

# Exhibit No. 200

Office of Public Counsel – Exhibit 200  
Robert E. Schallenberg  
Rebuttal Testimony  
File No. EU-2020-0350  
Aug. 17, 2020

**Exhibit No.:** \_\_\_\_\_  
**Issue(s)** Accounting Authority Order  
**Witness/Type of Exhibit:** Schallenberg/Rebuttal  
**Sponsoring Party:** Public Counsel  
**Case No.:** EU-2020-0350

**REBUTTAL TESTIMONY**  
  
**OF**  
  
**ROBERT E. SCHALLENBERG**

Submitted on Behalf of the Office of the Public Counsel

**EVERGY METRO, INC. D/B/A EVERGY METRO AND  
EVERGY MISSOURI WEST, INC. D/B/A EVERGY  
MISSOURI WEST**

CASE NO. EU-2020-0350

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**Denotes Confidential Information that has been Redacted**

August 17, 2020

**PUBLIC**

**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 and )  
Evergy Missouri West, Inc. d/b/a Evergy )  
Missouri West for an Accounting Authority )  
Order Allowing the Companies to Record )  
and Preserve Costs Related to Covid-19 )  
Expenses )


File No. EU-2020-0350

**VERIFICATION OF ROBERT E. SCHALLENBERG**

Robert E. Schallenberg, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my rebuttal testimony in the above-captioned case.

3. My answer to each question in the attached rebuttal testimony is true and correct to the best of my knowledge, information, and belief.

  
Robert E. Schallenberg  
Director of Policy  
Office of the Public Counsel

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**REBUTTAL TESTIMONY**

**OF**

**ROBERT E. SCHALLENBERG**

**EVERGY METRO, INC. D/B/A EVERGY MISSOURI METRO  
AND EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST**

**CASE NO. EU-2020-0350**

1 **Q: Please state your name and business address.**

2 A: My name is Robert E. Schallenberg. My business address is 200 Madison Street, Governor  
3 Office Building, Suite 650, P.O. Box 2230, Jefferson City, Missouri 65102.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by the Office of the Public Counsel (OPC) and serve as Director of Policy.

6 **Q: On whose behalf did you prepare this testimony?**

7 A: OPC.

8 **Q: Please describe your education, experience and employment history.**

9 A: My post high school educational history begins with an associate's degree in business from  
10 Kansas City' Metropolitan Junior College. I then received a bachelor's degree in business with an  
11 emphasis in Accounting from the University of Missouri at Kansas City. I began employment with  
12 the MoPSC as a regulatory auditor in November 1976. In May 1978, I took a position at the Kansas  
13 Corporation Commission (KCC). After five (5) months. I returned to the MoPSC as an audit  
14 supervisor. I held various positions until May 15, 2018 when I began employment with OPC in  
15 my current position. Schedule RES-R-1 reflects my experience in utility regulation

16 **Q: Have you testified in a proceeding before the Missouri Public Service Commission  
17 (MoPSC) or before any other utility regulatory agency?**

18 A: Yes. I have filed testimony and testified before the MoPSC, Kansas Corporation  
19 Commission (KCC), and the Federal Energy Regulatory Commission (FERC).

1 **Q: What is the purpose of your testimony?**

2 A: To explain my opposition to Evergy's requested accounting authority order (AAO).

3 My testimony covers the following:

- 4 1) Accounting authority orders (AAO) and Commission practice;
- 5 2) The nature of Evergy's request;
- 6 3) The absence of USOA "extraordinary" standard with materiality requirements
- 7 4) Evergy's proposed deferral of lost revenues and COVID-19 related costs;
- 8 5) Evergy's proposed deferral of carrying costs; and
- 9 6) The non-COVID-19 elements included in this request.

10 **AAOs and Commission Practice**

11 **Q. What is an Accounting Authority Order (AAO)?**

12 A. AAOs are not defined by statute or rule. MoPSC has rule 20 CSR 4240-20.030 Uniform  
13 System of Accounts – Electrical Corporations" (USOA). This rule states in its purpose that:

14 "PURPOSE: This rule directs electrical corporations within the commission's  
15 jurisdiction to use the uniform system of accounts prescribed by the Federal Energy  
16 Regulatory Commission for major electric utilities and licensees, as modified  
17 herein. Requirements regarding the submission of depreciation studies, databases  
18 and property unit catalogs are found at 4 CSR 240-3.160 and 4 CSR 240-3.175. "

19 Schedule RES-R-2 is a copy of the rule for ease of reference. This rule has also notes that:

20 "This uniform system of accounts provides instruction for recording financial  
21 information about electric utilities. It contains definitions, general instructions,  
22 electric plant instructions, operating expense instructions, and accounts that  
23 comprise the balance sheet, electric plant, income, operating revenues, and  
24 operation and maintenance expenses." 20 CSR 4240-20.030 (1)

25 (4) In prescribing this system of accounts, the commission does not commit itself  
26 to the approval or acceptance of any item set out in any account for the purpose of  
27 fixing rates or in determining other matters before the commission. This rule shall  
28 not be construed as waiving any recordkeeping requirement in effect prior to 1994.

29 (5) The commission may waive or grant a variance from the provisions of this rule,

1 in whole or in part, for good cause shown, upon a utility's written application. 20  
2 CSR 4240-20.030 (4)

3 (5) The commission may waive or grant a variance from the provisions of this rule,  
4 in whole or in part, for good cause shown, upon a utility's written application. 20  
5 CSR 4240-20.030 (5)

6 AAOs have developed into a vehicle to change the USOA base-line recording requirements under  
7 certain circumstances in lieu of a traditional waiver request. AAOs of the type requested in this  
8 case, are accounting changes made to facilitate future rate making proceedings. I categorize these  
9 AAOs for three distinct purposes. One purpose is to transfer expenses from a current period to an  
10 asset account to be considered for rate recovery in future rate proceedings. The second purpose, is  
11 to extend construction accounting for a significant asset that has been or will be placed into service  
12 before the asset can be included in customers' rates. These AAOs offset the reduction in the  
13 utility's income because of increased depreciation charges and elimination of the income credits  
14 for interest and profits used to fund the asset. Three, an AAO can serve as a holding account for a  
15 significant change (e.g. income tax reduction, plant retirements) until the item can have a chance  
16 to be included in rates.

17 **Q. Which type of AAO is being proposed in this case?**

18 A. This is a hybrid AAO. It is mainly the first type AAO with an added second type feature  
19 AAO, carrying costs. Thus the proposed AAO is seeking to defer expenses (i.e. bad debts),  
20 reduced revenues (i.e. waived late payment fees), and lost revenues (i.e. sales never made) with a  
21 carrying costs factor to increase the Companies' profits to their owner, Evergy Inc.

22 **Q. Are there any standards that must be satisfied for the MoPSC's approval of an AAO?**

23 A. Yes. The MoPSC rule 20. CSR 4240-20.030 requires the electric utilities under its  
24 regulation to maintain books and records in accordance with the Uniform System of Accounts  
25 (USOA) adopted by the Federal Energy Regulatory Commission (FERC). Under the USOA, net

1 income shall reflect all items of profit and loss during the period in which they occurred. However,  
2 the FERC also created an accounting exception for “extraordinary items” under the USOA.  
3 General Instruction Number 7 which allows the deferral of profits and losses to a different period  
4 in rare circumstances if the event or transaction is:

- 5 1) Unusual in nature and infrequent in occurrence;
- 6 2) Of significant effect;
- 7 3) Abnormal and significantly different from the ordinary and typical activities of  
8 the company;
- 9 4) Not reasonably be expected to recur in the foreseeable future; and
- 10 5) More than approximately 5% of income.

11 In the past, the Commission has employed an “extraordinary” standard for AAOs as specified in  
12 the USOA. An item must be extraordinary, including a requirement that it be of significant effect  
13 to qualify for deferral accounting. In this case, the proposed AAO does not have a significant  
14 effect. A significant effect is 5% of income or more. As a consequence, the Companies need a  
15 specific MoPSC order, an AAO, to be allowed to deviate from the normal USOA booking  
16 requirements.

17 **Q. What is Evergy’s and its affiliates current net income?**

18 A Evergy Inc.’s current net income for the year ending June 30, 2020 is \$633.5 million and  
19 earns a 7.43% return on equity on its year-end equity. I hold the opinion that average equity is the  
20 proper base for an accurate calculation but do not have such information at this time.

21 Evergy Metro Inc., formerly Kansas City Power and Light Company, has current net  
22 income for the same period of \$308.3 million and earned a 11.73% return on year-end equity. The  
23 5% of net income would be \$15.4 million on an after tax basis and \$20.19 million on the pretax



1 basis. The proposed AAO charges would be on a pretax basis. The information provided by Evergy  
2 in this case does not indicate the proposed AAO is material nor is there any evidence that the  
3 proposed AAO is material.

4 Evergy Kansas Central, Inc., the other publicly reported Evergy Inc. affiliate, had net  
5 income of \$228.6 for the year ending June 30, 2020 and earned a 5.57% return on year end equity.  
6 Schedule RES-R-3 is a copy of the calculation and the pages of Evergy's form 10K and 10Q used  
7 to develop these numbers.

8 Evergy Missouri Inc.'s net income for the year ending in June 30, 2020 is not publicly  
9 reported. In response to OPC data request 1001, the Companies \*\* \_\_\_\_\_

10 \_\_\_\_\_  
11 \_\_\_\_\_  
12 \_\_\_\_\_

13 \_\_\_\_\_ \*\*

14 **Q. Have you previously testified on the AAO matters?**

15  
16 A. Yes. I recently testified on an AAO requested by OPC and the Missouri Energy Consumers  
17 Group (MECG) on matters related to Evergy Missouri West customer rates being based on costs  
18 to operate a retired power plant. This matter was addressed by the Commission in File No. EC-  
19 2019-0200.

20 **Q. What standards did the Commission apply to its recent AAO approval regarding the**  
21 **Sibley 3 retirement in Case No. EC-2019-0200?**

22 A. The Commission required OPC and MECG to show the event or transaction in question  
23 was "extraordinary" consistent with the FERC's USOA General Instruction It required a showing  
24 that the items to be included in an AAO were "extraordinary" including its "materiality"

1 requirement consistent with the USOA General Instruction #7. FOOTNOTE GENERAL  
2 INSTRUCTION 7. The Commission did not discuss materiality in its order because it was not an  
3 issue in the case. The Commission's fact section noted that the item was more than 5% of income  
4 satisfying the USOA materiality component for an "Extraordinary Items".<sup>1</sup>

5 Instruction 7. "Extraordinary Items".

6 It is the intent that net income shall reflect all items of profit and loss during the period with the  
7 exception of prior period adjustments as described in paragraph 7.1 and long-term debt as  
8 described in paragraph 17 below. Those items related to the effects of events and transactions  
9 which have occurred during the current period and which are of unusual nature and infrequent  
10 occurrence shall be considered extraordinary items. Accordingly, they will be events and  
11 transactions of significant effect which are abnormal and significantly different from the ordinary  
12 and typical activities of the company, and which would not reasonably be expected to recur in the

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<sup>1</sup> Instruction 7. "Extraordinary Items". It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments as described in paragraph 7.1 and long-term debt as described in paragraph 17 below. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate. To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

7.1 *Prior period items.*

A. Items of profit and loss related to the following shall be accounted for as prior period adjustments and excluded from the determination of net income for the current year:

- (1) Correction of an error in the financial statements of a prior year.
- (2) Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carryforwards of purchased subsidiaries.

B. All other items of profit and loss recognized during the year shall be included in the determination of net income for that year.

1 foreseeable future. (In determining significance, items should be considered individually and not in  
2 the aggregate. However, the effects of a series of related transactions arising from a single specific  
3 and identifiable event or plan of action should be considered in the aggregate. To be considered as  
4 extraordinary under the above guidelines, an item should be more than approximately 5 percent of  
5 income, computed before extraordinary items. Commission approval must be obtained to treat an  
6 item of less than 5 percent, as extraordinary. (See accounts 434 and 435.)

7 *7.1 Prior period items.*

8 A. Items of profit and loss related to the following shall be accounted for as prior period  
9 adjustments and excluded from the determination of net income for the current year:

10 (1) Correction of an error in the financial statements of a prior year.

11 (2) Adjustments that result from realization of income tax benefits of pre-acquisition operating  
12 loss carryforwards of purchased subsidiaries.

13 B. All other items of profit and loss recognized during the year shall be included in the  
14 determination of net income for that year.

15 **Q. How is EC-2019-0200 relevant to this case?**

16 A. The key disagreement in the case was the extraordinary nature of the Sibley plant  
17 retirement. The Company asserted that plant retirements were not extraordinary and thus the Sibley  
18 plant retirement was not extraordinary. The Commission's approval of the AAO was consistent  
19 with the General Instruction #7 that extraordinary items were "events and transactions of  
20 significant effect which are abnormal and significantly different from **the ordinary and typical**  
21 **activities of the company**". In this case, the Company repeats its approach that extraordinary is  
22 based on the significance of COVID-19 nationally or globally. The Companies' makes no showing  
23 that their ordinary and normal activities have been significantly impacted by COVID-19 versus  
24 normal cycle of its economic environment.

25 **Q. Are the COVID-19 related costs and savings extraordinary to the Companies?**

26 A. No. As explained in more detail below for each item the Companies seek to defer or charge  
27 to the proposed AAO, the Companies have failed to satisfy requirements under USOA necessary  
28 to show an item is extraordinary and appropriate for a deferred. Schedule RES-R-4 is a copy of

1 the Companies' response to OPC's data request 1009 showing the format of their reporting and  
2 capturing of their COVID-19 cost and savings charges to the proposed AAO. This schedule shows  
3 that the costs and savings the Companies are experiencing due to COVID-19 are offsetting each  
4 other and have no financial impact on the Companies. Bad debt costs and waived late fee revenues  
5 account for approximately 100% of net costs charges to the proposed AAO.

6 **Q. What are the components and conditions of the proposed AAO?**

7 A. There are four (4) components that makeup the proposed AAO. The four (4) components  
8 are:

- 9 1) Lost revenues-revenues that the Companies seek to receive from sales they  
10 did not make;
- 11 2) Bad debts-Additional bad debt expense over the amount the Companies  
12 claim are recorded in their current rates;
- 13 3) Reduced Late Payment fees-The fees the Companies did not receive  
14 because they waived these charges through 2020; and
- 15 4) Carrying Costs for all charges to the AAO.

16 **Q. Why is the AAO's first component (lost revenues) contrary to the USOA's**  
17 **requirements?**

18 A. First, there is no documentation showing that the item is material or extraordinary. It should  
19 be noted that the group that designed the proposed AAO have no documentation to support its  
20 need, examination, analysis, recommendations, or approval. See response to OPC data request  
21 1006 in Schedule RES-R-9. There is no additional documentation supporting the companies'  
22 testimony to support the proposed AAO. There is no documentation showing that the lost revenues  
23 were directly caused by COVID-19. In fact the lost revenues are directly caused by customer

1 demand influenced by an economic downturn. Recessions are recurring events that are separate  
2 from the health issues of COVID-19.

3 **Q. Why is the AAO's second component (bad debts) contrary to the USOA's**  
4 **requirements?**

5 A. Bad debt increases and decreases are not extraordinary but are instead routine activities as  
6 the Companies determine whether to write-off accounts to bad debts on a daily basis. Schedule  
7 RES-R-7 shows the public information regarding the Companies' account receivable sales,  
8 borrowing, and allowances for credit losses. This information also discusses the impact of COVID-  
9 19 on its allowance for credit losses.

10 **Q. Why is the AAO's third component (reduced late fees) contrary to the USOA's**  
11 **requirements?**

12 A. Reduced late fees did not require the Companies to incur any costs, and were offered as a  
13 way to assist customers during the pandemic, without mention of any future intention to charge  
14 customers back for that foregone revenue. While I recognize reduced late fees appear to check a  
15 few of the necessary USOA deferral boxes (abnormal and not likely to recur), the Companies have  
16 not proven that the impact, even when aggregated with other impacts, was material under the  
17 USOA's 5% threshold.

18 **Q. Why is the AAO's fourth component (carrying costs) contrary to the USOA's**  
19 **requirements?**

20 A. Carrying costs are contrary to the USOA requirements as they are not related or caused by  
21 COVID-19. There is no change in the cash flow to the Companies when expenses are transferred

1 to an asset account. The change in cash flow only occurs, if at all, when new customer rates are  
2 established. If there is no change in cash flow, then there is no additional carrying costs to charge  
3 to this AAO.

4 **Q. How can the COVID-19 pandemic not be an extraordinary event?**

5 A. COVID-19 is an extraordinary event that has global effects. Every Missouri home and  
6 business is dealing with COVID-19 in one way or another, including the thousands of homes and  
7 businesses that receive electric service from Evergy, many of which are already suffering without  
8 having to shoulder Evergy's impact as well.. The existence of an extraordinary event does not  
9 alone constitute justification for an AAO deferral, as clearly outlined in the deferral requirements  
10 of the USOA.

11 **Q. How would a material adverse financial impact be measured?**

12 A. A material adverse financial impact would be measured by being 5% or more of a  
13 company's income. Currently the 5% material threshold is \$20.2 million for Evergy Metro, Inc.  
14 Evergy Missouri West. Inc.'s net income for the year ending June 30, 2020 has not been  
15 determined as current information create high materiality thresholds. .

16 **The Nature of Evergy's Request**

17 **Q: What is the impact of the COVID-19 pandemic on the Companies?**

18 A: Evergy Inc. stated the impact of the COVID-19 pandemic in its Form 10-Q filing to the  
19 SEC for the period ending June 30, 2020. Schedule RES-R-6 are the portions of this filing that  
20 address the COVID-19 topic. On pages 4 and 5 the SEC filing shows COVID-19 is listed as one  
21 of the "risks, uncertainties, and other factors that could cause actual results to differ from forward-  
22 looking information." COVID-19 is one of the approximately 20 risks, uncertainties, and other

1 factors of a not all-inclusive list of the items that could cause actual results to differ from forward  
2 looking information.

3 Pages 51 & 52 of the filing stated:

4 “The Evergy Companies have also temporarily implemented policies, and in the future may  
5 implement additional policies, that are intended to ease the financial burden of the  
6 pandemic on customers. These policies, such as temporarily extending payment options  
7 and offering incentives for customer payments on overdue balances as well as the  
8 elimination of late payment fees and disconnections for non-payment through July 15,  
9 2020, could lead to higher levels of credit loss expense and lower levels of operating cash  
10 flows compared to historical levels for the Evergy Companies. In addition, these policies,  
11 along with lower electric sales as a result of the overall reduction in demand discussed  
12 above, could also lead to the additional repayment of portions of the Evergy Companies'  
13 borrowings under receivable sale facilities.”

14 The Companies state that they have temporarily implemented policies that are intended to ease the  
15 financial burden of the pandemic on customers. This AAO, if approved, is intended to ease the  
16 financial burden of the pandemic on some customers by increasing the rates on all customers for  
17 costs and a profit.

18 “Evergy's management is actively monitoring, and will continue to monitor, the evolving  
19 impact of COVID-19 on its results of operations and any developments affecting its  
20 workforce and suppliers and will take additional actions as it believes are warranted. The  
21 situation is changing rapidly and future impacts may materialize that are not yet known.  
22 Accordingly, the extent to which COVID-19 and the factors noted above may impact the  
23 results of operations, financial condition, cash flows and liquidity of the Evergy Companies  
24 will depend on future developments that are highly uncertain and cannot be predicted,  
25 including new information concerning the severity and duration of the COVID-19 outbreak  
26 and the actions taken to contain it or to seek recovery of its impact, among others.”

27 The above statement shows the Companies don't know the financial impacts of COVID-19 on  
28 their operations and will not know for the foreseeable future.

29 Pages 69 – 71 of the report stated:

30 “The COVID-19 pandemic has had, and may continue to have, a significant impact on the  
31 way that the Evergy Companies conduct their operations and could adversely impact their  
32 results of operations, financial condition, cash flows and liquidity. “Emphasis added

1 The above statement shows that the Companies could have adverse COVID-19 financial impacts  
2 but can't state they currently have adverse financial impacts.

3 "The Evergy Companies have also temporarily implemented policies, and in the future may  
4 implement additional policies, that are intended to ease the financial burden of the  
5 pandemic on customers, such as temporarily extending payment options and offering  
6 incentives for customer payments on overdue balances as well as the elimination of late  
7 payment fees and disconnections for non-payment through July 15, 2020. There is also the  
8 possibility that legislation or regulations could be enacted at the federal or state level that  
9 would further restrict the Evergy Companies' ability to discontinue service to customers in  
10 the event of non-payment or to collect amounts owed from customers for service provided.  
11 These measures **could** result in an overall increase in customer non-payment or delay in  
12 the timely receipt of customer payments, which **could** result in a significant increase in the  
13 Evergy Companies' credit loss expense or significant decrease in operating cash flows.

14 Currently the Companies indicate these credit losses have had insignificant adjustments  
15 and cash flows are able to support construction budget. Schedule RES-R-7 is the copy of  
16 pages 30 and 31 of the Evergy 10-Q filing for the period ending June 30, 2020 referring to  
17 the status of its Accounts Receivable. The Evergy Companies are planning to make  
18 significant capital expenditures in 2020 and beyond, and they regularly conduct  
19 maintenance on their facilities. The pandemic could disrupt the supply chains that provide  
20 services and equipment to the Evergy Companies as part of their capital expenditures or  
21 maintenance efforts. If the Evergy Companies' supply chains are disrupted, the Evergy  
22 Companies may be unable to perform necessary maintenance, which could result in  
23 increased costs as the Evergy Companies implement contingency plans to allow them to  
24 continue to operate. Supply chain interruptions may also increase the cost of maintenance  
25 and capital expenditures or result in the delay or cancellation of planned projects, any of  
26 which could have a material adverse impact on the Evergy Companies' results of  
27 operations.

28 Any of these circumstances, or other impacts of the pandemic, could adversely affect  
29 customer demand or revenues, impact the ability of the Evergy Companies' suppliers,  
30 vendors or contractors to perform, or cause other unpredictable events, which could have  
31 a significant adverse impact on the results of operations, financial condition, liquidity and  
32 cash flows of the Evergy Companies."

33 As the above comments indicates that the Companies' future impact from the COVID -19  
34 pandemic **could** have a significant adverse financial impact to the Companies. The uncertain  
35 nature of the COVID-19 on the Companies make it impossible to quantify the potential adverse  
36 financial impacts at this time. This uncertainty leaves the Companies in a position that they cannot  
37 make a showing that the proposed AAO is material and is needed.



1 **Q. What costs do the Companies plan to defer to their AAO?**

2 A. The Companies identified the costs that they currently plan to defer in their response to  
3 OPC data request 1009. Schedule RES-R-4 is a copy of this response. The total of the Evergy  
4 Missouri Metro Inc. June 30, 2020 charges net offsets was \$2,901,150.30. Bad debts was  
5 \$2,042,292.34 of this amount and Late Fee revenue waived was \$859,561.82 of this amount. Bad  
6 debts and waived late fees account for the AAO charges as they total \$2,901,854. Evergy Missouri  
7 West June 30, 2020 charges net of offsets was \$2,114,263.52. Bad debts (\$1,868,504.00) and  
8 waived late fees (\$261,654.21) totaled \$2,130,158. Thus again, the Evergy Missouri West AAO  
9 charges consist totally of bad debts and waived late fee revenues. The Companies had no projected  
10 information to test the relationship going forward.

11 **Q. What is the Companies' current bad debt situation?**

12 A. The SEC 10-Q filing for the period ending June 30, 2020 addresses bad debts on pages 30  
13 and 31 of the filing. The Companies noted their making:

14 "an insignificant adjustment to their allowance for credit losses as of June 30, 2020  
15 to reflect their belief that historical loss information does not reflect current  
16 conditions that have resulted from the economic slowdown resulting from the  
17 Coronavirus (COVID-19) pandemic."

18 These pages provide a description of the Companies' account receivables, their sale, and bad debt  
19 situation. These pages are provided in Schedule RES-R-7.

20 **Q. How do the Companies plan to determine the costs that will be deferred shown in**  
21 **Schedule RES-R-4 under their AAO?**

22 A. The Companies have developed a reporting sheet that identifies the current charging or  
23 offsetting items that can be charged to the AAO. The current draft procedures do not identify the

1 charging methodology for each reporting item. There are indications that direct charging and a one  
2 way tracker will be used on some items. This reporting sheet is shown in Schedule RES-R-4.

3 **Q. What is a one way tracker?**

4 A. A tracker is a methodology where a baseline amount is established, usually in rate case,  
5 and the related actual expenditures are compared regularly to the baseline with the accumulated  
6 balance to be addressed in a future proceeding. A one way tracker is a methodology where the  
7 focus of the comparison is only on one side of the baseline. The Company proposes to use the  
8 amount of bad expense they portray was included in their current rates as the baseline compared  
9 to actual bad debts. If the actual bad debts exceed their baseline of what is included in current  
10 customer rates, the excess will be charged to the AAO as a COVID-19 bad debt.

11 **Q. Will the AAO be reduced if actual bad debts are less than the baseline of what the**  
12 **Companies' assert in their baseline?**

13 A. There is no mention of this process step. This is why the tracker is one way. The Companies  
14 are only interested in times their actual bad debts exceed their baselines and ignore the times when  
15 actual bad debts are less than their baseline bad debt targets. Thus the one way tracker is only  
16 focused on variation on one side of the baseline and ignores variation occurring on the other side  
17 of the baseline. See responds to OPC data request 1012.

18 **Q. Do the Companies design an AAO that gives the Companies the incentive to increase**  
19 **COVID-19 charges and a disincentive to find offsets to these charges?**

20 A. Yes. The Companies potentially increase their future profits with every charge to their  
21 AAO and reduce the profit level with every offsetting charge. The AAO has features that would

1 enable such actions to occur because the AAO has an open ended feature that anything can be  
2 charged to the AAO. There is no definition as to what AAO costs is and what is not. Mr. Klote in  
3 his direct testimony testifies starting at page 8, line 15 that:

4           ”The Company **believes there may be unfavorable impacts from the pandemic** that  
5 have not been identified at this time or will occur as the COVID-19 pandemic continues to  
6 progress.” The Company is requesting that if such unfavorable financial impacts are  
7 identified these costs be deferred for possible inclusion in rates in the next general rate  
8 case.” Emphasis added

9  
10 Mr. Klote recognizes Evergy’s AAO is based on speculative scenarios not based on actual events.  
11 The Companies designed an open-ended AAO that uses one-way trackers both to their customer  
12 detriment. Another open ended feature is that their AAO has no formal end date or explanation of  
13 when the AAO amortization begins and at what rate.

14 **Q. What would you recommend is the best indicator of any COVID-19 adverse financial**  
15 **impacts?**

16 A. The 2020 budget to actual result comparisons for year 2020.

17 **Q. Why?**

18 A. The budget would have been developed before the COVID-19 was known and would  
19 indicate the Companies’ planned operations without COVID-19 impacts and maintaining current  
20 customers’ rates. Actual to budget variance reports would identify the actual variances caused by  
21 COVID-19. See Schedule RES-R-5; response to Staff data request 0003 and Schedule RES-R-8’s  
22 confidential responses to Staff data request 0011.

1 **Proposed Deferral of Lost Revenues and COVID-19 Related Costs**

2 **Q. What is your position in this case on the deferral of COVID-19 related costs and lost**  
3 **revenues; that is those revenues that presumably would have occurred but for the COVID-**  
4 **19 pandemic?**

5 A. I am opposed to the deferral of bad debt costs and reduced late payment fees being  
6 recovered from future customer rates as well as the consideration of lost revenues in a future rate  
7 case through an AAO. Costs should be recorded when they occur against the revenues generated  
8 by current tariffs. Current rates already include monies for business risk.

9 Metro Inc. is earning 11.73% on year/end equity and its 5% threshold for materiality is  
10 \$20 million. Eversource Missouri West is not individually reported and I have been unable to acquire  
11 the information needed to determine the same financial results.

12 I am also opposed to “lost revenues” charges to the AAOs. The Companies tariffs are not  
13 based on a “take or pay” provisions that their customers are going to be billed for a certain amount  
14 of energy whether they use it or not. In the MoPSC cases cited by the Companies, no AAO included  
15 lost revenues. However in EU-2012-0027, the Commission allowed a specified amount of  
16 unrecovered fixed costs to be recorded to the AAO at issue. The Commission later did not credit  
17 those unrecovered fixed costs in the subsequent rate case. In case EU-2012-0027, the Commission  
18 approved an amount for unrecovered fixed costs not lost revenues. Eversource has not shown that  
19 customers reduced their electricity usage solely because of COVID-19. The Companies have no  
20 authority to charge customers for electricity that was not purchased by its customers.

21 I am also opposed to tracking lost revenues because Eversource should not be allowed profits  
22 from sales to customers that never occurred. This profit increase occurs when an AAO adds  
23 interests to the net costs and lost revenues recorded in the AAO. These carrying costs will further

1 increase the Companies' profits as they are credited as interest rate reductions and increased  
2 income for their owner, Evergy, Inc.

3 The Commission should also reject this AAO request because COVID-19 has no end in  
4 sight, meaning that Evergy will be able to continue deferring indefinitely. AAOs should be limited  
5 to non-recurring events, and not include no known end dates controlled by the utility.

6 The Commission should recognize that an AAO provides no immediate benefit for  
7 Evergy's revenues or cash flow. The Companies will incur no greater interest expense or capital  
8 costs just because these income items are transferred to an asset account. Revenues and cash  
9 expenditures will remain the same regardless of the AAO until new rates go into effects. There  
10 will be no incremental cash used by the Companies so the carrying cost charges do not apply. In  
11 the times that carrying costs were allowed; it was restricted to be at the Allowance For Funds Used  
12 During Construction (AFUDC) rate not at the higher rate being requested by the Companies. The  
13 recent Kansas order regarding the proposed AAO did not allow for carrying costs but allowed for  
14 the matter to be addressed in the Companies' next rate case. See response to OPC data request  
15 1015 contained in Schedule RES-R-9.

16 **Q: Are current rates sufficient for Evergy to address the COVID-19 pandemic?**

17 A: Yes. Current rates already account for a certain amount of business risk. The pre-existing  
18 equity risk premium currently in rates was described in the Commission's AAO order in Case  
19 Numbers EO-91-358 and EO-91-360. The first case was cited by the Companies in Mr. Ives' direct  
20 testimony on page 5, footnote 3 referring to the portion of the decision that granted the requested  
21 AAO. Mr. Ives omitted the other part of the decision that supports the Commission's denial of the  
22 other requested AAO for expenses already in rates as is the situation in this case. The discussion  
23 of the equity risk premium impact on current rates included in the order was:

1           “The analysis in the Callaway II decision can be extended to these cases as far as the  
2 Commission's discretion. Here, the Commission is only determining what should be  
3 considered in a later period and not the issue of recovery. Section 393 .140(4) authorizes  
4 the Commission to make this determination, as does the USDA adopted by the  
5 Commission. The Commission also believes that the analysis of the Court in the Callaway  
6 II case supports the Commission's authority. In that case the Court affirmed the  
7 Commission's decision and reasoning in its treatment of the cancellation costs associated  
8 with Callaway. **The Commission treated the cancellation costs as an extraordinary  
9 item and then held that UE had already recovered the costs through its rate of return  
10 authorized in previous decisions. UE at 623-624.**”(Emphasis Added)

11 As Mr. Murray points out in his rebuttal testimony, the current customers’ rates have a significant  
12 allowance to recover the items at issue in this case.

13 **Evergy’s Proposed Deferral of Carrying Costs**

14 **Q.     What are carrying costs issue?**

15 A.     Carrying costs are an additional charge similar to interest or AFUDC for the use of monies  
16 invested by another entity. Evergy proposes that carrying costs are to be added to all net charges  
17 to the AAO.

18 **Q.     What is your position on including carrying costs in Evergy’s proposed AAO?**

19 A.     They are not necessary and should be rejected for reasons I stated previously. The  
20 Commission should also take note that carrying costs are appropriately applied to a deferred asset  
21 cost (i.e. a utility asset that normally generates a return) as opposed to the expenses Evergy is  
22 seeking to track and defer.

23 **Q.     Regarding your discovery in this case and the Companies burden to show the  
24 justification for the proposed AAO, did you receive any documentation to support or verify  
25 the Companies’ need, analysis, examination, recommendation, and approval of this AAO?**

26 A.     No.

1 **Q. What did you find regarding the documentation supporting this AAO?**

2 A. In late April 2020, ten (10) Evergy Metro and Evergy Kansas Central employees began to  
3 examine the need for an AAO for the COVID-19 pandemic. See response to OPC DR 1002. All  
4 Evergy employees are either employed by Evergy Metro, Inc. or Evergy Kansas Central, Inc. See  
5 response to OPC DR 1000. The group that examined the need for this AAO consisted of six (6)  
6 Evergy Metro Inc. employees and four (4) Evergy Kansas Central Inc. employees. See response  
7 to OPC DR 1002. The Application for this case was filed May 6, 2020. No outside consultants  
8 were used to evaluate Evergy's need for this AAO. See response to OPC DR 1003. There was no  
9 list of any additional employees added to this group. See response to OPC DR 1004. \*\* \_\_\_\_\_

10 \_\_\_\_\_  
11 \_\_\_\_\_  
12 \_\_\_\_\_  
13 \_\_\_\_\_  
14 \_\_\_\_\_  
15 \_\_\_\_\_

16 \_\_\_\_\_ \*\* See response to OPC DR 1005.

17 The group conducted the initiation, examination, analysis, recommendation, and approval  
18 for Evergy to seek this AAO but did not create any documentation. See response to OPC DR 1006.  
19 The group did consider the COVID-19 impact on Evergy and its affiliate customers in the  
20 development of the AAO being sought in this case. However, the group's consideration of the  
21 COVID-19 impact on customers in the development of this AAO was again at a level that did not  
22 create any documentation. See response to OPC DR 1007. The Companies acknowledged that  
23 there was no correspondence with Evergy's external auditors regarding the subject of deferral or

1 rate treatment of COVID-19 financial impacts as of May 28, 2020. See response to Staff data  
2 request 0014.

3           The continued uncertainty of the COVID-19 pandemic is the reason that Evergy and its  
4 affiliates cannot produce prospective financial impacts of COVID-19 on Evergy. See response to  
5 OPC DR 1009. The Companies' witnesses' direct testimony produced no additional  
6 documentation other than the June 26, 2020 Ninth Amended Order 20-01 for Kansas City,  
7 Missouri. See response to OPC DR 1011. All of OPC non-confidential data request responses will  
8 include in RES-R-9. Response to Staff data request 0014 will be included Schedule RES-R-5.  
9 Confidential response to OPC data request 1005 is in Schedule RES-R-10.

10 **Conclusion**

11 **Q. How would you summarize your rebuttal testimony in this proceeding?**

12 A. The requested AAO is detrimental to the public interest in that it is designed to potentially  
13 increase the Companies' Missouri electric rates in future by charging customers for lost revenues  
14 today. Lost revenues are unjust charges to customers for utility service that was never provided.  
15 This AAO further expands its unjust and unreasonable customer treatment by increasing this lost  
16 revenue component for a profit markup on charges for electricity never used by its customers.

17           The requested AAO has no end date as to when the event will be ending. Evergy has also  
18 not demonstrated that the costs to be deferred are material and of significant effect. Evergy's AAO  
19 request also does not consider the fact that its customers are likely experiencing greater negative  
20 impacts than the Companies.



1           The Companies' financial position as evidenced by their 2<sup>nd</sup> quarter results, show the AAO  
2 charges should remain to be recorded against current revenues as its commercial and industrial  
3 customers must do in this environment.

4 **Q.     Does this conclude your rebuttal testimony?**

5 A.     Yes, it does.

## CASE PROCEEDING PARTICIPATION

## ROBERT E. SCHALLENBERG

<u>COMPANY</u>	<u>CASE NO.</u>
Summit Natural Gas of Missouri	GO-2012-0322
Spire Missouri, Inc.	GO-2019-0356 GO-2019-0357
Ameren Missouri	GR-2019-0077
Kansas City Power & Light Co.-Greater Missouri Operations	EC-2019-0200
Spire-Missouri Inc.	GO-2019-0115 GO-2019-0116
Kansas City Power & Light Co.	ER-2018-0145
Kansas City Power & Light Co.-Greater Missouri Operations	ER-2018-0146
Laclede Gas Company	GO-2016-0332 GO-2016-0333 GO 2017-0201 GO-2017-0202 GO-2018-0309 GO-2018-0310
Grain Belt Express Clean Line, LLC	EA-2016-0358
Spire, Inc. EnergySouth, Inc.	GM-2016-0342
Great Plains Energy, Inc. Westar Energy, Inc.	EM-2016-0324
Kansas City Power & Light Company	ER-2016-0285
The Empire District Electric Company, Liberty Utilities (Central) Co. and Liberty Sub Corp.	EM-2016-0213

**CASE PROCEEDING PARTICIPATION**

**ROBERT E. SCHALLENBERG**

Laclede Gas Company	GF-2015-0181
The Empire District Electric Company	AO-2012-0062
KCP&L Greater Missouri Operations Company	ER-2010-0356
Kansas City Power & Light Company	ER-2010-0355
Great Plains Energy Incorporated, Kansas City Power & Light Company	ER-2009-0090
Great Plains Energy Incorporated, Kansas City Power & Light Company	ER-2009-0089
Great Plains Energy Incorporated, Kansas City Power & Light Company, Aquila, Inc.	EM-2007-0374
Union Electric Company, d/b/a AmerenUE	ER-2007-0002
Missouri Pipeline Company	GC-2006-0491
Aquila, Inc.	ER-2005-0436
Union Electric Company, d/b/a AmerenUE	EA-2005-0180
Union Electric Company, d/b/a AmerenUE	EC-2002-1
Mississippi River Transmission	RP96-199-000
Williams Natural Gas Company	RP96-173-000
Williams Natural Gas Company	RP95-136-000
Williams Natural Gas Company	RP94-365-000
Laclede Gas Company	GR-94-220
Western Resources	GM-94-40
<b><u>COMPANY</u></b>	<b><u>CASE NO.</u></b>
Western Resources	GR-93-240
St. Joseph Light & Power Company	ER-93-41
Southwestern Bell Telephone Company	TC-93-224

**CASE PROCEEDING PARTICIPATION**

**ROBERT E. SCHALLENBERG**

St. Joseph Light & Power Company	EC-92-214
Kansas Power & Light Company	GR-91-291
Kansas Power & Light Company	EM-91-213
Arkansas Power & Light Company	EM-91-29
Missouri Public Service Company	ER-90-101
Southwestern Bell Telephone Company	TR-90-98
General Telephone	TR-89-182
Southwestern Bell Telephone Company	TO-89-56
Southwestern Bell Telephone Company	TC-89-14
Union Electric Company	EC-87-114
General Telephone	TC-87-57
General Telephone	TM-87-19
General Telephone	TR-86-148
Southwestern Bell Telephone Company	TR-86-84
Kansas City Power & Light Company	EO-85-185
Kansas City Power & Light Company	ER-85-128
Southwestern Bell Telephone Company	TR-83-253
Kansas City Power & Light Company	ER-83-49
Southwestern Bell Telephone Company	TR-82-199
Kansas City Power & Light Company	HR-82-67
Kansas City Power & Light Company	ER-82-66
Southwestern Bell Telephone Company	TO-82-3
Southwestern Bell Telephone Company	TR-81-208
Kansas City Power & Light Company	ER-81-42

**CASE PROCEEDING PARTICIPATION**

**ROBERT E. SCHALLENBERG**

<b><u>COMPANY</u></b>	<b><u>CASE NO.</u></b>
Southwestern Bell Telephone Company	TR-80-256
United Telephone Company of Missouri	TR-80-235
Kansas City Power & Light Company	ER-80-204
Kansas City Power & Light Company	ER-80-48
Kansas City Power & Light Company	ER-80-48
Southwestern Bell Telephone Company	TR-79-213
Gas Service Company	GR-79-114
Missouri Public Service Company	ER-79-60
Missouri Public Service Company	ER-79-61
Kansas City Power & Light Company	ER-78-252
Missouri Public Service Company	GR-78-30
Missouri Public Service Company	ER-78-29
Gas Service Company	GR-78-70
Kansas City Power & Light Company	ER-77-118

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Spire Missouri

Case No. GO-2019-0356 & GO-23019-0357  
Date: September, 27, 2019  
Area: Cost Recovery Mechanism

Summit Natural Gas of Missouri

Case No. GO-2012-0322  
Date: August 5, 2019 & August 26, 2019  
Area: Affiliate Transaction

Ameren Missouri Gas

Case No. GR-2019-0077  
Date: June 7, 2019  
Area: Affiliate Transaction/Capital Structure

Kansas City Power & Light Co.-Greater Missouri

Case No. EC-2019-0200  
Date: April 23, 2019  
Area: Accounting Order

Spire Missouri Inc.

Case No. GO-2019-0115 and GO-2019-0116  
Date: March 29, 2019  
Areas: Cost Recovery Mechanism

Kansas City Power & Light Co. and Kansas City Power & Light Co.-Greater Missouri  
Operations

Case No. ER-2018-0145 and ER-2018-0146  
Date: June 19, 2018 (Direct); July 27, 2018 (Rebuttal); and September 4, 2018 (Surrebuttal)  
Areas: Policy, Productivity, Affiliate Transactions, Capital Structure

Laclede Gas Company

Case Nos. GO-2016-0332; GO-2016-0333; GO-2017-0201; GO-2017-0202; GO-2018-0309;  
GO-2018-0310  
Date August 22, 2018  
Areas: Cost Recovery Mechanism, Infrastructure System Replacement Surcharge (ISRS)

Grain Belt Express Clean Line, LLC

Case No. EA-2016-0358  
Date: January 24, 2017 (Rebuttal Report)  
Areas: Public Comments

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Spire, Incorporated  
EnergySouth, Inc.  
Case No. GM-2016-0342  
Date: September 1, 2016 (Investigation Report)  
Areas: Affiliated Transactions

Great Plains Energy Incorporated  
Westar Energy, Inc.  
Case No. EM-2016-0324  
Date: July 25, 2016 (Investigation Report)  
Areas: Affiliated Transactions

Kansas City Power & Light Company  
Case No. ER-2016-0285  
Date: January 27, 2017 (Surrebuttal)  
Areas: Affiliate Transactions

The Empire District Electric Company,  
Liberty Utilities (Central) Co. and Liberty Sub Corp.  
Case No. EM-2016-0213  
Date: July 20, 2016 (Rebuttal)  
Areas: Affiliated Transactions

Laclede Gas Company  
Case No. GF-2015-0181  
Date: June 18, 2015 (Affidavit)  
Areas: Finance Authority

The Empire District Electric Company  
Case No. AO-2012-0062  
Date: September 9, 2016 (Direct)  
Areas: Affiliated Transactions; Cost Allocation Manual

KCP&L Greater Missouri Operations Company  
Case No. ER-2010-0356  
Date: November 4, 2010 (Report)  
Areas: Construction Audit and Prudence Review

Kansas City Power & Light Company  
Case No. ER-2010-0355  
Date: November 4, 2010 (Report)  
Areas: Construction Audit and Prudence Review

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Great Plains Energy Incorporated,  
Kansas City Power & Light Company  
Case No. ER-2009-0090  
Date: April 9, 2009 (Surrebuttal)  
Areas: Iatan Prudence Review

Great Plains Energy Incorporated,  
Kansas City Power & Light Company  
Case No. ER-2009-0089  
Date: April 7, 2009 (Surrebuttal)  
Areas: Iatan Prudence Review

Great Plains Energy Incorporated,  
Kansas City Power & Light Company, Aquila, Inc.  
Case No. EM-2007-0374  
Date: October 12, 2007 (Rebuttal and  
Staff Report of Evaluation and Recommendations)  
Areas: GPE Acquisition of Aquila

Union Electric Company, d/b/a AmerenUE  
Case No. ER-2007-0002  
Date: February 28, 2007 (Surrebuttal)  
Areas: EEInc.  
Date: January 31, 2007 (Rebuttal)  
Areas: EEInc. and 4 CSR 240-10.020

Missouri Pipeline Company  
Case No. GC-2006-0491  
Date: September 6, 2006 (Direct)  
November 17, 2006 (Surrebuttal)  
Areas: Affiliate Transactions, Tariff Violations and Associated Penalties;  
Transportation Tariffs

Aquila, Inc.  
Case No. ER-2005-0436  
Date: October, 14 2005 (Direct)  
December 13, 2005 (Surrebuttal)  
Areas: Unit Ownership Costs



**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Union Electric Company, d/b/a AmerenUE

Case No. EA-2005-0180

Date: October 15, 2005 (Rebuttal)

Areas: East Transfer

Union Electric Company d/b/a AmerenUE

Case No. EC-2002-1

Date: June 24, 2002 (Surrebuttal)

Area: Overview, 4 CSR 240-10.020, Alternative Regulation Plan

Laclede Gas Company

Case No. GR-94-220

Date: July 1, 1994 (Direct)

Areas: Property Taxes, Manufactured Gas Accruals, Deregulated Cost Assignments

Western Resources, Inc.,

dba Gas Service, a Western Resources Company

Case No. GM-94-40

Date: November 29, 1993 (Rebuttal)

Areas: Jurisdictional Consequences of the Sale of Missouri Gas Properties

Kansas Power & Light Company

Case No. EM-91-213

Date: April 15, 1991 (Rebuttal)

Areas: Purchase of Kansas Gas & Electric Company

Arkansas Power & Light Company and Union Electric Company

Case No. EM-91-29

Date: 1990-1991

Areas: No pre-filed rebuttal testimony by Staff before non-unanimous stipulation and agreement reached.

General Telephone Company of the Midwest

Case No. TM-87-19

Date: December 17, 1986

Areas: Merger

Union Electric Company

Case No. EC-87-114

Date: September 9, 1987 (Surrebuttal)

Date: April 24, 1987 (Direct)

Areas: Elimination of Further Company Phase-In Increases, Write-Off of Callaway I to Company's Capital Structure

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

General Telephone Company of the Midwest

Case No. TC-87-57

Date: December 22, 1986

Areas: Background and Overview, GTE Service Corporation, Merger Adjustment,  
Adjustments to Income Statement

Southwestern Bell Telephone Company

Case No. TR-86-84

Date: 1986

No prefiled direct testimony by Staff - case settled before Staff direct testimony filed.

Kansas City Power & Light Company

Case Nos. EO-85-185 and ER-85-128

Date: April 11, 1985

Areas: Phase I - Electric Jurisdictional Allocations

Date: June 21, 1985

Areas: Phase III - Deferred Taxes Offset to Rate Base

Date: July 3, 1985

Areas: Phase IV - 47% vs. 41.5% Ownership, Interest, Phase-In, Test Year/True-Up,  
Decision to Build Wolf Creek, Non-Wolf Creek Depreciation Rates, Depreciation  
Reserve

Southwestern Bell Telephone Company

Case No. TR-83-253

Date: September 23, 1983

Areas: Cost of Divestiture Relating to AT&T Communications, Test Year, True-Up,  
Management Efficiency and Economy

Kansas City Power & Light Company

Case No. ER-83-49

Date: February 11, 1983

Areas: Test Year, Fuel Inventories, Other O&M Expense Adjustment, Attrition Adjustment,  
Fuel Expense-Forecasted Fuel Prices, Deferred Taxes Offset to Rate Base

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Kansas City Power & Light Company

Case Nos. ER-82-66 and HR-82-67

Date: March 26, 1982

Areas: Indexing/Attrition, Normalization vs. Flow-Through, Deferred Taxes as an Offset to Rate Base, Annualization of Amortization of Deferred Income Taxes, Cost of Money/Rate of Return, Allocations, Fuel Inventories, Iatan AFDC Associated with AEC Sale, Forecasted Coal and Natural Gas Prices, Allowance for Known and Measurable Changes

Southwestern Bell Telephone Company

Case No. TR-82-199

Date: August 27, 1982

Areas: License Contract, Capitalized Property Taxes, Normalization vs. Flow-Through, Interest Expense, Separations, Consent Decree, Capital Structure Relationship

Generic Telecommunications

Straight Line Equal Life Group and Remaining Life Depreciation Methods

Case No. TO-82-3

Date: December 23, 1981

Areas: Depreciation

Southwestern Bell Telephone Company

Case No. TR-81-208

Date: August 6, 1981

Areas: License Contract, Flow-Through vs. Normalization

Kansas City Power & Light Company

Case No. ER-81-42

Date: March 13, 1981

Areas: Iatan (AEC Sale), Normalization vs. Flow-Through, Allocations, Allowance for Known and Measurable Changes

Southwestern Bell Telephone Company

Case No. TR-80-256

Date: October 23, 1980

Areas: Flow-Through vs. Normalization

United Telephone Company of Missouri

Case No. TR-80-235

Date: December 1980

Areas: Rate of Return

**CASE SUMMARY OF INVOLVEMENT  
OF  
ROBERT E. SCHALLENBERG**

Kansas City Power & Light Company

Case Nos. ER-80-48 and ER-80-204

Date: March 11, 1980

Areas: Iatan Station Excess Capacity, Interest Synchronization, Allocations

Southwestern Bell Telephone Company

Case No. TR-79-213

Date: October 19, 1979

Areas: Income Taxes, Deferred Taxes

Gas Service Company

Case No. GR-79-114

Date: June 15, 1979

Areas: Deferred Taxes as an Offset to Rate Base

Missouri Public Service Company

Case Nos. ER-79-60 and GR-79-61

Date: April 9, 1979

Areas: Depreciation Reserve, Cash Working Capital

Missouri Public Service Company

Case Nos. ER-78-29 and GR-78-30

Date: August 10, 1978

Areas: Fuel Expense, Electric Materials and Supplies, Electric and Gas Prepayments,  
Electric and Gas Cash Working Capital, Electric Revenues

While in the employ of the Kansas State Corporation Commission in 1978, Mr. Schallenberg worked on a Gas Service Company rate case and rate cases of various electric cooperatives.



(5) A regulated electric corporation may not engage in or assist any affiliated entity or utility contractor in engaging in HVAC services in a manner which subsidizes the activities of such regulated electric corporation, affiliated entity or utility contractor to the extent of changing the rates or charges for the regulated electric corporation's services above or below the rates or charges that would be in effect if the regulated electric corporation were not engaged in or assisting any affiliated entity or utility contractor in engaging in such activities.

(6) Any affiliated entities or utility contractors engaged in HVAC services shall maintain accounts, books and records separate and distinct from the regulated electric corporation.

(7) The provisions of this rule shall apply to any affiliated entity or utility contractor engaged in HVAC services that is owned, controlled or under common control with a regulated electric corporation providing regulated services in the state of Missouri or any other state.

(8) A regulated electric corporation engaging in HVAC services in the state of Missouri five (5) years prior to August 28, 1998, may continue providing, to existing as well as new customers, the same type of services as those provided by the regulated electric corporation five (5) years prior to August 28, 1998.

(A) To qualify for this exemption, the regulated electric corporation shall file a pleading before the commission for approval.

1. The commission may establish a case to determine if the regulated electric corporation qualifies for an exemption under this rule.

(9) The provisions of this section shall not be construed to prohibit a regulated electric corporation from providing emergency service, providing any service required by law or providing a program pursuant to an existing tariff, rule or order of the commission.

**AUTHORITY:** sections 386.760.1, RSMo Supp. 1998 and 393.140, RSMo 1994. \* This rule originally filed as 4 CSR 240-20.017. Original rule filed Dec. 17, 1998, effective Aug. 30, 1999. Moved to 20 CSR 4240-20.017, effective Aug. 28, 2019.

\*Original authority: 386.760.1, RSMo 1998 and 393.140, RSMo 1939, amended 1949, 1967.

### 20 CSR 4240-20.030 Uniform System of Accounts—Electrical Corporations

**PURPOSE:** This rule directs electrical corporations within the commission's jurisdiction to use the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for major electric utilities and licensees, as modified herein. Requirements regarding the submission of depreciation studies, databases and property unit catalogs are found at 4 CSR 240-3.160 and 4 CSR 240-3.175.

(1) Beginning January 1, 1994, every electrical corporation subject to the commission's jurisdiction shall keep all accounts in conformity with the Uniform System of Accounts Prescribed for Public Utilities and Licensees subject to the provisions of the Federal Power Act, as prescribed by the Federal Energy Regulatory Commission (FERC) and published at 18 CFR Part 101 (1992) and 1 FERC Stat. & Regs. paragraph 15,001 and following (1992), except as otherwise provided in this rule. This uniform system of accounts provides instruction for recording financial information about electric utilities. It contains definitions, general instructions, electric plant instructions, operating expense instructions, and accounts that comprise the balance sheet, electric plant, income, operating revenues, and operation and maintenance expenses.

(2) When implementing section (1), each electrical corporation subject to the commission's jurisdiction shall—

(A) Keep its accounts in the manner and detail specified for electric utilities and licensees classified as major at Part 101 General Instructions 1.A. and paragraph 15,011.1.A.; and

(B) Assemble by July 1, 1996, and maintain after that, a property unit catalog which contains for each designated property unit, in addition to the provisions of Part 101 General Instructions 6. and paragraph 15,016—

1. A description of each unit;
2. An item list; and
3. Accounting instructions, including instructions for distinguishing between operations expense, maintenance expense and capitalized plant improvements.

(3) Regarding plant acquired or placed in service after 1993, when implementing section (1), each electrical corporation subject to the commission's jurisdiction shall—

(A) Maintain plant records of the year of each unit's retirement as part of the "continuing plant inventory records," as the term is

otherwise defined at Part 101 Definitions 8. and paragraph 15,001.8.;

(B) State the detailed electric plant accounts (301 to 399, inclusive) on the basis of original cost, estimated if not known, when implementing the provisions of Part 101 Electric Plant Instructions 1.C. and paragraph 15,051.1.C.;

(C) Record electrical plant acquired as an operating unit or system at original cost, estimated if not known, except as otherwise provided by the text of the intangible plant accounts, when implementing the provisions of Part 101 Electric Plant Instructions 2.A. and paragraph 15,052.2.A.;

(D) Account for the cost of items not classified as units of property as it would account for the cost of individual items of equipment of small value or of short life, as provided in Part 101 Electric Plant Instructions 3.A.(3) and paragraph 15,053.3.A.(3);

(E) Include in equipment accounts any hand or other portable tools which are specifically designated as units of property, when implementing the provisions of Part 101 Electric Plant Instructions 9.B. and paragraph 15,059.9.B.;

(F) Use the list of retirement units contained in its property unit catalog when implementing the provisions of Part 101 Electric Plant Instructions 10.A. and paragraph 15,060.10.A.;

(G) Estimate original cost with an appropriate average of the original cost of the units by vintage year, with due allowance for any difference in size and character, when it is impracticable to determine the original cost of each unit, when implementing the provisions of Part 101 Electric Plant Instructions 10.D. and paragraph 15,060.10.D.;

(H) Charge original cost less net salvage to account 108., when implementing the provisions of Part 101 Electric Plant Instructions 10.F. and paragraph 15,060.10.F.;

(I) Keep its work order system so as to show the nature of each addition to or retirement of electric plant by vintage year, in addition to the other requirements of Part 101 Electric Plant Instructions 11.B. and paragraph 15,061.11.B.;

(J) Maintain records which classify, for each plant account, the amounts of the annual additions and retirements so as to show the number and cost of the various record units or retirement units by vintage year, when implementing the provisions of Part 101 Electric Plant Instructions 11.C. and paragraph 15,061.11.C.;

(K) Maintain subsidiary records which separate account 108. according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance



Sheet Account 108.C. and paragraph 15,110.108.C.;

(L) Maintain subsidiary records which separate account 111. according to primary plant accounts or subaccounts when implementing the provisions of Part 101 Balance Sheet Accounts 111.C. and paragraph 15,113.111.C.; and

(M) Keep mortality records of property and property retirements as will reflect the average life of property which has been retired and will aid in estimating probable service life by actuarial analysis of annual additions and aged retirements when implementing the provisions of Part 101 Income Accounts 403.B. and paragraph 15,404.403.B.

(4) In prescribing this system of accounts, the commission does not commit itself to the approval or acceptance of any item set out in any account for the purpose of fixing rates or in determining other matters before the commission. This rule shall not be construed as waiving any recordkeeping requirement in effect prior to 1994.

(5) The commission may waive or grant a variance from the provisions of this rule, in whole or in part, for good cause shown, upon a utility's written application.

*AUTHORITY: sections 386.250 and 393.140, RSMo 2000.\* This rule originally filed as 4 CSR 240-20.030. Original rule filed Dec. 19, 1975, effective Dec. 29, 1975. Amended: Filed April 26, 1976, effective Sept. 11, 1976. Amended: Filed Feb. 5, 1993, effective Oct. 10, 1993. Amended: Filed March 19, 1996, effective Oct. 30, 1996. Amended: Filed Aug. 16, 2002, effective April 30, 2003. Moved to 20 CSR 4240-20.030, effective Aug. 28, 2019.*

*\*Original authority: 386.250, RSMo 1939, amended 1963, 1967, 1977, 1980, 1987, 1988, 1991, 1993, 1995, 1996 and 393.140, 1939, amended 1949, 1967.*

#### 20 CSR 4240-20.045 Electric Utility Applications for Certificates of Convenience and Necessity

*PURPOSE: This proposed rule outlines the requirements for applications to the commission, pursuant to section 393.170.1 and 393.170.2, RSMo, requesting that the commission grant a certificate of convenience and necessity to an electric utility for a service area or to operate or construct an electric generating plant, an electric transmission line, or a gas transmission line that facilitates the operation of an electric generating plant.*

(1) Definitions. As used in this rule, the following terms mean:

(A) Asset means:

1. An electric generating plant, or a gas transmission line that facilitates the operation of an electric generating plant, that is expected to serve Missouri customers and be included in the rate base used to set their retail rates regardless of whether the item(s) to be constructed or operated is located inside or outside the electric utility's certificated service area or inside or outside Missouri; or

2. Transmission and distribution plant located outside the electric utility's service territory, but within Missouri;

(B) Construction means:

1. Construction of new asset(s); or

2. The improvement, retrofit, or rebuild of an asset that will result in a ten percent (10%) increase in rate base as established in the electric utility's most recent rate case;

(C) Construction does not include:

1. The construction of an energy generation unit that has a capacity of one (1) megawatt or less; or

2. The construction of utility-owned solar facilities as required under section 393.1665, RSMo;

3. Periodic, routine, or preventative maintenance; or

4. Replacement of equipment or devices with the same or substantially similar items due to failure or near term projected failure as long as the replacements are intended to restore the asset to an operational state at or near a recently rated capacity level.

(2) Certificate of convenience and necessity.

(A) An electric utility must obtain a certificate of convenience and necessity prior to—

1. Providing electric service to retail customers in a service area pursuant to section 393.170.2, RSMo;

2. Construction of an asset pursuant to section 393.170.1, RSMo; or

3. Operation of an asset pursuant to section 393.170.2, RSMo.

(B) The commission may, by its order, impose upon the issuance of a certificate of convenience and necessity such condition or conditions as it may deem reasonable and necessary.

(C) In determining whether to grant a certificate of convenience and necessity, the commission may, by its order, make a determination on the prudence of the decision to operate or construct an asset subject to the commission's subsequent review of costs and applicable timelines.

(D) An electric utility must exercise the authority granted within two (2) years from the grant thereof.

(3) In addition to the general requirements of 4 CSR 240-2.060(1), the following additional general requirements apply to all applications for a certificate of convenience and necessity, pursuant to sections 393.170.1 and .2, RSMo:

(A) The application shall include facts showing that granting the application is necessary or convenient for the public service;

(B) If an asset to be operated or constructed is outside Missouri, the application shall include plans for allocating costs, other than regional transmission organization/independent system operator cost sharing, to the applicable jurisdiction; and

(C) If any of the items required under this rule are unavailable at the time the application is filed, the unavailable items may be filed prior to the granting of authority by the commission, or the commission may grant the certificate subject to the condition that the unavailable items be filed before authority under the certificate is exercised.

(4) If the application is for authorization to provide electric service to retail customers in a service area for the electric utility under section 393.170.2, RSMo, the application shall also include:

(A) A list of those entities providing regulated or nonregulated retail electric service in all or any part of the service area proposed, including a map that identifies where each entity is providing retail electric service within the area proposed;

(B) If there are ten (10) or more residents or landowners, the name and address of no fewer than ten (10) persons residing in the proposed service area or of no fewer than ten (10) landowners, in the event there are no residences in the area, or, if there are fewer than ten (10) residents or landowners, the name and address of all residents and landowners;

(C) The legal description of the service area to be certificated;

(D) A plat of the proposed service area drawn to a scale of one-half inch (1/2") to the mile on maps comparable to county highway maps issued by the state's Department of Transportation or a plat drawn to a scale of two thousand feet (2,000') to the inch; and

(E) A feasibility study containing plans and specifications for the utility system, plans for financing, proposed rates and charges, and an estimate of the number of customers, revenues, and expenses during the first three (3) years of operations.

(5) If the application is for authorization to operate assets under section 393.170.2, RSMo, the application shall also include:

(A) A description of the asset(s) to be

Evergy Inc.

YE 12-31-19	669.9
YTD 6-30-20	202.8
YTD 6-30-19	-239.2

YE 6-30-20	633.5	8526.9	7.43%
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Kansas Central

YE 12-31-19	343.4
YTD 6-30-19	-126.7
YTD 6-30-20	11.9

YE 6-30-20	228.6	4102.6	5.57%
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Metro Inc.

YE 12-31-19	255.2
YTD 6-30-20	128.5
YTD 6-30-19	-75.4

YE 6-30-20	308.3	2629.3	11.73%
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5%

15.415  
20.19365

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2019**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_



Exact name of registrant as specified in its charter,  
state of incorporation, address of principal  
executive offices and telephone number

Commission  
File Number

I.R.S. Employer  
Identification Number

001-38515

EVERGY, INC.  
(a Missouri corporation)  
1200 Main Street  
Kansas City, Missouri 64105  
(816) 556-2200

82-2733395

001-03523

EVERGY KANSAS CENTRAL, INC.  
(formerly Westar Energy, Inc.)  
(a Kansas corporation)  
818 South Kansas Avenue  
Topeka, Kansas 66612  
(785) 575-6300

48-0290150

000-51873

EVERGY METRO, INC.  
(formerly Kansas City Power & Light Company)  
(a Missouri corporation)  
1200 Main Street  
Kansas City, Missouri 64105  
(816) 556-2200

44-0308720

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which  
registered

Evergy, Inc. common stock

EVRG

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: Evergy Kansas Central, Inc. Common Stock \$0.01 par value and Evergy Metro, Inc. Common Stock without par value.



**EVERGY, INC.**  
**Consolidated Statements of Comprehensive Income**

Year Ended December 31	2019	2018	2017
	(millions, except per share amounts)		
<b>OPERATING REVENUES</b>	\$ 5,147.8	\$ 4,275.9	\$ 2,571.0
<b>OPERATING EXPENSES:</b>			
Fuel and purchased power	1,265.0	1,078.7	541.5
SPP network transmission costs	251.3	259.9	247.9
Operating and maintenance	1,218.5	1,115.8	563.5
Depreciation and amortization	861.7	618.8	371.7
Taxes other than income tax	365.5	269.1	167.6
Total Operating Expenses	3,962.0	3,342.3	1,892.2
<b>INCOME FROM OPERATIONS</b>	1,185.8	933.6	678.8
<b>OTHER INCOME (EXPENSE):</b>			
Investment earnings	11.0	8.8	4.0
Other income	26.9	15.5	8.3
Other expense	(76.9)	(78.7)	(39.1)
Total Other Expense, Net	(39.0)	(54.4)	(26.8)
Interest expense	374.0	279.6	171.0
<b>INCOME BEFORE INCOME TAXES</b>	772.8	599.6	481.0
Income tax expense	97.0	59.0	151.2
Equity in earnings of equity method investees, net of income taxes	9.8	5.4	6.7
<b>NET INCOME</b>	685.6	546.0	336.5
Less: Net income attributable to noncontrolling interests	15.7	10.2	12.6
<b>NET INCOME ATTRIBUTABLE TO EVERGY, INC.</b>	\$ 669.9	\$ 535.8	\$ 323.9
<b>BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO EVERGY (see Note 1)</b>			
Basic earnings per common share	\$ 2.80	\$ 2.50	\$ 2.27
Diluted earnings per common share	\$ 2.79	\$ 2.50	\$ 2.27
<b>AVERAGE COMMON SHARES OUTSTANDING</b>			
Basic	239.5	213.9	142.5
Diluted	239.9	214.1	142.6
<b>COMPREHENSIVE INCOME</b>			
<b>NET INCOME</b>	\$ 685.6	\$ 546.0	\$ 336.5
<b>OTHER COMPREHENSIVE INCOME</b>			
Derivative hedging activity			
Loss on derivative hedging instruments	(64.4)	(5.4)	—
Income tax benefit	16.5	1.4	—
Net loss on derivative hedging instruments	(47.9)	(4.0)	—
Reclassification to expenses, net of tax	1.5	—	—
Derivative hedging activity, net of tax	(46.4)	(4.0)	—
Defined benefit pension plans			
Net gain (loss) arising during period	(0.8)	1.4	—
Income tax expense (benefit)	0.2	(0.4)	—
Net gain (loss) arising during period, net of tax	(0.6)	1.0	—
Change in unrecognized pension expense, net of tax	(0.6)	1.0	—
Total other comprehensive loss	(47.0)	(3.0)	—
<b>Comprehensive income</b>	638.6	543.0	336.5
Less: comprehensive income attributable to noncontrolling interest	15.7	10.2	12.6
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO EVERGY, INC.</b>	\$ 622.9	\$ 532.8	\$ 323.9

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**EVERGY KANSAS CENTRAL, INC.**  
**Consolidated Statements of Income**

Year Ended December 31	2019	2018	2017
		(millions) -	
OPERATING REVENUES	\$ 2,507.4	\$ 2,614.9	\$ 2,571.0
OPERATING EXPENSES:			
Fuel and purchased power	493.0	599.2	541.5
SPP network transmission costs	251.3	259.9	247.9
Operating and maintenance	530.5	640.7	563.5
Depreciation and amortization	443.8	390.9	371.7
Taxes other than income tax	192.3	173.7	167.6
Total Operating Expenses	1,910.9	2,064.4	1,892.2
INCOME FROM OPERATIONS	596.5	550.5	678.8
OTHER INCOME (EXPENSE):			
Investment earnings (loss)	4.1	(0.6)	4.0
Other income	23.1	13.9	8.3
Other expense	(40.1)	(46.8)	(39.1)
Total Other Expense, Net	(12.9)	(33.5)	(26.8)
Interest expense	177.0	176.8	171.0
INCOME BEFORE INCOME TAXES	406.6	340.2	481.0
Income tax expense (benefit)	52.1	(4.3)	151.2
Equity in earnings of equity method investees, net of income taxes	4.6	4.6	6.7
NET INCOME	359.1	349.1	336.5
Less: Net income attributable to noncontrolling interests	15.7	10.2	12.6
NET INCOME ATTRIBUTABLE TO EVERGY KANSAS CENTRAL, INC.	\$ 343.4	\$ 338.9	\$ 323.9

The disclosures regarding Evergy Kansas Central included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**EVERGY METRO, INC.**  
**Consolidated Statements of Comprehensive Income**

Year Ended December 31	2019	2018	2017
	(millions)		
OPERATING REVENUES	\$ 1,806.5	\$ 1,823.1	\$ 1,890.7
OPERATING EXPENSES:			
Fuel and purchased power	482.1	520.6	480.7
Operating and maintenance	451.9	494.2	474.8
Depreciation and amortization	318.4	281.3	266.3
Taxes other than income tax	127.6	117.2	182.5
Total Operating Expenses	1,380.0	1,413.3	1,404.3
INCOME FROM OPERATIONS	426.5	409.8	486.4
OTHER INCOME (EXPENSE):			
Investment earnings	2.4	2.8	2.0
Other income	3.2	2.2	9.2
Other expense	(21.4)	(30.9)	(50.8)
Total Other Expense, Net	(15.8)	(25.9)	(39.6)
Interest expense	119.8	133.7	138.8
INCOME BEFORE INCOME TAXES	290.9	250.2	308.0
Income tax expense	35.7	87.3	128.2
NET INCOME	\$ 255.2	\$ 162.9	\$ 179.8
COMPREHENSIVE INCOME			
NET INCOME	\$ 255.2	\$ 162.9	\$ 179.8
OTHER COMPREHENSIVE INCOME			
Derivative hedging activity			
Reclassification to expenses, net of tax:	0.7	3.7	4.6
Derivative hedging activity, net of tax	0.7	3.7	4.6
Total other comprehensive income	0.7	3.7	4.6
COMPREHENSIVE INCOME	\$ 255.9	\$ 166.6	\$ 184.4

The disclosures regarding Evergy Metro included in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



View:



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2020**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_



Commission File Number	Exact name of registrant as specified in its charter, state of incorporation, address of principal executive offices and telephone number	I.R.S. Employer Identification Number
001-38515	<b>EVERGY, INC.</b> (a Missouri corporation) 1200 Main Street Kansas City, Missouri 64105 (816) 556-2200	82-2733395
001-03523	<b>EVERGY KANSAS CENTRAL, INC.</b> (a Kansas corporation) 818 South Kansas Avenue Topeka, Kansas 66612 (785) 575-6300	48-0290150
000-51873	<b>EVERGY METRO, INC.</b> (a Missouri corporation) 1200 Main Street 6	44-0308720

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**EVERGY, INC.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2020	2019	2020	2019
	(millions, except per share amounts)			
<b>OPERATING REVENUES</b>	<b>\$ 1,184.7</b>	<b>\$ 1,221.7</b>	<b>\$ 2,301.4</b>	<b>\$ 2,438.6</b>
<b>OPERATING EXPENSES:</b>				
Fuel and purchased power	258.1	291.6	516.3	621.6
SPP network transmission costs	69.7	62.8	131.7	126.3
Operating and maintenance	272.7	288.6	560.9	595.5
Depreciation and amortization	221.6	215.4	440.1	429.0
Taxes other than income tax	90.9	91.6	183.2	184.9
Total Operating Expenses	913.0	950.0	1,832.2	1,957.3
<b>INCOME FROM OPERATIONS</b>	<b>271.7</b>	<b>271.7</b>	<b>469.2</b>	<b>481.3</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment earnings	3.1	2.6	2.3	5.8
Other income	7.6	6.1	9.9	14.3
Other expense	(14.9)	(18.1)	(37.6)	(37.5)
Total Other Expense, Net	(4.2)	(9.4)	(25.4)	(17.4)
Interest expense	99.5	95.4	195.7	186.5
<b>INCOME BEFORE INCOME TAXES</b>	<b>168.0</b>	<b>166.9</b>	<b>248.1</b>	<b>277.4</b>
Income tax expense	33.7	24.4	43.8	33.7
Equity in earnings of equity method investees, net of income taxes	2.0	2.1	4.2	4.3
<b>NET INCOME</b>	<b>136.3</b>	<b>144.6</b>	<b>208.5</b>	<b>248.0</b>
Less: Net income attributable to noncontrolling interests	2.9	4.9	5.7	8.8
<b>NET INCOME ATTRIBUTABLE TO EVERGY, INC.</b>	<b>\$ 133.4</b>	<b>\$ 139.7</b>	<b>\$ 202.8</b>	<b>\$ 239.2</b>
<b>BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO EVERGY, INC. (see Note 1)</b>				
Basic earnings per common share	\$ 0.59	\$ 0.57	\$ 0.89	\$ 0.96
Diluted earnings per common share	\$ 0.59	\$ 0.57	\$ 0.89	\$ 0.96
<b>AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	227.2	243.2	227.1	248.0
Diluted	227.6	243.4	227.6	248.2
<b>COMPREHENSIVE INCOME</b>				
<b>NET INCOME</b>	<b>\$ 136.3</b>	<b>\$ 144.6</b>	<b>\$ 208.5</b>	<b>\$ 248.0</b>
Derivative hedging activity				
Loss on derivative hedging instruments	—	(21.2)	—	(35.0)
Income tax benefit	—	5.4	—	9.0
Net loss on derivative hedging instruments	—	(15.8)	—	(26.0)
Reclassification to expenses, net of tax	(1.0)	—	0.3	—
Derivative hedging activity, net of tax	(1.0)	(15.8)	0.3	(26.0)
Defined benefit pension plans				

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**EVERGY, INC.**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2020	December 31 2019
<b>LIABILITIES AND EQUITY</b>		
(millions, except share amounts)		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 350.8	\$ 251.1
Current maturities of long-term debt of variable interest entities	18.8	32.3
Notes payable and commercial paper	467.0	561.9
Collateralized note payable	297.0	339.0
Accounts payable	332.8	528.8
Accrued taxes	200.2	145.1
Accrued interest	92.8	122.3
Regulatory liabilities	51.7	63.3
Asset retirement obligations	66.7	71.3
Accrued compensation and benefits	61.1	59.2
Other	147.2	161.6
Total Current Liabilities	2,086.1	2,335.9
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net	9,281.2	8,746.7
Long-term debt of variable interest entities, net	—	18.8
Deferred income taxes	1,602.2	1,744.4
Unamortized investment tax credits	188.2	375.4
Regulatory liabilities	2,581.2	2,248.3
Pension and post-retirement liability	1,007.6	1,017.6
Asset retirement obligations	619.1	602.8
Other	357.9	340.7
Total Long-Term Liabilities	15,637.4	15,094.7
Commitments and Contingencies (Note 10)		
<b>EQUITY:</b>		
Evergy, Inc. Shareholders' Equity:		
Common stock - 600,000,000 shares authorized, without par value 226,825,105 and 226,641,443 shares issued, stated value	7,073.5	7,070.4
Retained earnings	1,524.1	1,551.5
Accumulated other comprehensive loss	(49.8)	(50.0)
Total Evergy, Inc. Shareholders' Equity	8,547.8	8,571.9
Noncontrolling Interests	(20.9)	(26.6)
Total Equity	8,526.9	8,545.3
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 26,250.4</b>	<b>\$ 25,975.9</b>

The accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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**EVERGY KANSAS CENTRAL, INC.**  
**Consolidated Statements of Income (Loss)**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2020	2019	2020	2019
	(millions)			
<b>OPERATING REVENUES</b>	<b>\$ 570.8</b>	<b>\$ 585.5</b>	<b>\$ 1,130.9</b>	<b>\$ 1,182.3</b>
<b>OPERATING EXPENSES:</b>				
Fuel and purchased power	102.1	107.7	201.3	230.4
SPP network transmission costs	69.7	62.8	131.7	126.3
Operating and maintenance	115.2	127.4	238.9	256.0
Depreciation and amortization	113.5	110.6	225.6	220.4
Taxes other than income tax	49.1	49.4	97.7	97.3
Total Operating Expenses	449.6	457.9	895.2	930.4
<b>INCOME FROM OPERATIONS</b>	<b>121.2</b>	<b>127.6</b>	<b>235.7</b>	<b>251.9</b>
<b>OTHER INCOME (EXPENSE):</b>				
Investment earnings	4.1	0.9	2.4	2.4
Other income	6.5	3.4	8.6	10.7
Other expense	(5.7)	(8.5)	(17.2)	(19.1)
Total Other Income (Expense), Net	4.9	(4.2)	(6.2)	(6.0)
Interest expense	45.8	47.5	87.4	92.4
<b>INCOME BEFORE INCOME TAXES</b>	<b>80.3</b>	<b>75.9</b>	<b>142.1</b>	<b>153.5</b>
Income tax expense	118.9	9.9	126.7	20.4
Equity in earnings of equity method investees, net of income taxes	1.0	1.2	2.2	2.4
<b>NET INCOME (LOSS)</b>	<b>(37.6)</b>	<b>67.2</b>	<b>17.6</b>	<b>135.5</b>
Less: Net income attributable to noncontrolling interests	2.9	4.9	5.7	8.8
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EVERGY KANSAS CENTRAL, INC.</b>	<b>\$ (40.5)</b>	<b>\$ 62.3</b>	<b>\$ 11.9</b>	<b>\$ 126.7</b>

The disclosures regarding Evergy Kansas Central included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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**EVERGY KANSAS CENTRAL, INC.**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2020	December 31 2019
(millions, except share amounts)		
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ —	\$ 250.0
Current maturities of long-term debt of variable interest entities	18.8	32.3
Notes payable and commercial paper	215.0	249.2
Collateralized note payable	146.0	171.0
Accounts payable	159.8	200.5
Related party payables	17.7	14.8
Accrued taxes	105.0	98.7
Accrued interest	45.0	74.2
Regulatory liabilities	40.0	42.3
Asset retirement obligations	23.3	23.3
Other	132.7	130.2
Total Current Liabilities	903.3	1,286.5
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net	3,930.4	3,436.1
Long-term debt of variable interest entities, net	—	18.8
Deferred income taxes	819.3	817.7
Unamortized investment tax credits	66.6	253.2
Regulatory liabilities	1,402.0	1,132.5
Pension and post-retirement liability	467.7	495.5
Asset retirement obligations	258.7	249.6
Other	185.6	151.8
Total Long-Term Liabilities	7,130.3	6,555.2
Commitments and Contingencies (Note 10)		
<b>EQUITY:</b>		
Evergy Kansas Central, Inc. Shareholder's Equity:		
Common stock - 1,000 shares authorized, \$0.01 par value, 1 share issued	2,737.6	2,737.6
Retained earnings	1,385.9	1,494.0
Total Evergy Kansas Central, Inc. Shareholder's Equity	4,123.5	4,231.6
Noncontrolling Interests	(20.9)	(26.6)
Total Equity	4,102.6	4,205.0
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 12,136.2</b>	<b>\$ 12,046.7</b>

The disclosures regarding Evergy Kansas Central included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.



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**EVERGY METRO, INC.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended June 30		Year to Date June 30	
	2020	2019	2020	2019
	(millions)			
<b>OPERATING REVENUES</b>	<b>\$ 424.3</b>	<b>\$ 437.0</b>	<b>\$ 799.8</b>	<b>\$ 862.4</b>
<b>OPERATING EXPENSES:</b>				
Fuel and purchased power	101.3	116.2	193.8	251.1
Operating and maintenance	98.5	108.0	204.4	230.0
Depreciation and amortization	82.8	79.9	164.2	158.8
Taxes other than income tax	29.2	31.0	61.2	63.7
Total Operating Expenses	<u>311.8</u>	<u>335.1</u>	<u>623.6</u>	<u>703.6</u>
<b>INCOME FROM OPERATIONS</b>	<u>112.5</u>	<u>101.9</u>	<u>176.2</u>	<u>158.8</u>
<b>OTHER INCOME (EXPENSE):</b>				
Investment earnings	0.3	0.6	0.8	1.4
Other income	1.1	0.3	1.1	1.1
Other expense	(5.9)	(5.8)	(13.3)	(10.8)
Total Other Expense, Net	<u>(4.5)</u>	<u>(4.9)</u>	<u>(11.4)</u>	<u>(8.3)</u>
Interest expense	<u>27.7</u>	<u>29.6</u>	<u>56.3</u>	<u>63.4</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>80.3</u>	<u>67.4</u>	<u>108.5</u>	<u>87.1</u>
Income tax expense (benefit)	<u>(22.6)</u>	<u>8.0</u>	<u>(20.0)</u>	<u>11.7</u>
<b>NET INCOME</b>	<u>\$ 102.9</u>	<u>\$ 59.4</u>	<u>\$ 128.5</u>	<u>\$ 75.4</u>
<b>COMPREHENSIVE INCOME</b>				
NET INCOME	<u>\$ 102.9</u>	<u>\$ 59.4</u>	<u>\$ 128.5</u>	<u>\$ 75.4</u>
<b>OTHER COMPREHENSIVE INCOME:</b>				
Derivative hedging activity				
Reclassification to expenses, net of tax	0.2	(0.1)	0.1	0.8
Derivative hedging activity, net of tax	0.2	(0.1)	0.1	0.8
Total other comprehensive income (loss)	<u>0.2</u>	<u>(0.1)</u>	<u>0.1</u>	<u>0.8</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 103.1</u>	<u>\$ 59.3</u>	<u>\$ 128.6</u>	<u>\$ 76.2</u>

The disclosures regarding Evergy Metro included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

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**EVERGY METRO, INC.**  
**Consolidated Balance Sheets**  
(Unaudited)

	June 30 2020	December 31 2019
<b>LIABILITIES AND EQUITY</b>		
(millions, except share amounts)		
<b>CURRENT LIABILITIES:</b>		
Notes payable and commercial paper	\$ 30.0	\$ 199.3
Collateralized note payable	103.0	118.0
Accounts payable	147.1	233.6
Related party payables	12.5	4.6
Accrued taxes	65.3	38.8
Accrued interest	27.1	26.7
Regulatory liabilities	9.3	11.4
Asset retirement obligations	32.2	36.1
Accrued compensation and benefits	34.7	45.1
Other	30.4	34.0
Total Current Liabilities	491.6	747.6
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net	2,922.3	2,525.0
Deferred income taxes	520.4	642.8
Unamortized investment tax credits	119.0	119.6
Regulatory liabilities	884.4	792.2
Pension and post-retirement liability	516.4	499.7
Asset retirement obligations	225.2	217.5
Other	166.7	180.0
Total Long-Term Liabilities	5,354.4	4,976.8
Commitments and Contingencies (Note 10)		
<b>EQUITY:</b>		
Common stock - 1,000 shares authorized, without par value, 1 share issued, stated value	1,563.1	1,563.1
Retained earnings	1,061.3	1,012.8
Accumulated other comprehensive income	4.9	4.8
Total Equity	2,629.3	2,580.7
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 8,475.3</b>	<b>\$ 8,305.1</b>

The disclosures regarding Evergy Metro included in the accompanying Notes to Unaudited Consolidated Financial Statements are an integral part of these statements.

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/10/2020

Question:1009

What is Evergy and its affiliates' most current estimate of the current and prospective financial impacts for Evergy due to COVID-19?

Response:

See the attached file for the current COVID-19 tracking schedule updated through June 2020. Due to the continued uncertainty of the pandemic, projections are not available at this time.

Response by: Amy Murray, Lead Regulatory Analyst

Attachments:

Q1009\_MO Metro and MO West COVID Tracking schedule through June 2020.xlsx  
Q1009\_Verification.pdf

COVID 19 AAO Tracking Schedule  
Every Missouri Metro

Non-Labor

Categories	Cost Area	Cost Type	Prior to Code Set Up - March 2020	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	TOTAL 2020
Bad Debt	Uncollectibles/Bad Debt	Charging of Arrears		288,579.60	893,418.50	21,042.69	839,251.55	0.00	0.00	0.00	0.00	0.00	0.00	2,042,292.34
Other Customer	Other Customer Costs	Late Fees Revenues (Fees waived through end of 2020)	0.00	288,579.60	893,418.50	21,042.69	839,251.55	0.00	0.00	0.00	0.00	0.00	0.00	859,561.92
		12-month payment plan		59,402.22	289,479.08	287,397.15	224,283.37							
		1-month payment plan - Pay Your Balance Now					1,529.63							
		4-month PA Credit Incentive					5,000.00							
Other Customer	Media/Advertising	New program set up (like Connections) to help pay bills			7,723.37	(7,671.32)	15,480.91							
		Communication to all customers - postage, printing			7,723.37	(7,671.32)	15,480.91							
IT	IT Costs	Internet connectivity, Hardware purchased for home use, Licensing fees for home use, headsets, misc...	92,038.42			10,399.98	467.46							
		Consulting Fees				309.85	5,019.61							
		Contractor Labor												
		Materials - equipment purchased for home use	92,038.42			10,699.83	5,487.06							114,360.40
Supply Chain/PP	Supply Chain	Supply Chain Disruptions												
Supply Chain/PP	PowerPlant - other Hawthorn, LaCygne, Iatan	Sequestering - sleeping bags, beds, cots, air mattresses												
		Sequestering - freezers, food												
		Sequestering - hotel arrangements												
		Sequestering - misc supplies				23.07								
		Temperature testing				10,412.31								
		Janitorial Services				912.93								
		IT Costs												
		Catch up maintenance												
		Fuel for incremental vehicles												
Supply Chain/PP	Power Plant - Wolf Creek	Sequestering - Misc.			31,744.64	13,791.22								65,873.45
		Sequestering - 7 day food supply												
		Sequestering - trailer to house supplies												
		Sequestering - air mattresses, cots, pillows, etc.												
		Temperature testing												
		NRC Compliance - Incremental												
		Cleaning Supplies, Hand sanitizer												
		Donation of gloves to hospital												
		Hardware/Remote system connectivity for home use	20,337.58											
Supply Chain/PP	Facilities/Security	Janitorial Services		6,777.48	24,648.14	1,365.15	19,844.13							
		Expense Reports - meals, mileage, parking		142.71	617.41	686.41	1,126.20							
		Misc Office Supplies - cleaning supplies, hand sanitizers, etc.												
		Equipment Rentals												
		Temperature Testing - locations other than Power Plants												
		Safety & Medical supplies												
		Contractor labor - furniture & carpentry work												
Potential Offsets	Potential Offsets	Reduced travel costs, conferences, training, office supplies		(46,109.21)	(77,064.11)	(79,897.78)	(86,785.16)							(402,076.63)
		Reduction in electricity & other costs at offices		(6,518.17)	(37,877.28)	(50,114.58)	(18,690.34)							
		Payroll Tax Credits		(52,627.39)	(114,961.99)	(129,012.36)	(105,475.51)							
		TOTAL	112,376.01	301,274.63	1,168,413.05	245,412.79	1,073,673.82							2,901,150.30

COVID 19 AAO Tracking Schedule  
Every Missouri West

Non-Labor

Categories	Cost Area	Cost Type	Prior to Code Set Up - March 2020	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	TOTAL 2020
Bad Debt	Uncollectibles/Bad Debt	Charging of Arrears	18,923.25	621,092.25	488,054.25	740,434.25							
		12-month payment plan	18,923.25	621,092.25	488,054.25	740,434.25							
Other Customer	Other Customer Costs	Late Fees Revenues (Fees waived through end of 2020)	14,546.07	91,546.95	84,770.02	70,791.18							261,654.21
		1-month payment plan				1,397.32							
		4-month PA Credit Incentive				3,675.00							
Other Customer	Media/Advertising	New program set up (like Connections) to help pay bills											
		Communication to all customers - postage, printing											
		Outside Vendor - strategy											
		Customer Relief Credits-Boasley											
		LIHEAP programs-Schaffer											
		Misc											
IT	IT Costs	Internet connectivity, Hardware purchased for home use,											
		Licensing fees for home use, headsets, misc...											
		Consulting Fees	64,514.84										
		Contractor Labor											
		Materials - equipment purchased for home use	64,514.84										64,514.84
Supply Chain/PP	Supply Chain	Supply Chain Disruptions											
Supply Chain/PP	PowerPlant - other JEC, Iatan, Lake Road	Sequestering - sleeping bags, beds, cots, air mattresses											
		Sequestering - freezers, food											
		Sequestering - hotel arrangements											
		Sequestering - misc supplies											
		Temperature testing											
		Janitorial Services		4.74	3,764.80	413.12							
		IT Costs		614.95									
		Catch up maintenance											
		Fuel for incremental vehicles											
Supply Chain/PP	Facilities/Security	Janitorial Services											
		Expense Reports - meals, mileage, parking	574.65	1,955.70	6,509.73	4,981.98							
		Misc Office Supplies - cleaning supplies, hand sanitizers, etc.				144.90							
		Equipment Rentals											
		Temperature Testing - locations other than Power Plants											
		Contractor labor - furniture & carpentry work											
Potential Offsets	Potential Offsets	Reduced travel costs, conferences, training, office supplies											
		Reduction in electricity & other costs at offices											
		Payroll Tax Credits											
		TOTAL	64,514.64	691,494.27	551,230.89	781,217.73							2,114,283.52

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Bolin Kim Interrogatories - MPSC\_20200528  
Date of Response: 6/16/2020

Question:0015

What is the start date for the measurement for the impacts of COVID-19? Data Request submitted by Kim Bolin (kim.bolin@psc.mo.gov).

Response:

The Company intends to use March 1, 2020 as the start date for tracking of COVID 19 incremental costs and savings.

Response by: Amy Murray, Lead Regulatory Analyst

Attachment: Q0015\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Bolin Kim Interrogatories - MPSC\_20200528  
Date of Response: 6/16/2020

Question:0010

Which FERC USOA account will the deferred costs and savings be booked to? Data Request submitted by Kim Bolin (kim.bolin@psc.mo.gov).

Response:

Deferred COVID-19 costs net of savings would be booked to FERC account 182.3 Other Regulatory Assets.

Response provided by Leigh Anne Jones, Accounting

Attachment: Q0010\_Verification.pdf

**Missouri Public Service Commission****Respond Data Request**

<b>Data Request No.</b>	0003
<b>Company Name</b>	Evergy Missouri Metro-Investor(Electric)
<b>Case/Tracking No.</b>	EU-2020-0350
<b>Date Requested</b>	5/28/2020
<b>Issue</b>	General Information & Miscellaneous - Other General Info & Misc.
<b>Requested From</b>	Bradley J Lutz
<b>Requested By</b>	Jamie Myers
<b>Brief Description</b>	Savings due to COVID-19
<b>Description</b>	Please quantify for each of the following categories the savings that Evergy Missouri Metro and Evergy Missouri West has realized due to the COVID-19 pandemic to date: external travel costs, external training costs, and utilities for office use. Also provide a current annual projection for each of these costs. Please update on a monthly basis. Data Request submitted by Kim Bolin (kim.bolin@psc.mo.gov).
<b>Response</b>	Please see the attached information.
<b>Objections</b>	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **EU-2020-0350** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Evergy Missouri Metro-Investor(Electric)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Evergy Missouri Metro-Investor(Electric)** and its employees, contractors, agents or others employed by or acting in its behalf.

<b>Security :</b>	Public
<b>Rationale :</b>	NA



Evergy, Inc.  
 Evergy MO Metro and Evergy MO West  
 Travel and Entertainment, Conferences, and Utilities  
 2020 Actual vs Budget

Line #

Evergy Metro Consolidated:								
Actual Expense:								
	January	February	March	April	May	June	Total	
3	Travel and Entertainment	\$ 117,967	\$ 87,357	\$ 75,856	\$ 20,706	\$ 12,342	\$ (4,905)	\$ 309,324
4	Conferences	10,517	42,820	7,878	(1,211)	3,922	5,990	69,917
5	Utilities	178,073	175,414	172,403	115,315	93,038	150,244	884,487
6	Total	\$ 306,557	\$ 305,591	\$ 256,137	\$ 134,811	\$ 109,302	\$ 151,330	\$ 1,263,728
Budget Expense:								
	January	February	March	April	May	June	Total	
9	Travel and Entertainment	\$ 151,186	\$ 156,290	\$ 173,585	\$ 173,911	\$ 157,114	\$ 181,539	\$ 993,626
10	Conferences	42,702	48,227	58,162	57,600	60,296	57,870	324,856
11	Utilities	195,377	195,434	58,147	195,834	193,638	194,240	1,032,671
12	Total	\$ 389,265	\$ 399,951	\$ 289,894	\$ 427,346	\$ 411,048	\$ 433,649	\$ 2,351,152
Favorable/(Unfavorable):								
	January	February	March	April	May	June	Total	
15	Travel and Entertainment	\$ 33,219	\$ 68,933	\$ 97,729	\$ 153,205	\$ 144,772	\$ 186,444	\$ 684,302
16	Conferences	32,184	5,406	50,284	58,811	56,374	51,879	254,939
17	Utilities	17,304	20,020	(114,256)	80,519	100,600	43,996	148,183
18	Total	\$ 82,708	\$ 94,360	\$ 33,757	\$ 292,535	\$ 301,746	\$ 282,319	\$ 1,087,424
Evergy MO Metro:								
20	MO Allocation Factor:	57.9%						
Actual Expense:								
	January	February	March	April	May	June	Total	
21	Travel and Entertainment	\$ 68,279	\$ 50,562	\$ 43,906	\$ 11,985	\$ 7,144	\$ (2,839)	\$ 179,036
23	Conferences	6,087	24,784	4,560	(701)	2,270	3,467	40,468
24	Utilities	103,069	101,530	99,787	66,745	53,850	86,961	511,941
25	Total	\$ 177,435	\$ 176,876	\$ 148,252	\$ 78,028	\$ 63,264	\$ 87,590	\$ 731,446
Budget Expense:								
	January	February	March	April	May	June	Total	
28	Travel and Entertainment	\$ 87,507	\$ 90,460	\$ 100,471	\$ 100,660	\$ 90,938	\$ 105,075	\$ 575,111
29	Conferences	24,716	27,914	33,664	33,339	34,899	33,495	188,027
30	Utilities	113,084	113,117	33,655	113,349	112,078	112,426	597,710
31	Total	\$ 225,306	\$ 231,492	\$ 167,791	\$ 247,348	\$ 237,915	\$ 250,996	\$ 1,360,847
Favorable/(Unfavorable):								
	January	February	March	April	May	June	Total	
34	Travel and Entertainment	\$ 19,227	\$ 39,898	\$ 56,565	\$ 88,675	\$ 83,794	\$ 107,914	\$ 396,074
35	Conferences	18,628	3,129	29,104	34,040	32,630	30,028	147,559
36	Utilities	10,016	11,588	(66,131)	46,604	58,227	25,465	85,768
37	Total	\$ 47,871	\$ 54,615	\$ 19,538	\$ 169,319	\$ 174,651	\$ 163,406	\$ 629,401
Evergy MO West:								
Actual Expense:								
	January	February	March	April	May	June	Total	
41	Travel and Entertainment	\$ 46,689	\$ 32,412	\$ 29,723	\$ 7,918	\$ 7,956	\$ (2,996)	\$ 121,702
42	Conferences	3,059	3,343	5,346	1,706	3,316	215	16,986
43	Utilities	(902)	24,808	22,855	34,801	13,021	18,120	112,703
44	Total	\$ 48,846	\$ 60,564	\$ 57,924	\$ 44,425	\$ 24,293	\$ 15,340	\$ 251,391
Budget Expense:								
	January	February	March	April	May	June	Total	
47	Travel and Entertainment	\$ 62,462	\$ 63,835	\$ 72,860	\$ 70,031	\$ 65,851	\$ 78,716	\$ 413,755
48	Conferences	15,790	17,701	22,316	22,592	19,044	22,080	119,524
49	Utilities	20,862	20,904	20,691	21,203	19,649	20,097	123,407
50	Total	\$ 99,114	\$ 102,441	\$ 115,867	\$ 113,826	\$ 104,545	\$ 120,894	\$ 656,687
Favorable/(Unfavorable):								
	January	February	March	April	May	June	Total	
53	Travel and Entertainment	\$ 15,773	\$ 31,422	\$ 43,137	\$ 62,113	\$ 57,896	\$ 81,712	\$ 292,053
54	Conferences	12,731	14,358	16,970	20,886	15,728	21,865	102,539
55	Utilities	21,764	(3,904)	(2,164)	(13,597)	6,629	1,977	10,704
56	Total	\$ 50,268	\$ 41,877	\$ 57,943	\$ 69,401	\$ 80,252	\$ 105,554	\$ 405,296

Evergy, Inc.  
 Evergy Metro  
 MO/KS Allocator Estimate  
 Based on 2019 Surveillance Reports

Line #		Missouri Filing Adjusted Balance	Missouri	MO Allocator
1				
2				
3	Total Electric Operation and Maintenance Expense	943,710,902	546,260,237	57.88%
4				
5				
6		Kansas Filing Adjusted Balance	Kansas	KS Allocator
7				
8	Total Electric Operation and Maintenance Expense	869,406,080	362,423,247	41.69%

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Bolin Kim Interrogatories - MPSC\_20200528  
Date of Response: 6/16/2020

Question:0014

Please provide any correspondence with Evergy's external auditors regarding the subject of deferral or rate treatment of Covid-19 financial impacts. Data Request submitted by Kim Bolin (kim.bolin@psc.mo.gov).

Response:

As of May 28, 2020, there has been no correspondence with Evergy's external auditors regarding the subject of deferral or rate treatment of Covid-19 financial impacts.

Response provided by Leigh Anne Jones, Accounting

Attachment: Q0014\_Verification.pdf



View:



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2020**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_



Exact name of registrant as specified in its charter,  
state of incorporation, address of principal  
executive offices and telephone number

Commission  
File Number

I.R.S. Employer  
Identification Number

001-38515

**EVERGY, INC.**  
(a Missouri corporation)  
1200 Main Street  
Kansas City, Missouri 64105  
(816) 556-2200

82-2733395

001-03523

**EVERGY KANSAS CENTRAL, INC.**  
(a Kansas corporation)  
818 South Kansas Avenue  
Topeka, Kansas 66612  
(785) 575-6300

48-0290150

000-51873

**EVERGY METRO, INC.**  
(a Missouri corporation)  
1200 Main Street

44-0308720

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the Evergy Companies related to the revaluation of deferred income taxes that will not be recovered from or refunded to customers in future rates primarily pertain to deferred tax adjustments related to the difference between Evergy's consolidated tax rate and the statutory tax rates used for setting rates at Evergy Kansas Central, Evergy Metro and Evergy Missouri West as well as deferred income tax adjustments related to non-regulated operations.

Evergy Kansas Central and Evergy Metro currently recover the cost of Kansas corporate income taxes in rates from their customers at the statutory rate of 7% that will be effective until 2021, when the income tax exemption established by HB 2585 takes effect. In accordance with the provisions of HB 2585, Evergy Metro and Evergy Kansas Central filed a joint application with the KCC in July 2020 to reduce their retail rates to reflect their exemption from Kansas corporate income taxes. In the joint application, Evergy Metro requested to implement its rate reduction in one phase, effective January 1, 2021, and Evergy Kansas Central requested to implement its rate reduction in three phases, effective January 1 in each of 2021, 2022 and 2023. A decision on the joint application from the KCC is expected in the fourth quarter of 2020.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the consolidated financial statements and accompanying notes in this combined Quarterly Report on Form 10-Q and the Evergy Companies' combined 2019 Form 10-K. None of the registrants make any representation as to information related solely to Evergy, Evergy Kansas Central or Evergy Metro other than itself.

**EVERGY, INC.****EXECUTIVE SUMMARY**

Evergy is a public utility holding company incorporated in 2017 and headquartered in Kansas City, Missouri. Evergy operates primarily through the following wholly-owned direct subsidiaries listed below.

- Evergy Kansas Central is an integrated, regulated electric utility that provides electricity to customers in the state of Kansas. Evergy Kansas Central has one active wholly-owned subsidiary with significant operations, Evergy Kansas South.
- Evergy Metro is an integrated, regulated electric utility that provides electricity to customers in the states of Missouri and Kansas.
- Evergy Missouri West is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri.
- Evergy Transmission Company owns 13.5% of Transource with the remaining 86.5% owned by AEP Transmission Holding Company, LLC, a subsidiary of AEP. Transource is focused on the development of competitive electric transmission projects. Evergy Transmission Company accounts for its investment in Transource under the equity method.

Evergy Kansas Central also owns a 50% interest in Prairie Wind, which is a joint venture between Evergy Kansas Central and subsidiaries of AEP and Berkshire Hathaway Energy Company. Prairie Wind owns a 108-mile, 345 kV double-circuit transmission line that provides transmission service in the SPP. Evergy Kansas Central accounts for its investment in Prairie Wind under the equity method.

Evergy Kansas Central, Evergy Kansas South, Evergy Metro and Evergy Missouri West conduct business in their respective service territories using the name Evergy. Collectively, the Evergy Companies have approximately 14,700 MWs of owned generating capacity and renewable purchased power agreements and engage in the generation, transmission, distribution and sale of electricity to approximately 1.6 million customers in the states of Kansas and Missouri. The Evergy Companies assess financial performance and allocate resources on a consolidated basis (i.e., operate in one segment).

Table of Contents**Strategy**

Evergy expects to continue operating its integrated utilities within the currently existing regulatory frameworks. In March 2020, the Evergy Board announced the creation of a Strategic Review & Operations Committee, whose mandate was to explore ways to enhance long-term shareholder value (taking into account applicable legal and regulatory requirements and any other relevant considerations), including through a potential strategic combination or an enhanced long-term standalone operating plan and strategy. The committee completed its review and unanimously recommended to the Evergy Board that Evergy pursue an enhanced long-term standalone operating plan and strategy and the Evergy Board subsequently unanimously concurred with the recommendation. This "Sustainability Transformation Plan" is a five-year plan to optimize and enhance value creation for shareholders, customers, communities and employees. Significant elements of the plan include:

- targeting a reduction of approximately \$330 million of operating and maintenance expense by 2024 from 2018 adjusted operating and maintenance expense (non-GAAP) (see "Non-GAAP Measures" within this Executive Summary for a reconciliation of this non-GAAP measure to the most comparable GAAP measure);
- targeting a reduction of approximately \$145 million of fuel and purchased power expense between 2019 and 2024; and
- approximately \$8.9 billion of expected base capital investments through 2024, or \$1.4 billion more than Evergy's prior plan. Of this amount, Evergy expects approximately \$2.8 billion to qualify for plant-in-service accounting in Missouri, and approximately \$1.8 billion to be focused on FERC-jurisdictional improvements. See "Liquidity and Capital Resources; Capital Expenditures", for further information regarding Evergy's projected capital expenditures through 2024.

The plan also enhances Evergy's efforts to mitigate future strategic risk through responsible, accelerated decarbonization. Evergy has already reduced carbon dioxide emissions by 45% from 2005 levels and, earlier in 2020 Evergy announced a goal to achieve an 80% reduction from 2005 levels by 2050. The Sustainability Transformation Plan has the potential to reduce carbon dioxide emissions 85% by 2030 compared to 2005 levels. The new plan expedites carbon dioxide emission reductions by pursuing constructive regulatory recovery mechanisms that would be necessary to economically retire aging, coal-fired generation and expanding Evergy's wind and solar footprint. The pace of decarbonization will ultimately be defined in continued collaboration with stakeholders, including in the second half of 2020 as part of Evergy's triennial integrated resource plan.

See "Cautionary Statements Regarding Certain Forward-Looking Information" and Part II, Item 1A, Risk Factors, for additional information.

**Impact of COVID-19**

The COVID-19 pandemic has had, and may continue to have, a significant impact on the way that the Evergy Companies conduct their operations, including the implementation of social distancing and other preventative protocols and the direction of employees to work remotely when possible. Further, the spread of COVID-19 has resulted in efforts to contain the virus, such as quarantines, restrictions on travel, closures and the reduced operations of businesses, governmental agencies and other institutions. The pandemic, along with the efforts to contain the virus, has caused and could continue to cause an economic slowdown or recession, result in significant disruptions or reductions in various public, commercial or industrial activities and cause employee absences. In the states of Missouri and Kansas as well as certain counties and municipalities within the Evergy Companies' service territory, "stay-at-home" orders were in effect for substantially all of April 2020 and expired in early May 2020.

Following the expiration of the "stay-at-home" orders in early May 2020, much of the Evergy Companies' service territory was subject to phased reopening guidelines that limited the operations of businesses, governmental agencies and other institutions. Certain of these restrictions continue to remain in effect and a substantial portion of the Evergy Companies' service territory is also now required to utilize preventative measures such as the wearing of face coverings while in public areas. Management cannot foresee whether the outbreak of COVID-19 will be effectively contained, nor can it predict the severity and duration of its impact.

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During the second quarter of 2020, Evergy experienced an overall reduction in demand and the shifting of usage away from customers with relatively higher load requirements, such as industrial and commercial customers, towards customers with relatively lower load requirements, such as residential customers. Of Evergy's total 2019 revenues, approximately 37% were from residential customers with approximately 47% from commercial and industrial customers. The KCC and MPSC have established different prices for the Evergy Companies' residential, commercial and industrial customers and a similar change in demand across each customer class will have a different impact on earnings. Management estimates that a 1% change in demand for residential, commercial and industrial customers will impact Evergy's 2020 earnings by approximately \$10 million, \$8 million and \$2 million, respectively. As a result, the impacts to Evergy's earnings from a reduction in demand from industrial and commercial customers have been partially offset by an increase in demand from residential customers.

The Evergy Companies have also temporarily implemented policies, and in the future may implement additional policies, that are intended to ease the financial burden of the pandemic on customers. These policies, such as temporarily extending payment options and offering incentives for customer payments on overdue balances as well as the elimination of late payment fees and disconnections for non-payment through July 15, 2020, could lead to higher levels of credit loss expense and lower levels of operating cash flows compared to historical levels for the Evergy Companies. In addition, these policies, along with lower electric sales as a result of the overall reduction in demand discussed above, could also lead to the additional repayment of portions of the Evergy Companies' borrowings under receivable sale facilities.

Finally, the Evergy Companies have incurred, and will continue to incur, expenses related to monitoring the COVID-19 pandemic and modifying operations in response to the pandemic that are recorded in operating and maintenance expense.

In May 2020, Evergy Kansas Central, Evergy Metro and Evergy Missouri West filed joint requests for AAOs with the KCC and MPSC, as applicable, that would allow for the extraordinary costs and lost revenues incurred by the companies, net of any COVID-19-related savings, as a result of the COVID-19 pandemic to be considered for future recovery from customers as part of their next rate cases. The KCC approved the AAO request in July 2020 and a decision by the MPSC is expected in the fourth quarter of 2020.

Evergy's management is actively monitoring, and will continue to monitor, the evolving impact of COVID-19 on its results of operations and any developments affecting its workforce and suppliers and will take additional actions as it believes are warranted. The situation is changing rapidly and future impacts may materialize that are not yet known. Accordingly, the extent to which COVID-19 and the factors noted above may impact the results of operations, financial condition, cash flows and liquidity of the Evergy Companies will depend on future developments that are highly uncertain and cannot be predicted, including new information concerning the severity and duration of the COVID-19 outbreak and the actions taken to contain it or to seek recovery of its impact, among others.

See "Cautionary Statements Regarding Certain Forward-Looking Information" and Part II, Item 1A, Risk Factors, for additional information.

**Regulatory Proceedings**

See Note 4 to the consolidated financial statements for information regarding regulatory proceedings.

Table of Contents**CAUTIONARY STATEMENTS REGARDING CERTAIN FORWARD-LOOKING INFORMATION**

Statements made in this report that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements relating to our strategic plan, including, without limitation, those related to earnings per share, dividend, operating and maintenance expense and capital investment goals; the outcome of regulatory and legal proceedings; future energy demand; future power prices; plans with respect to existing and potential future generation resources; the availability and cost of generation resources and energy storage; target emissions reductions; and other matters relating to expected financial performance or affecting future operations. Forward-looking statements are often accompanied by forward-looking words such as "anticipates," "believes," "expects," "estimates," "forecasts," "should," "could," "may," "seeks," "intends," "proposed," "projects," "planned," "target," "outlook," "remain confident," "goal," "will" or other words of similar meaning. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Evergy Companies are providing a number of risks, uncertainties and other factors that could cause actual results to differ from the forward-looking information. These risks, uncertainties and other factors include, but are not limited to: economic and weather conditions and any impact on sales, prices and costs; changes in business strategy or operations; the impact of federal, state and local political, legislative, judicial and regulatory actions or developments, including deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding, among other things, customer rates and the prudence of operational decisions such as capital expenditures and asset retirements; changes in applicable laws, regulations, rules, principles or practices, or the interpretations thereof, governing tax, accounting and environmental matters, including air and water quality and waste management and disposal; the impact of climate change, including increased frequency and severity of significant weather events and reduced demand for coal-based energy; prices and availability of electricity in wholesale markets; market perception of the energy industry and the Evergy Companies; the impact of the Coronavirus (COVID-19) pandemic on, among other things, sales, results of operations, financial condition, liquidity and cash flows, and also on operational issues, such as the availability and ability of our employees and suppliers to perform the functions that are necessary to operate the Evergy Companies; changes in the energy trading markets in which the Evergy Companies participate, including retroactive repricing of transactions by regional transmission organizations (RTO) and independent system operators; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital and the effects on derivatives and hedges, nuclear decommissioning trust and pension plan assets and costs; impairments of long-lived assets or goodwill; credit ratings; inflation rates; the transition to a replacement for the London Interbank Offered Rate (LIBOR) benchmark interest rate; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; ability to carry out marketing and sales plans; cost, availability, quality and timely provision of equipment, supplies, labor and fuel; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays and cost increases of generation, transmission, distribution or other projects; the Evergy Companies' ability to manage their transmission and distribution development plans and transmission joint ventures; the inherent risks associated with the ownership and operation of a nuclear facility, including environmental, health, safety, regulatory and financial risks; workforce risks, including those related to increased costs of, or changes in, retirement, health care and other benefits; disruption, costs and uncertainties caused by or related to the actions of individuals or entities, such as activist shareholders or special interest groups, that seek to influence our strategic plan, financial results or operations; the possibility that strategic initiatives, including mergers, acquisitions and divestitures may not create the value that they are expected to achieve in a timely manner or at all; difficulties in maintaining relationships with customers, employees, regulators or suppliers; and other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors. Additional risks and uncertainties are discussed from time to time in current, quarterly and annual reports filed by the Evergy Companies with the Securities and Exchange Commission (SEC). Reports filed by the Evergy Companies with the SEC should also be read for more information regarding risk factors. Each forward-looking statement speaks only as of the date



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of the particular statement. The Evergy Companies undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

**AVAILABLE INFORMATION**

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [sec.gov](http://sec.gov). Additionally, information about the Evergy Companies, including their combined annual reports on Form 10-K, combined quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed with the SEC, is also available through the Evergy Companies' website, [www.evergy.com](http://www.evergy.com). Such reports are accessible at no charge and are made available as soon as reasonably practical after such material is filed with or furnished to the SEC.

Investors should note that the Evergy Companies announce material financial information in SEC filings, press releases and public conference calls. In accordance with SEC guidelines, the Evergy Companies also use the Investor Relations tab on their website, [www.evergy.com](http://www.evergy.com), to communicate with investors. It is possible that the financial and other information posted there could be deemed to be material information. The information on Evergy's website is not part of this document.

Table of Contents**Changes in Internal Control Over Financial Reporting**

Effective May 4, 2020, the Evergy Companies combined the finance, supply chain and human capital information technology systems that were historically maintained separately by Evergy Kansas Central and Evergy Metro. In connection with this implementation, the Evergy Companies have updated their internal controls over financial reporting, as necessary, to accommodate modifications to their business processes.

**PART II - OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS****Other Proceedings**

The Evergy Companies are parties to various lawsuits and regulatory proceedings in the ordinary course of their respective businesses. For information regarding material lawsuits and proceedings, see Notes 4 and 10 to the consolidated financial statements. Such information is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

Actual results in future periods for the Evergy Companies could differ materially from historical results and the forward-looking statements contained in this report. The business of the Evergy Companies is influenced by many factors that are difficult to predict, involve uncertainties that may materially affect actual results and are often beyond their control. Additional risks and uncertainties not presently known or that management currently believes to be immaterial may also adversely affect the Evergy Companies. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in Part I, Item 1A, Risk Factors included in the 2019 Form 10-K for each of Evergy, Evergy Kansas Central and Evergy Metro, as well as Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by Evergy, Evergy Kansas Central and Evergy Metro. Except as set forth below, there have been no material changes with regards to those risk factors. This information, as well as the other information included in this report and in the other documents filed with the SEC, should be carefully considered before making an investment in the securities of the Evergy Companies. Risk factors of Evergy Kansas Central and Evergy Metro are also risk factors of Evergy.

**The spread of COVID-19 and resulting impact on business and economic conditions could negatively affect the Evergy Companies' business and operations.**

The COVID-19 pandemic has had, and may continue to have, a significant impact on the way that the Evergy Companies conduct their operations and could adversely impact their results of operations, financial condition, cash flows and liquidity. Further, the spread of COVID-19 has resulted in efforts to contain the virus, such as quarantines, restrictions on travel, closures and reduced operations of businesses, governmental agencies and other institutions. The pandemic, along with the efforts to contain the virus, has caused and could continue to cause an economic slowdown or recession, result in significant disruptions or reductions in various public, commercial or industrial activities and cause employee absences, which could interfere with the Evergy Companies' operations or the operations of their customers. In addition, the COVID-19 pandemic led to disruption and volatility in the financial markets in the first quarter of 2020 and in the event that further market disruptions occur, the Evergy Companies could experience an increase in their cost of capital or an impairment in their ability to access the capital markets.

The COVID-19 pandemic has altered electricity usage patterns, including an overall reduction in demand and shifting usage away from customers with relatively higher load requirements, such as industrial and commercial customers, toward customers with relatively lower load requirements, such as residential customers. These changes in electricity usage patterns, their duration and the extent to which some of these shifts could become long-term or permanent could result in a significant decrease in the Evergy Companies' sales of electricity.

The Evergy Companies have also incurred, and will continue to incur, expenses related to monitoring the COVID-19 pandemic and modifying operations in response to the pandemic. In July 2020, the KCC authorized Evergy Kansas Central and Evergy Metro to record to a regulatory asset all net incremental costs incurred with respect to their Kansas operations associated with the COVID-19 pandemic for consideration in their next Kansas

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rate cases, which are expected to be completed no later than the end of 2023. Additionally, the KCC order states that the KCC will also consider granting the recovery of Evergy Kansas Central's and Evergy Metro's lost revenues associated with the COVID-19 pandemic as part of their next Kansas rate cases. Evergy Metro and Evergy Missouri West have filed a similar request with the MPSC with respect to their Missouri operations, and a decision by the MPSC is expected in the fourth quarter of 2020. Notwithstanding the foregoing, regulators might not allow for recovery of these amounts in a timely manner, or at all. In addition, Evergy Metro and Evergy Missouri West elected into plant-in service accounting (PISA) in Missouri effective as of January 1, 2019, which, by law, requires each company to keep base rates constant for three years following Evergy Metro's and Evergy Missouri West's last general rate case. These and other factors may result in under-recovery of costs or failure to earn the authorized return on investment, or both.

The Evergy Companies have also temporarily implemented policies, and in the future may implement additional policies, that are intended to ease the financial burden of the pandemic on customers, such as temporarily extending payment options and offering incentives for customer payments on overdue balances as well as the elimination of late payment fees and disconnections for non-payment through July 15, 2020. There is also the possibility that legislation or regulations could be enacted at the federal or state level that would further restrict the Evergy Companies' ability to discontinue service to customers in the event of non-payment or to collect amounts owed from customers for service provided. These measures could result in an overall increase in customer non-payment or delay in the timely receipt of customer payments, which could result in a significant increase in the Evergy Companies' credit loss expense or significant decrease in operating cash flows.

Evergy Kansas Central, Evergy Metro and Evergy Missouri West sell retail electric accounts receivable to independent outside investors as a source of liquidity. These arrangements include covenants that limit the extent to which accounts receivable can be delinquent or unpaid. A decrease in the amount of, or a delay in receiving, customer collections due to the COVID-19 pandemic or otherwise could, absent a waiver or amendment, result in a breach of these accounts receivable financing arrangements and require the borrowers to repay any outstanding loans. Further, in 2020, the Evergy Companies have experienced lower retail electric sales primarily driven by a decrease in weather-normalized commercial and industrial demand. To the extent that the Evergy Companies continue to experience lower electric sales, they may not have sufficient eligible receivables to maximize their borrowing capacity under their receivables sales facilities or could be required to repay additional portions of their borrowings under the facilities.

The Evergy Companies are planning to make significant capital expenditures in 2020 and beyond, and they regularly conduct maintenance on their facilities. The pandemic could disrupt the supply chains that provide services and equipment to the Evergy Companies as part of their capital expenditures or maintenance efforts. If the Evergy Companies' supply chains are disrupted, the Evergy Companies may be unable to perform necessary maintenance, which could result in increased costs as the Evergy Companies implement contingency plans to allow them to continue to operate. Supply chain interruptions may also increase the cost of maintenance and capital expenditures or result in the delay or cancellation of planned projects, any of which could have a material adverse impact on the Evergy Companies' results of operations.

The Evergy Companies also have a significant amount of net operating loss, tax credit and other tax carryforwards that are recorded as deferred income tax assets on their balance sheets. These tax benefits have various expiration dates and other limitations on the extent to which the benefits can be realized. The Evergy Companies regularly assess their future ability to utilize tax benefits to determine whether a valuation allowance is necessary. A significant reduction in the Evergy Companies' taxable income due to the impacts of the COVID-19 pandemic or otherwise could require the Evergy Companies to record a valuation allowance against a portion of those tax assets, which in turn reduces earnings, and the Evergy Companies may in general not be able to utilize these tax benefits.

Public reports have also indicated an increase in cyberattacks in general since the start of the pandemic due, in part, to the increase in the number of employees working remotely and the proliferation of the different ways in which employees and third parties interact with our information technology infrastructure. A successful attack could result in disruption to the Evergy Companies' generation, transmission and distribution systems or to the electrical grid in general, reduce sales and could increase the cost of insurance coverage or result in a decline in the U.S. economy.

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Any of these circumstances, or other impacts of the pandemic, could adversely affect customer demand or revenues, impact the ability of the Evergy Companies' suppliers, vendors or contractors to perform, or cause other unpredictable events, which could have a significant adverse impact on the results of operations, financial condition, liquidity and cash flows of the Evergy Companies.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Purchases of Equity Securities**

The following table provides information regarding purchases by Evergy of its equity securities that are registered pursuant to Section 12 of the Exchange Act during the three months ended June 30, 2020.

Issuer Purchases of Equity Securities				
Month	Total Number of Shares (or Units) Purchased <sup>(a)</sup>	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup>
April 1 - 30	—	—	—	14,834,979
May 1 - 31	—	—	—	14,834,979
June 1 - 30	45,879	\$64.28	—	14,834,979
Total	45,879	\$64.28	—	14,834,979

<sup>(a)</sup> Represents shares Evergy purchased for withholding taxes related to RSUs.

<sup>(b)</sup> In July 2018, the Evergy Board authorized the repurchase of up to 60 million shares of Evergy's common stock with no expiration date. Evergy concluded this share repurchase program in July 2020.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION****Available Information**

The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [sec.gov](http://sec.gov). Additionally, information about the Evergy Companies, including their combined annual reports on Form 10-K, combined quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed with the SEC, is also available through the Evergy Companies' website, [www.evergy.com](http://www.evergy.com). Such reports are accessible at no charge and are made available as soon as reasonably practical after such material is filed with or furnished to the SEC.

Investors should note that the Evergy Companies announce material financial information in SEC filings, press releases and public conference calls. In accordance with SEC guidelines, the Evergy Companies also use the Investor Relations tab on their website, [www.evergy.com](http://www.evergy.com), to communicate with investors. It is possible that the financial and other information posted there could be deemed to be material information. The information on Evergy's website is not part of this document.



View:



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2020**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_



Exact name of registrant as specified in its charter,  
state of incorporation, address of principal  
executive offices and telephone number

Commission  
File Number

I.R.S. Employer  
Identification Number

001-38515

**EVERGY, INC.**  
(a Missouri corporation)  
1200 Main Street  
Kansas City, Missouri 64105  
(816) 556-2200

82-2733395

001-03523

**EVERGY KANSAS CENTRAL, INC.**  
(a Kansas corporation)  
818 South Kansas Avenue  
Topeka, Kansas 66612  
(785) 575-6300

48-0290150

000-51873

**EVERGY METRO, INC.**  
(a Missouri corporation)  
1200 Main Street

44-0308720

RES-R-7

Table of Contents**3. RECEIVABLES**

The Evergy Companies' receivables are detailed in the following table.

	June 30 2020	December 31 2019
	(millions)	
<b>Evergy</b>		
Customer accounts receivable - billed	\$ 12.9	\$ 7.2
Customer accounts receivable - unbilled	225.0	104.0
Other receivables	176.1	127.8
Allowance for credit losses	(18.0)	(10.5)
Total	\$ 396.0	\$ 228.5
<b>Evergy Kansas Central</b>		
Customer accounts receivable - billed	\$ —	\$ —
Customer accounts receivable - unbilled	87.7	49.7
Other receivables	182.8	94.5
Allowance for credit losses	(4.9)	(3.8)
Total	\$ 265.6	\$ 140.4
<b>Evergy Metro</b>		
Customer accounts receivable - billed	\$ 5.2	\$ 3.1
Customer accounts receivable - unbilled	91.2	26.5
Other receivables	14.1	23.1
Allowance for credit losses	(9.0)	(4.6)
Total	\$ 101.5	\$ 48.1

Evergy's, Evergy Kansas Central's and Evergy Metro's other receivables at June 30, 2020 and December 31, 2019, consisted primarily of receivables from partners in jointly-owned electric utility plants, wholesale sales receivables and receivables related to alternative revenue programs. The Evergy Companies' other receivables also included receivables from contracts with customers as summarized in the following table.

	June 30 2020	December 31 2019
	(millions)	
Evergy	\$ 76.2	\$ 42.0
Evergy Kansas Central	72.8	37.7
Evergy Metro	0.5	1.2

**Allowance for Credit Losses**

Historical loss information generally provides the basis for the Evergy Companies' assessment of expected credit losses. The Evergy Companies use an aging of accounts receivable method to assess historical loss information. When historical experience may not fully reflect the Evergy Companies' expectations about the future, the Evergy Companies will adjust historical loss information, as necessary, to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information. The Evergy Companies have made an insignificant adjustment to their allowance for credit losses as of June 30, 2020, to reflect their belief that historical loss information does not reflect current conditions that have resulted from the economic slowdown resulting from the Coronavirus (COVID-19) pandemic.

Receivables are charged off when they are deemed uncollectible, which is based on a number of factors including specific facts surrounding an account and management's judgment.

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The change in the Evergy Companies' allowance for credit losses is summarized in the following table.

	2020		2019	
	(millions)			
<b>Evergy</b>				
Beginning balance January 1	\$	10.5	\$	9.2
Credit loss expense		11.6		10.6
Write-offs		(10.9)		(16.6)
Recoveries of prior write-offs		6.8		6.0
Ending balance June 30	\$	18.0	\$	9.2
<b>Evergy Kansas Central</b>				
Beginning balance January 1	\$	3.8	\$	3.9
Credit loss expense		2.9		3.4
Write-offs		(3.3)		(5.3)
Recoveries of prior write-offs		1.5		1.8
Ending balance June 30	\$	4.9	\$	3.8
<b>Evergy Metro</b>				
Beginning balance January 1	\$	4.6	\$	3.8
Credit loss expense		5.7		4.9
Write-offs		(5.0)		(7.7)
Recoveries of prior write-offs		3.7		2.9
Ending balance June 30	\$	9.0	\$	3.9

**Sale of Accounts Receivable**

Evergy Kansas Central, Evergy Metro and Evergy Missouri West sell an undivided percentage ownership interest in their retail electric accounts receivable to independent outside investors. These sales are accounted for as secured borrowings with accounts receivable pledged as collateral and a corresponding short-term collateralized note payable recognized on the balance sheets. The Evergy Companies' accounts receivable pledged as collateral and the corresponding short-term collateralized note payable are summarized in the following table.

	June 30		December 31	
	2020		2019	
	(millions)			
Evergy	\$	297.0	\$	339.0
Evergy Kansas Central		146.0		171.0
Evergy Metro		103.0		118.0

Each receivable sale facility expires in September 2020. Evergy Kansas Central's facility allows for \$185.0 million in aggregate outstanding principal amount of borrowings from mid-October through mid-June and then \$200.0 million from mid-June through the expiration date of the facility. Evergy Metro's facility allows for \$130.0 million in aggregate outstanding principal amount of borrowings at any time. Evergy Missouri West's facility allows for \$50.0 million in aggregate outstanding principal amount of borrowings from mid-November through mid-June and then \$65.0 million from mid-June through the expiration date of the facility. Evergy Kansas Central, Evergy Metro and Evergy Missouri West expect to renew these agreements for at least one year.

**4. RATE MATTERS AND REGULATION****KCC Proceedings*****Evergy Kansas Central 2020 Transmission Delivery Charge (TDC)***



*Case No. EU-2020-0350*

Schedule RES-R-8 to  
Robert E. Schallenberg's  
Rebuttal Testimony has  
been deemed "Confidential"  
in its entirety

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1000

Please provide the current entity and employee organizational charts for Evergy Missouri Metro, Evergy Missouri West, and their affiliates. Please provide the number of employees paid by each entity.

Response:

Attached is the current entity organizational chart (structure) for Evergy, Inc. and affiliates.

Employees of Evergy are employed by one of two companies – Evergy Metro or Evergy Kansas Central. Employees are not assigned to Evergy Missouri Metro or Evergy Metro West but would charge and/or allocate their time to those jurisdictions based on work performed. Therefore, no employee organization chart exists for Evergy Missouri Metro or Evergy Missouri West.

Below are active, regular employee counts as of 7/31/2020 by company:

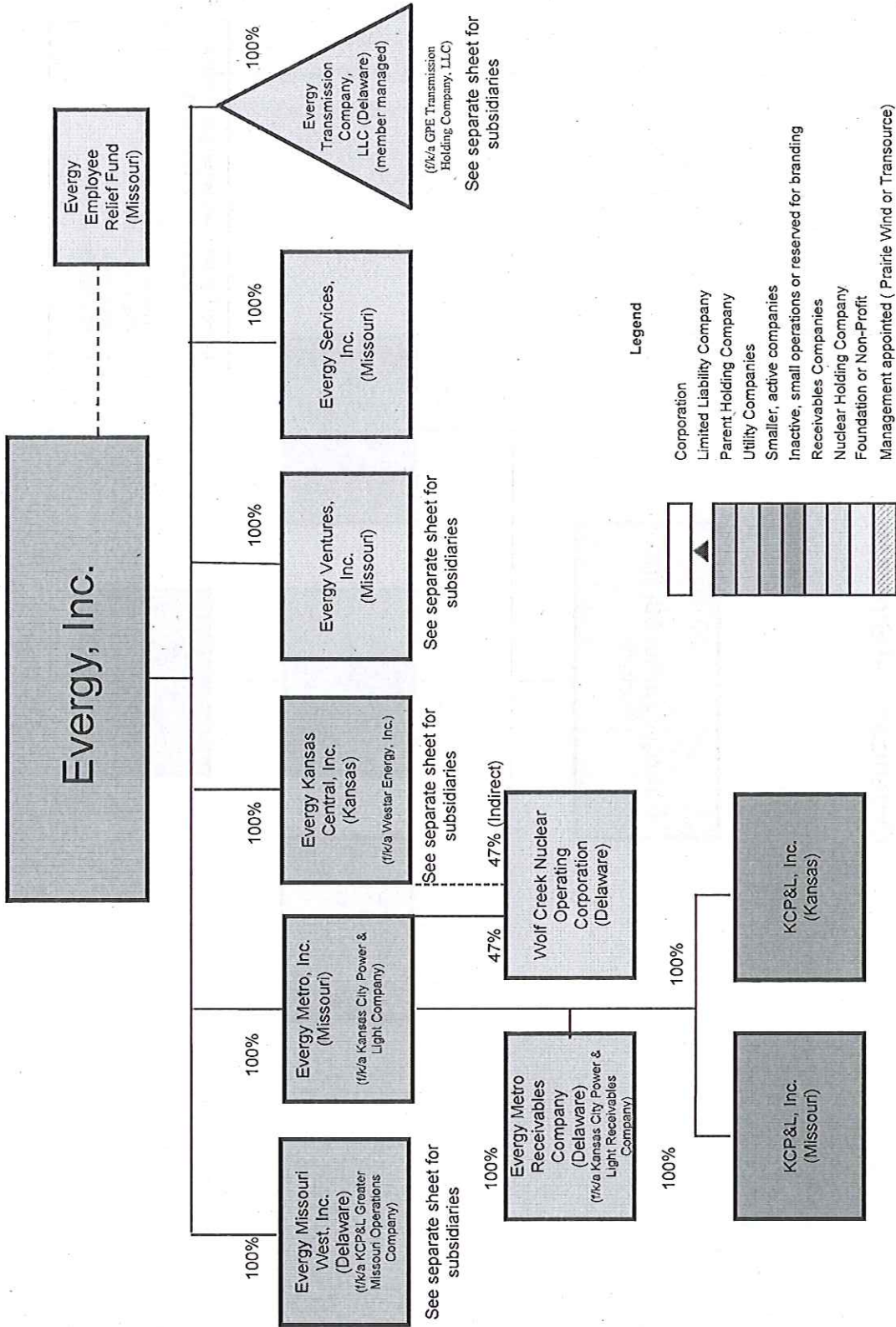
Company	Employee Count
<i>Evergy Metro, Inc.</i>	2,314
<i>Evergy Kansas Central, Inc.</i>	2,892

Attachments:

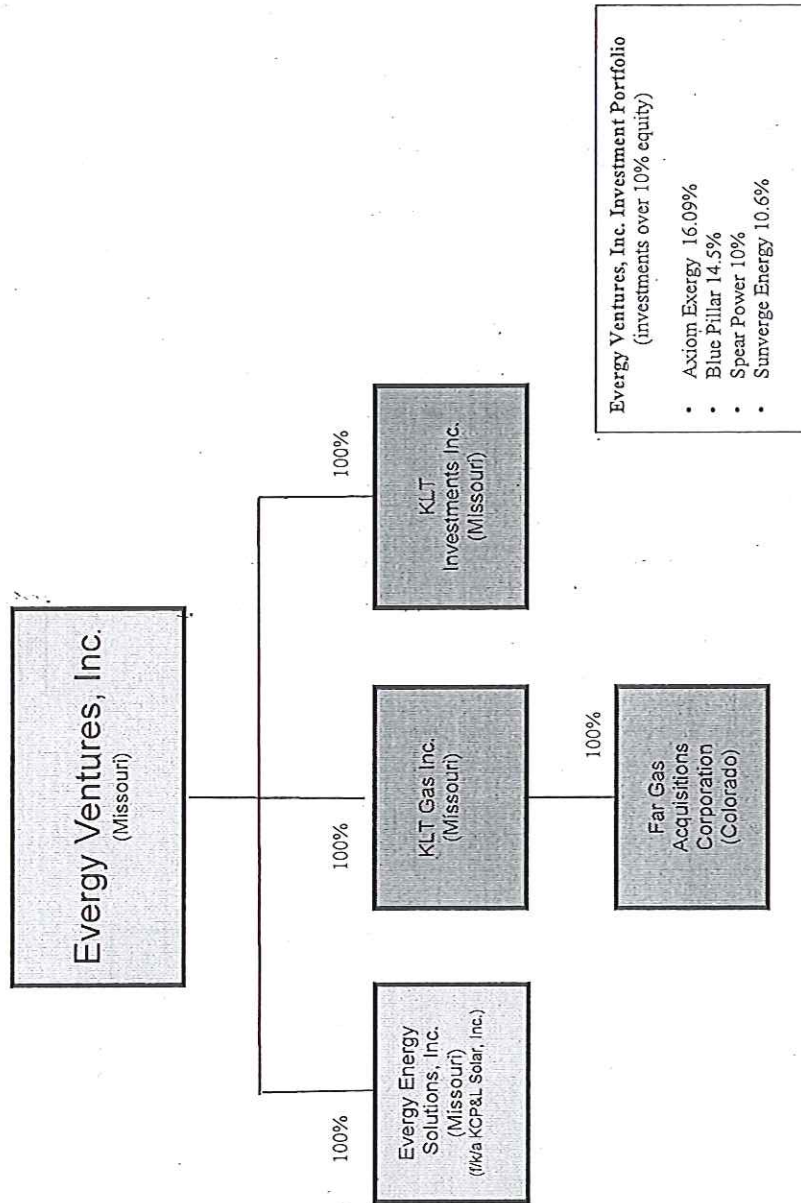
Q1000\_Evergy\_Org\_Structure 030120.pdf

Q1000\_Verification.pdf

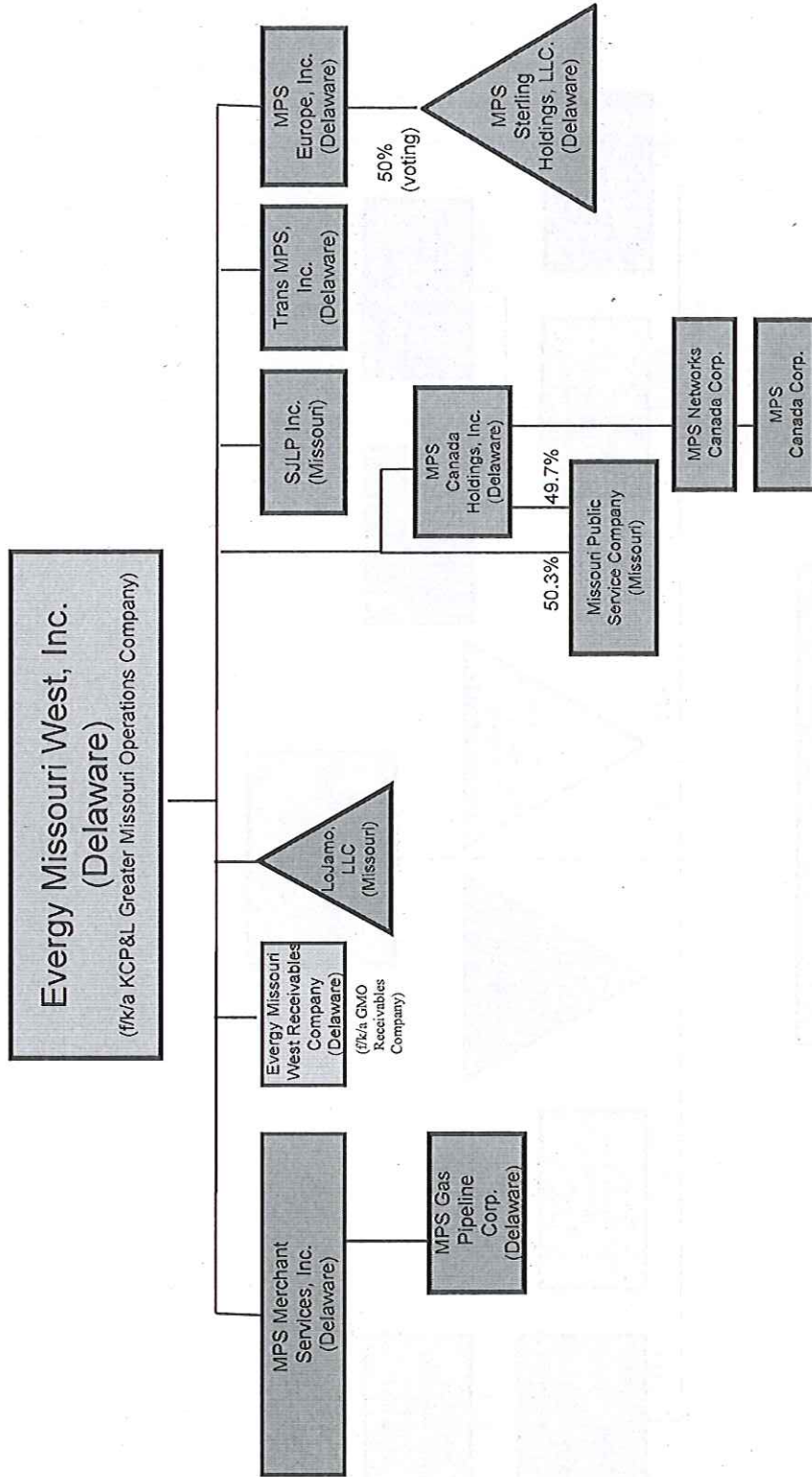
# Energy, Inc. Organizational Structure



# Energy, Inc. Organizational Structure

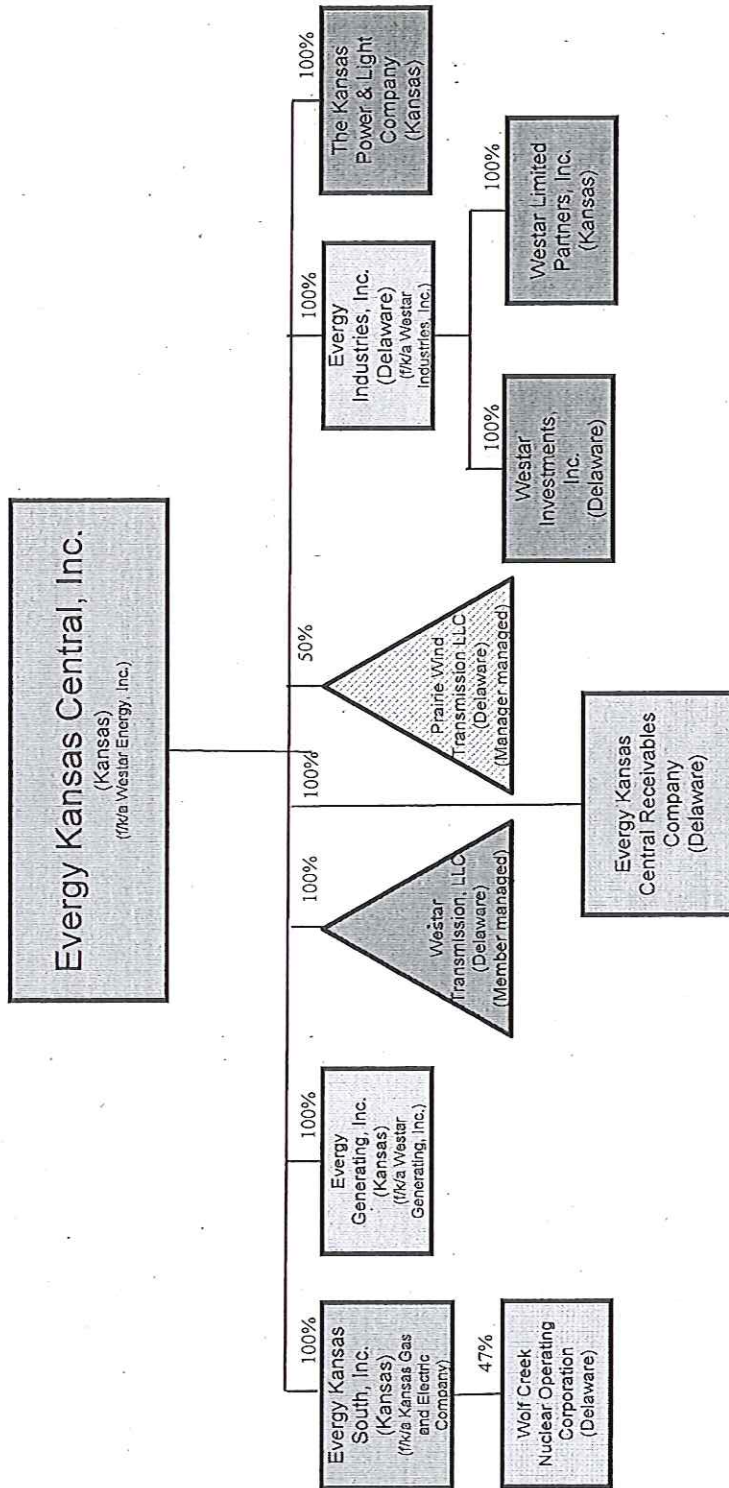


# Energy, Inc. Organizational Structure

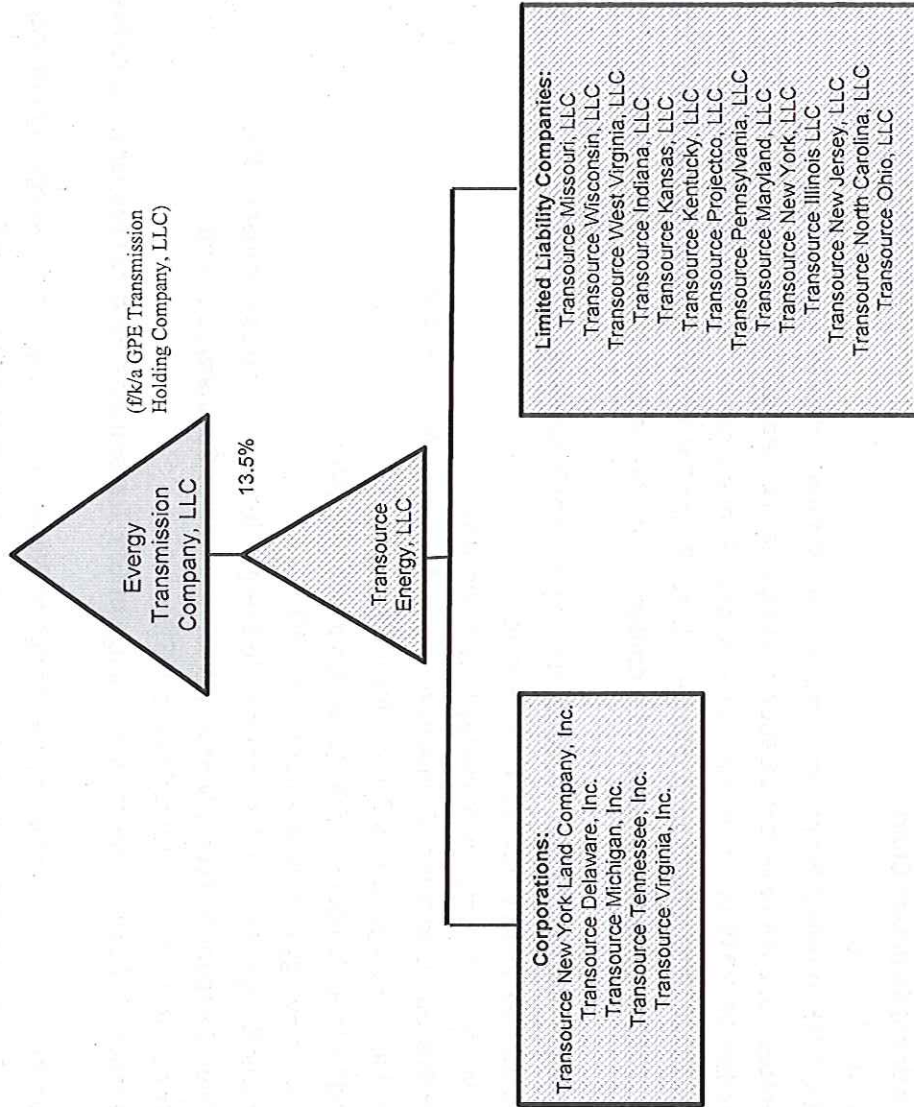


Note: All wholly-owned companies except where indicated

# Energy, Inc. Organizational Structure



# Energy, Inc. Organizational Structure



## Energy, Inc.

### Organizational Structure

#### Revisions to Organizational Structure Chart:

Original Issuance on June 4, 2018

1. Revised on July 16, 2018 to reflect Energy Ventures, Inc. investment in Pepper.
2. Revised on November 19, 2018 to reflect creation of Energy Kansas Central Receivables Company (DE).
3. Revised on December 19, 2018 to reflect name change of GXP Investments, Inc. to Energy Ventures, Inc. (MO).
4. Revised on March 18, 2019 to reflect name change of Great Plains Energy Services Incorporated to Energy Services, Inc. (MO).
5. Revised on July 1, 2019 to reflect redemption of membership interest in Grid Assurance LLC (investment of Energy Ventures, Inc.)
6. Revised on July 3, 2019 to reflect Energy Ventures, Inc. investment in Sunverge.
7. Revised on September 16, 2019 to reflect name changes of
  - Kansas City Power & Light Company to Energy Metro, Inc. (MO);
  - KCP&L Greater Missouri Operations Company to Energy Missouri West, Inc. (DE);
  - Westar Energy, Inc. to Energy Kansas Central, Inc. (KS);
  - Kansas Gas and Electric Company to Energy Kansas South, Inc. (KS);
  - KCP&L Solar, Inc. to Energy Energy Solutions, Inc. (MO);
  - Kansas City Power & Light Receivables Company to Energy Metro Receivables Company (DE);
  - GMO Receivables Company to Energy Missouri West Receivables Company (DE), and
  - Westar Industries, Inc. to Energy Industries, Inc. (KS).
7. Revised on September 17, 2019 to reflect name change of GPE Transmission Holding Company, LLC to Energy Transmission Company, LLC (DE).
8. Revised on September 18, 2019 to reflect name change of Westar Generating, Inc. to Energy Generating, Inc. (KS).
9. Revised November 25, 2019 to reflect dissolution of Westar Energy Foundation, Inc. (KS).



10. Revised on December 11, 2019 to reflect Golden Bear Hydro Inc.(DE) merger into parent MOPUB Group Inc.; Energia, Inc. (DE) merger into parent MOPUB Group Inc.; and MPS Piatt County Power L.L.C. (DE) merger into parent MPS Merchant Services, Inc.
11. Revised on December 12, 2019 to reflect MOPUB Group Inc. (DE) merger into parent MPS Merchant Services, Inc.; and MPS Finance Corp. (DE) merger into Trans MPS, Inc. (DE).
12. Revised March 1, 2020 to reflect Energy Ventures, Inc. ownership of investments update.

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1002

When did Evergy begin to examine its need for this accounting authority order (AAO)? What employees were included in the in the examination? Please provide the name, title, and employer for each employee identified. What was the catalyst that caused Evergy to begin to examine its need for this AAO?

Response:

Late April 2020.

Ron Klote, Director, Regulatory Affairs, Evergy Metro, Inc.  
Steve Busser, Vice President – Risk Management and Controller, Evergy Metro, Inc.  
Matt Dority, Director, Regulatory Affairs, Evergy Metro, Inc.  
Darrin Ives, Vice President, Regulatory Affairs, Evergy Metro, Inc.  
Amy Murray, Lead Regulatory Analyst, Evergy Metro, Inc.  
Jeremy Fischer, Accounting Policy Manager, Evergy Kansas Central, Inc.  
Jeanette Bouzianis, Director, Financial Accounting, Evergy Kansas Central, Inc.  
Rob Hack, Senior Director, Regulatory Affairs and Corporate Counsel, Evergy Metro, Inc.  
Cathy Dinges, Corporate Counsel, Evergy Kansas Central, Inc.  
Zac Broughton, Senior Manager, Financial Accounting, Evergy Kansas Central, Inc.

The COVID-19 Pandemic.

Attachment: Q1002\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1003

Were any outside consultants used to evaluate Evergy's need for this AAO? If yes, please identify the consultants, the amount paid, and the accounts charged for their services. Please provide copies of the invoices and contracts related to each consultant working on this project.

Response:

No.

Attachment: Q1003\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1004

What additional (not in the identified in response to data request OPC DR 1003) direct or indirect Evergy employees worked on, recommended, or approved the AAO request that is the subject of this case. Please provide the name, title, and employer for each person identified.

Response:

No such list has been created.

Attachment: Q1004\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1006

Please provide copies of all documentation related to the initiation, examination, analysis, recommendation, and approval for Evergy to seek the AAO in this case.

Response:

No such documentation has been created.

Attachment: Q1006\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1007

Was the COVID-19 impact on Evergy and its affiliate customers considered in the development of the AAO being sought in this case? If yes, please identify the documentation supplied in response to data request 1006 related to Evergy and its affiliates' customer COVID-19 consideration in the development of the AAO being sought in this case?

Response:

Yes. No such documentation has been created.

Attachment: Q1007\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/6/2020

Question:1011

Is there any documentation that Mr. Ives and Klote relied upon when preparing direct testimony prefiled in this case that has not been provided to OPC? If so, please provide such documentation.

Response:

No, there is no additional documentation that was relied upon.

Response provided by: Amy Murray, Lead Regulatory Analyst

Attachment: Q1011\_Verification.pdf

Evergy MO Metro and MO West  
Case Name: 2020 Evergy MO Covid AAO  
Case Number: EU-2020-0350

Response to Schallenberg Bob Interrogatories - OPC\_20200723  
Date of Response: 8/10/2020

Question:1015

Does the AAO the Kansas Corporation Commission granted related to COVID-19 differ from Evergy's Missouri request in this case? If so, how does it differ?

Response:

The KCC did not authorize deferral of carrying costs but ordered that the carrying cost issue could be addressed in the next general rate proceeding. The KCC ordered different reporting than Evergy has proposed in Missouri.

Attachments:

Q1015\_Verification.pdf



*Case No. EU-2020-0350*

Schedule RES-R-10 to  
Robert E. Schallenberg's  
Rebuttal Testimony has  
been deemed "Confidential"  
in its entirety