro's or Evergy Inc.'s corporate credit quality or the credit quality of its securities;
5. That to the extent that any non-regulated investments made by the Company or Evergy, Inc. and affiliated companies may potentially impact the Company's credit quality and resulting credit ratings, the Company shall notify Staff of such possibility and provide a status report to the Commission;
6. That the Company be required to file a five-year capitalization expenditure plan schedule in future finance cases;
7. That the Company shall file with the Commission within ten (10) days of issuance of any financing authorized pursuant to a Commission order in this proceeding, a report including the amount of secured indebtedness issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each

issuance. In addition, the Company shall also provide the analysis, to include but not be limited to, indicative pricing information provided by investment banks it performed to determine that the terms for the debt it decided to issue were the most reasonable at the time; and

8. That the Commission's grant of authority shall expire one year from the effective date of the order in this proceeding.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro for Authority to Issue Debt Securities	)))	**File No. EF-2025-0245**

AFFIDAVIT OF JOHNNY GARCIA

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW JOHNNY GARCIA, and on his oath states that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

JOHNNY GARCIA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 10th day of June 2025.

Dianna L. Vaught
Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377