

Evergy Missouri West, Inc.

**Unaudited Consolidated Financial Statements for the Three Months Ended
March 31, 2021 and 2020**

EVERGY MISSOURI WEST, INC.

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GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report.

| <u>Abbreviation or Acronym</u> | <u>Definition</u> |
|--------------------------------|--|
| AAO | Accounting authority order |
| ACE | Affordable Clean Energy |
| AFUDC | Allowance for funds used during construction |
| AROs | Asset retirement obligations |
| BSER | Best system of emission reduction |
| CAA | Clean Air Act Amendments of 1990 |
| CCRs | Coal combustion residuals |
| CO₂ | Carbon dioxide |
| COVID-19 | Coronavirus |
| CPP | Clean Power Plan |
| D.C. Circuit | U.S. Court of Appeals for the D.C. Circuit |
| ELG | Effluent limitations guidelines |
| EPA | Environmental Protection Agency |
| Evergy | Evergy, Inc. |
| Evergy Kansas Central | Evergy Kansas Central, Inc., a wholly-owned subsidiary of Evergy |
| Evergy Metro | Evergy Metro, Inc., a wholly-owned subsidiary of Evergy |
| Evergy Missouri West | Evergy Missouri West, Inc., a wholly-owned subsidiary of Evergy |
| GAAP | Generally Accepted Accounting Principles |
| GHG | Greenhouse gas |
| MECG | Midwest Energy Consumers Group |
| MPSC | Public Service Commission of the State of Missouri |
| NAAQS | National Ambient Air Quality Standards |
| NAV | Net asset value |
| OCI | Other comprehensive income |
| OPC | Office of the Public Counsel |
| SERP | Supplemental Executive Retirement Plan |
| SPP | Southwest Power Pool, Inc. |

EVERGY MISSOURI WEST, INC.
Consolidated Balance Sheets
(Unaudited)

| | March 31 2021 | December 31 2020 |
|--|----------------------------------|-----------------------------|
| ASSETS | (millions, except share amounts) | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 362.4 | \$ 28.0 |
| Receivables, net of allowance for credit losses of \$4.9 and \$3.7, respectively | 31.0 | 36.8 |
| Related party receivables | 1.6 | 1.6 |
| Accounts receivable pledged as collateral | 50.0 | 50.0 |
| Fuel inventory and supplies | 53.4 | 57.5 |
| Income taxes receivable | 65.6 | 26.8 |
| Regulatory assets | 67.8 | 21.3 |
| Prepaid expenses and other assets | 5.7 | 5.8 |
| Total Current Assets | 637.5 | 227.8 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 2,702.0 | 2,652.9 |
| OTHER ASSETS: | | |
| Regulatory assets | 563.8 | 323.0 |
| Goodwill | 351.6 | 351.6 |
| Other | 28.0 | 27.9 |
| Total Other Assets | 943.4 | 702.5 |
| TOTAL ASSETS | \$ 4,282.9 | \$ 3,583.2 |

EVERGY MISSOURI WEST, INC.
Consolidated Balance Sheets
(Unaudited)

| | March 31 | December 31 |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| LIABILITIES AND EQUITY | | |
| (millions, except share amounts) | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$ 528.2 | \$ 429.4 |
| Notes payable and commercial paper | 590.0 | 65.0 |
| Collateralized note payable | 50.0 | 50.0 |
| Accounts payable | 52.3 | 115.6 |
| Related party payables | 437.9 | 236.1 |
| Accrued taxes | 19.1 | 7.4 |
| Accrued interest | 5.0 | 6.8 |
| Regulatory liabilities | 6.9 | 6.2 |
| Asset retirement obligations | 6.9 | 7.8 |
| Other | 4.8 | 6.6 |
| Total Current Liabilities | 1,701.1 | 930.9 |
| LONG-TERM LIABILITIES: | | |
| Long-term debt, net | 542.3 | 642.3 |
| Deferred income taxes | 343.4 | 305.7 |
| Unamortized investment tax credits | 2.6 | 2.6 |
| Regulatory liabilities | 277.8 | 282.3 |
| Retirement benefits | 24.0 | 23.8 |
| Asset retirement obligations | 13.9 | 11.7 |
| Other | 19.9 | 21.6 |
| Total Long-Term Liabilities | 1,223.9 | 1,290.0 |
| Commitments and Contingencies (Note 8) | | |
| EQUITY: | | |
| Common shareholder's equity | | |
| Common stock-1,000 shares authorized, \$0.01 par value, 10 shares issued, stated value | 1,257.7 | 1,257.7 |
| Retained earnings | 103.2 | 107.7 |
| Accumulated other comprehensive loss | (3.0) | (3.1) |
| Total Shareholder's Equity | 1,357.9 | 1,362.3 |
| TOTAL LIABILITIES AND EQUITY | \$ 4,282.9 | \$ 3,583.2 |

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

EVERGY MISSOURI WEST, INC.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

| Three Months Ended March 31 | 2021 | 2020 |
|---|-----------------|-----------------|
| | (millions) | |
| OPERATING REVENUES | \$ 196.2 | \$ 182.1 |
| OPERATING EXPENSES: | | |
| Fuel and purchased power | 100.7 | 67.6 |
| Operating and maintenance | 48.8 | 50.0 |
| Depreciation and amortization | 26.6 | 26.2 |
| Taxes other than income tax | 12.5 | 11.6 |
| Total Operating Expenses | 188.6 | 155.4 |
| INCOME FROM OPERATIONS | 7.6 | 26.7 |
| OTHER INCOME (EXPENSE): | | |
| Investment earnings | (0.2) | 0.7 |
| Other income | 0.7 | 0.1 |
| Other expense | (3.5) | (4.0) |
| Total Other Expense, Net | (3.0) | (3.2) |
| Interest expense | 13.2 | 14.4 |
| INCOME (LOSS) BEFORE INCOME TAXES | (8.6) | 9.1 |
| Income tax benefit | (4.1) | (0.1) |
| NET INCOME (LOSS) | \$ (4.5) | \$ 9.2 |
| COMPREHENSIVE INCOME | | |
| NET INCOME (LOSS) | \$ (4.5) | \$ 9.2 |
| OTHER COMPREHENSIVE INCOME (LOSS): | | |
| Defined benefit pension plans | | |
| Amortization of net losses included in net periodic benefit costs, net of tax | 0.1 | 0.1 |
| Change in unrecognized pension expense, net of tax | 0.1 | 0.1 |
| Total other comprehensive income | 0.1 | 0.1 |
| COMPREHENSIVE INCOME (LOSS) | \$ (4.4) | \$ 9.3 |

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

EVERGY MISSOURI WEST, INC.
Consolidated Statements of Cash Flows
(Unaudited)

| Three Months Ended March 31 | 2021 | 2020 |
|--|-----------------|----------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | (millions) | |
| Net income | \$ (4.5) | \$ 9.2 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 26.6 | 26.2 |
| Net deferred income taxes and credits | 34.6 | 31.8 |
| Allowance for equity funds used during construction | (0.2) | — |
| Payments for asset retirement obligations | (0.5) | (1.5) |
| Other | — | 0.1 |
| Changes in working capital items: | | |
| Accounts receivable | 5.9 | 11.2 |
| Fuel inventory and supplies | 4.1 | (0.6) |
| Prepaid expenses and other current assets | (45.7) | 9.1 |
| Accounts payable | 246.8 | (6.8) |
| Accrued taxes | (27.1) | (21.6) |
| Other current liabilities | (3.7) | (3.6) |
| Change in other assets | (237.3) | 4.5 |
| Changes in other liabilities | 6.4 | 2.5 |
| Cash Flows from Operating Activities | <u>5.4</u> | <u>60.5</u> |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (94.8) | (60.5) |
| Other investing activities | — | (1.3) |
| Cash Flows used in Investing Activities | <u>(94.8)</u> | <u>(61.8)</u> |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES: | | |
| Short term debt, net | 525.0 | 76.6 |
| Retirements of long-term debt | (1.1) | (1.1) |
| Net money pool borrowings | (100.0) | — |
| Other financing activities | (0.1) | — |
| Cash flows from Financing Activities | <u>423.8</u> | <u>75.5</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 334.4 | 74.2 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 28.0 | 1.2 |
| End of period | <u>\$ 362.4</u> | <u>\$ 75.4</u> |

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

EVERGY MISSOURI WEST, INC.
Consolidated Statements of Changes in Equity
(Unaudited)

| | Common stock shares | Common stock | Retained earnings | AOCI - Defined benefit pension plans | Total equity |
|--|----------------------------------|-----------------|----------------------|--|--------------|
| | (millions, except share amounts) | | | | |
| Balance as of December 31, 2019 | 10 | \$ 1,276.9 | \$ 6.2 | \$ (1.7) | \$ 1,281.4 |
| Net income | — | — | 9.2 | — | 9.2 |
| Change in unrecognized pension expense, net of tax | — | — | — | 0.1 | 0.1 |
| Balance as of March 31, 2020 | 10 | \$ 1,276.9 | \$ 15.4 | \$ (1.6) | \$ 1,290.7 |
| Balance as of December 31, 2020 | 10 | \$ 1,257.7 | \$ 107.7 | \$ (3.1) | \$ 1,362.3 |
| Net loss | — | — | (4.5) | — | (4.5) |
| Change in unrecognized pension expense, net of tax | — | — | — | 0.1 | 0.1 |
| Balance as of March 31, 2021 | 10 | \$ 1,257.7 | \$ 103.2 | \$ (3.0) | \$ 1,357.9 |

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

EVERGY MISSOURI WEST, INC.**Notes to Unaudited Consolidated Financial Statements**

The term "Evergy Missouri West" is used throughout this report and refers to Evergy Missouri West, Inc. and its consolidated subsidiaries, unless otherwise indicated. Evergy Missouri West is a wholly-owned subsidiary of Evergy, Inc. (Evergy). Evergy also owns Evergy Metro, Inc. (Evergy Metro) and Evergy Kansas Central, Inc. (Evergy Kansas Central), both integrated, regulated electric utilities.

1. ORGANIZATION AND BASIS OF PRESENTATION**Organization**

Evergy Missouri West is an integrated, regulated electric utility that provides electricity to customers in the state of Missouri. Evergy Missouri West conducts business in its service territory using the name Evergy.

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, these unaudited consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements and should be read in conjunction with Evergy Missouri West's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These unaudited consolidated financial statements, in the opinion of management, reflect all normal recurring adjustments necessary to fairly present the unaudited consolidated financial statements of Evergy Missouri West for these interim periods. In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Principles of Consolidation

Evergy Missouri West's unaudited consolidated financial statements include the accounts of its subsidiaries. Undivided interests in jointly-owned generation facilities are included on a proportionate basis. Intercompany transactions have been eliminated.

Subsequent events have been evaluated through May 14, 2021, the date the unaudited consolidated financial statements were available to be issued.

Fuel Inventory and Supplies

Evergy Missouri West records fuel inventory and supplies at average cost. The following table separately states the balances for fuel inventory and supplies.

| | March 31 2021 | December 31 2020 |
|-----------------------------|--------------------------|-----------------------------|
| | (millions) | |
| Fuel inventory | \$ 15.3 | \$ 20.8 |
| Supplies | 38.1 | 36.7 |
| Fuel inventory and supplies | \$ 53.4 | \$ 57.5 |

Property, Plant and Equipment

The following table summarizes Evergy Missouri West's property, plant and equipment.

| | March 31 2021 | December 31 2020 |
|------------------------------------|------------------|---------------------|
| | (millions) | |
| Electric plant in service | \$ 3,817.6 | \$ 3,750.5 |
| Accumulated depreciation | (1,249.0) | (1,228.1) |
| Plant in service, net | 2,568.6 | 2,522.4 |
| Construction work in progress | 133.4 | 130.5 |
| Property, plant and equipment, net | \$ 2,702.0 | \$ 2,652.9 |

Other Income (Expense), Net

The table below shows the detail of other expense for Evergy Missouri West.

| Three Months Ended March 31 | 2021 | 2020 |
|--|------------|----------|
| | (millions) | |
| Non-service cost component of net benefit cost | \$ (3.4) | \$ (3.8) |
| Other | (0.1) | (0.2) |
| Other expense | \$ (3.5) | \$ (4.0) |

Supplemental Cash Flow Information

| Three Months Ended March 31 | 2021 | 2020 |
|---|------------|---------|
| | (millions) | |
| Cash paid for (received from): | | |
| Interest, net of amounts capitalized | \$ 14.7 | \$ 16.2 |
| Non-cash investing transactions: | | |
| Property, plant and equipment additions | 24.4 | 5.4 |

February 2021 Winter Weather Event

In February 2021, much of the central and southern United States, including the service territory of Evergy Missouri West, experienced a significant winter weather event that resulted in extremely cold temperatures over a multi-day period. This winter weather event resulted in an increase in the demand for natural gas used by Evergy Missouri West for generating electricity and also contributed to the limited availability of other generation resources, including coal and renewables, within the Southwest Power Pool, Inc. (SPP) Integrated Marketplace. Evergy Missouri West is a member of the SPP and, as a result, principally sells and purchases power for Evergy Missouri West's retail electric customers through the SPP Integrated Marketplace. These circumstances resulted in higher than normal market prices for both natural gas and power for the duration of the winter weather event. These higher than normal market prices also included make-whole payments calculated by the SPP to compensate natural gas generators within the SPP Integrated Marketplace for costs incurred in excess of revenues. As part of the winter weather event and inclusive of the aforementioned items, Evergy Missouri West incurred natural gas and purchased power costs, net of wholesale revenues, of \$297.3 million. The amount of purchased power costs incurred by Evergy Missouri West during the winter weather event is subject to resettlement activity and further review by the SPP. This review and any subsequent resettlement activity could result in increases to the final amount of purchased power costs incurred by Evergy Missouri West during the winter weather event and these increases could be material.

Evergy Missouri West has a fuel recovery mechanism that allows it to defer substantially all of any increased fuel and purchased power costs to a regulatory asset for future recovery from customers. While Evergy Missouri West expects to recover substantially all of any increased fuel and purchased power costs related to the winter weather event from customers, it is possible that the timing of the cost recovery could be delayed or spread over a longer than typical recovery timeframe by the Public Service Commission of the State of Missouri (MPSC) given the extraordinary nature of the winter weather event and to help moderate monthly customer bill impacts.

2. REVENUE

Evergy Missouri West's revenues disaggregated by customer class are summarized in the following table.

| Three Months Ended March 31 | 2021 | 2020 |
|---|------------|----------|
| Revenues | (millions) | |
| Residential | \$ 91.1 | \$ 87.3 |
| Commercial | 59.8 | 61.5 |
| Industrial | 18.3 | 18.4 |
| Other retail | 2.1 | 2.4 |
| Total electric retail | \$ 171.3 | \$ 169.6 |
| Wholesale | 16.2 | 3.0 |
| Transmission | 4.1 | 4.3 |
| Industrial steam and other | 4.4 | 4.5 |
| Total revenue from contracts with customers | \$ 196.0 | \$ 181.4 |
| Other | 0.2 | 0.7 |
| Operating revenues | \$ 196.2 | \$ 182.1 |

3. RECEIVABLES

Evergy Missouri West's receivables are detailed in the following table.

| | March 31 2021 | December 31 2020 |
|---|------------------|---------------------|
| | (millions) | |
| Customer accounts receivable - billed | \$ 3.0 | \$ 2.0 |
| Customer accounts receivable - unbilled | 24.7 | 31.4 |
| Other receivables | 8.2 | 7.1 |
| Allowance for credit losses | (4.9) | (3.7) |
| Total | \$ 31.0 | 36.8 |

As of March 31, 2021 and December 31, 2020, other receivables for Evergy Missouri West included receivables from contracts with customers of \$1.3 million and \$0.8 million, respectively.

The change in Evergy Missouri West's allowance for credit losses is summarized in the following table.

| | 2021 | 2020 |
|--------------------------------|------------|--------|
| | (millions) | |
| Beginning balance January 1 | \$ 3.7 | \$ 2.2 |
| Credit loss expense | 1.6 | 0.5 |
| Write-offs | (1.1) | (1.2) |
| Recoveries of prior write-offs | 0.7 | 0.7 |
| Ending balance March 31 | \$ 4.9 | \$ 2.2 |

Sale of Accounts Receivable

Evergy Missouri West sells an undivided percentage ownership interest in its retail and steam accounts receivable to an independent outside investor. This sale is accounted for as a secured borrowing with accounts receivable pledged as collateral and a corresponding short-term collateralized note payable recognized on the balance sheets. At March 31, 2021 and December 31, 2020, Evergy Missouri West's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were \$50.0 million. Evergy Missouri West's receivable sales facility expires in 2024 and 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 mid-November.

4. RATE MATTERS AND REGULATION

Other Regulatory Proceedings

In December 2018, the Office of the Public Counsel (OPC) and the Midwest Energy Consumers Group (MECG) filed a petition with the MPSC requesting an Accounting Authority Order (AAO) that would require Evergy Missouri West to record a regulatory liability for all revenues collected from customers for return on investment, non-fuel operations and maintenance costs, taxes including accumulated deferred income taxes, and all other costs associated with Sibley Station following the station's retirement in November 2018.

In October 2019, the MPSC granted OPC's and MECG's request for an AAO and required Evergy Missouri West to record to a regulatory liability the revenues discussed above for consideration in Evergy Missouri West's next rate case, which is expected to be completed no later than the end of 2022. Depending on the MPSC's decision in this next rate case, Evergy Missouri West could be required to refund to customers all or a portion of amounts collected in revenue for Sibley Station since December 2018 or, alternatively, could be required to make no refunds.

As a result of the MPSC order, Evergy Missouri West has recorded a regulatory liability of \$21.1 million as of March 31, 2021 for the estimated amount of revenues that Evergy Missouri West has collected from customers for Sibley Station since December 2018 that Evergy Missouri West has determined is probable of refund. Evergy Missouri West expects that it will continue to defer such amounts as collected from customers until new rates become effective in its next rate case.

The accrual for the estimated amount does not include certain revenues collected related to Sibley Station that Evergy Missouri West has determined to not be probable of refund in the next rate case based on the relevant facts and circumstances. While Evergy Missouri West has determined these additional revenues to not be probable of refund, the ultimate resolution of this matter in Evergy Missouri West's next rate case is uncertain and could result in an estimated loss of up to approximately \$12 million per year in excess of the amount accrued until Evergy Missouri West's new rates become effective. Evergy Missouri West's regulatory liability for probable refunds as of March 31, 2021 and estimated loss in excess of the amount accrued represent estimates that could change significantly based on ongoing developments including decisions in other regulatory proceedings that establish precedent applicable to this matter and positions of parties on this issue in a future Evergy Missouri West rate case.

5. SHORT-TERM BORROWINGS AND SHORT-TERM BANK LINES OF CREDIT

Evergy's \$2.5 billion master credit facility expires in 2023. Evergy Missouri West has borrowing capacity under the master credit facility with a current sublimit of \$700.0 million. This sublimit can be unilaterally adjusted by Evergy provided the sublimit remains within minimum and maximum sublimits as specified in the facility. Evergy adjusted Evergy Missouri West's sublimit to \$700.0 million from \$450.0 million in the first quarter of 2021. A default by Evergy Missouri West or any of its significant subsidiaries on other indebtedness totaling more than \$100.0 million constitutes a default by Evergy Missouri West under the facility. Under the terms of this facility, Evergy Missouri West is required to maintain a total indebtedness to total capitalization ratio, as defined in the facility, of not greater than 0.65 to 1.00 at all times. As of March 31, 2021, Evergy Missouri West was in compliance with this covenant.

At March 31, 2021, Evergy Missouri West had \$590.0 million of commercial paper outstanding at a weighted-average interest rate of 0.24%, had not issued letters of credit and had no outstanding cash borrowings under the master credit facility. At December 31, 2020, Evergy Missouri West had \$65.0 million of commercial paper outstanding at a weighted-average interest rate of 0.36%, had issued letters of credit totaling \$2.0 million and had no outstanding cash borrowings under the master credit facility.

6. LONG-TERM DEBT

Senior Notes

In April 2021, Evergy Missouri West issued in a private placement \$350.0 million of 2.86% Series A Senior Notes, maturing in 2031, \$75.0 million of 3.01% Series B Senior Notes, maturing in 2033 and \$75.0 million of 3.21% Series C Senior Notes, maturing in 2036, pursuant to a note purchase agreement. In connection with the issuance, Evergy entered into an agreement to provide an unconditional guaranty of the Series A, B and C Senior Notes, and

as required by certain existing note purchase agreements, also agreed to provide unconditional guaranty of the following series of outstanding Evergy Missouri West unsecured senior notes:

- \$36.0 million of 3.49% Series A, maturing in 2025;
- \$60.0 million of 4.06% Series B, maturing in 2033;
- \$150.0 million of 4.74% Series C, maturing in 2043; and
- \$100.0 million of 3.74% Series, maturing in 2022.

In April 2021, Evergy Missouri West redeemed its \$347.4 million of 4.97% Affiliated Notes Payable to Evergy, which had a maturity date of June 2021.

7. FAIR VALUE MEASUREMENTS

GAAP establishes a hierarchical framework for disclosing the transparency of the inputs utilized in measuring assets and liabilities at fair value. Management’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy levels. In addition, Evergy Missouri West measures certain investments that do not have a readily determinable fair value at net asset value (NAV), which are not included in the fair value hierarchy. Further explanation of these levels and NAV is summarized below.

Level 1 - Quoted prices are available in active markets for identical assets or liabilities. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on public exchanges.

Level 2 - Pricing inputs are not quoted prices in active markets, but are either directly or indirectly observable. The types of assets and liabilities included in Level 2 are certain marketable debt securities, financial instruments traded in less than active markets or other financial instruments priced with models using highly observable inputs.

Level 3 - Significant inputs to pricing have little or no transparency. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation.

NAV - Investments that do not have a readily determinable fair value are measured at NAV. These investments do not consider the observability of inputs and, therefore, they are not included within the fair value hierarchy. Evergy Missouri West includes in this category investments that do not have a readily determinable fair value.

Evergy Missouri West records cash and cash equivalents, accounts receivable and short-term borrowings on its balance sheets at cost, which approximates fair value due to the short-term nature of these instruments.

Fair Value of Long-Term Debt

Evergy Missouri West measures the fair value of long-term debt using Level 2 measurements available as of the measurement date. The book value and fair value of Evergy Missouri West's long-term debt is summarized in the following table.

| | March 31, 2021 | | December 31, 2020 | |
|-------------------------------|----------------|------------|-------------------|------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| | (millions) | | | |
| Long-term debt ^(a) | \$ 1,070.5 | \$ 1,117.4 | \$ 1,071.7 | \$ 1,156.6 |

^(a)Includes current maturities.

Supplemental Executive Retirement Plan

At March 31, 2021 and December 31, 2020, Evergy Missouri West's Supplemental Executive Retirement Plan (SERP) rabbi trusts included \$12.7 million of core bond funds and \$13.1 million of fixed income funds, respectively. The core bond funds are Level 1 investments and the fixed income funds are valued at NAV per share (or its equivalent) and are not categorized in the fair value hierarchy.

8. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Set forth below are descriptions of contingencies related to environmental matters that may impact Evergy Missouri West's operations or its financial results. Management's assessment of these contingencies, which are based on federal and state statutes and regulations, and regulatory agency and judicial interpretations and actions, has evolved over time. These laws, regulations, interpretations and actions can also change, restrict or otherwise impact Evergy Missouri West's operations or financial results. The failure to comply with these laws, regulations, interpretations and actions could result in the assessment of administrative, civil and criminal penalties and/or the imposition of remedial requirements. Evergy Missouri West believes that all of its operations are in substantial compliance with current federal, state and local environmental standards.

There are a variety of final and proposed laws and regulations that could have a material adverse effect on Evergy Missouri West's operations and consolidated financial results. Due in part to the complex nature of environmental laws and regulations, Evergy Missouri West is unable to assess the impact of potential changes that may develop with respect to the environmental contingencies described below.

Cross-State Air Pollution Update Rule

In September 2016, the Environmental Protection Agency (EPA) finalized the Cross-State Air Pollution (CSAPR) Update Rule. The final rule addresses interstate transport of nitrogen oxides emissions in 22 states including Kansas, Missouri and Oklahoma during the ozone season and the impact from the formation of ozone on downwind states with respect to the 2008 ozone National Ambient Air Quality Standards (NAAQS). In December 2018, the EPA finalized a determination, known as the CSAPR Close-Out Rule, demonstrating the CSAPR Update Rule fully addressed certain upwind states' 2008 ozone NAAQS interstate transport obligations. Various states and others challenged both the CSAPR Update Rule and the CSAPR Close-Out Rule in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit). In 2019, the D.C. Circuit granted these petitions and remanded a portion of the CSAPR Update Rule back to the EPA and vacated the CSAPR Close-Out Rule in its entirety.

In response to the remand by the D.C. Circuit, the EPA published the final Revised Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS in April 2021. The final rule finds that nine of the states that were subject to the CSAPR Update Rule do not significantly contribute to downwind states' nonattainment and/or maintenance issues during the ozone season and that there are no further reductions in allowance budgets for these states. These nine states are Alabama, Arkansas, Iowa, Kansas, Mississippi, Missouri, Oklahoma, Texas and Wisconsin. Evergy Missouri West will continue to monitor this rule as any future changes to its NO_x ozone season allowance allocations could be material.

Greenhouse Gases

Burning coal and other fossil fuels releases carbon dioxide (CO₂) and other gases referred to as greenhouse gases (GHG). Various regulations under the federal Clean Air Act Amendments of 1990 (CAA) limit CO₂ and other GHG emissions, and in addition, other measures are being imposed or offered by individual states, municipalities and regional agreements with the goal of reducing GHG emissions.

In July 2019, the EPA published the final Affordable Clean Energy (ACE) rule in the Federal Register. This rule contained (1) emission guidelines for GHG emissions from existing electric utility generating units (EGUs) and (2) revisions to emission guideline implementing regulations. This rule defined the "best system of emission reduction" (BSER) for GHG emissions from existing coal-fired EGUs as on-site, heat-rate efficiency improvements. The final rule also provided states with a list of candidate technologies that can be used to establish standards of performance and incorporate these performance standards into state plans. In conjunction with the finalization of the ACE rule, the EPA repealed its previously adopted Clean Power Plan (CPP). In January 2021, the D.C. Circuit vacated and remanded the ACE rule back to the EPA. In February 2021, the D.C. Circuit granted a motion filed by the EPA for a partial stay of its January 2021 vacatur discussed above. The partial stay leaves the vacatur of the ACE rule in place while staying the mandate that vacates the repeal of the CPP. As a result of the partial stay, neither the ACE rule nor the CPP will be in effect while the EPA forms a new rule to regulate GHG emissions. In

April 2021, 18 states filed a petition for a writ of certiorari to the Supreme Court requesting review of the D.C. Circuit ruling.

Due to uncertainty regarding the future of the ACE rule or other potential GHG regulations, Evergy Missouri West cannot determine the impact of the rule on its operations or consolidated financial results, but the cost to comply with the ACE rule or other potential GHG rules, could be material.

Water

Evergy Missouri West discharges some of the water used in generation and other operations containing substances deemed to be pollutants. A November 2015 EPA rule applicable to steam-electric power generating plants establishes effluent limitations guidelines (ELG) and standards for wastewater discharges, including limits on the amount of toxic metals and other pollutants that can be discharged. Implementation timelines for this 2015 rule vary from 2018 to 2023. In April 2019, the U.S. Court of Appeals for the 5th Circuit (5th Circuit) issued a ruling that vacates and remands portions of the original ELG rule. Due to this ruling, future ELG modifications for the best available technology economically achievable for the discharge of legacy wastewater and leachate are likely and could be material.

In October 2020, the EPA published the final ELG reconsideration rule. This rule adjusts numeric limits for flue gas desulfurization (FGD) wastewater and adds a 10% volumetric purge limit for bottom ash transport water. The timeline for final FGD wastewater compliance is as soon as possible after one year following publication of the final rule in the Federal Register but no later than December 31, 2025. Evergy Missouri West has reviewed the regulation and the costs to comply with these changes are not expected to be material.

Regulation of Coal Combustion Residuals

In the course of operating its coal generation plants, Evergy Missouri West produces coal combustion residuals (CCRs), including fly ash, gypsum and bottom ash. The EPA published a rule to regulate CCRs in April 2015 that requires additional CCR handling, processing and storage equipment and closure of certain ash disposal units.

In March 2019, the D.C. Circuit issued a ruling to grant the EPA's request to remand the Phase I, Part I CCR rule in response to a prior court ruling requiring the EPA to address un-lined surface impoundment closure requirements. In August 2020, the EPA published the Part A CCR Rule. This rule reclassified clay-lined surface impoundments from "lined" to "un-lined" and established a deadline of April 11, 2021 to initiate closure. In November 2020, the EPA published the final Part B CCR Rule. This rule includes a process to allow un-lined impoundments to continue to operate if a demonstration is made to prove that the un-lined impoundments are not adversely impacting groundwater, human health or the environment. Evergy Missouri West has initiated closure of all un-lined impoundments by the deadline in the Part A CCR rule and therefore the Part B CCR rule is not expected to have a material impact.

Evergy Missouri West has recorded Asset Retirement Obligations (ARO) for its current estimate for the closure of ash disposal ponds, but the revision of these AROs may be required in the future due to changes in existing CCR regulations, the results of groundwater monitoring of CCR units or changes in interpretation of existing CCR regulations or changes in the timing or cost to close ash disposal ponds. If revisions to these AROs are necessary, the impact on Evergy Missouri West's operations or consolidated financial results could be material.

9. RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

In the normal course of business, Evergy Missouri West, Evergy Kansas Central and Evergy Metro engage in related party transactions with one another. A summary of these transactions and the amounts associated with them is provided below.

Jointly-Owned Plants and Shared Services

Evergy Missouri West has no employees of its own. Employees of Evergy Kansas Central and Evergy Metro manage Evergy Missouri West's business and operate its facilities at cost, including Evergy Missouri West's 8% ownership interest in Evergy Kansas Central's Jeffrey Energy Center (JEC) and an 18% ownership interest in Evergy Metro's Iatan Nos. 1 and 2. Employees of Evergy Kansas Central and Evergy Metro provide Evergy Missouri West with shared service support, including costs related to human resources, information technology, accounting and legal services.

The operating expenses and capital costs billed for jointly-owned plants and shared services are detailed in the following table.

| Three Months Ended March 31 | 2021 | 2020 |
|--|------------|--------|
| | (millions) | |
| Evergy Kansas Central billings to Evergy Missouri West | \$ 9.5 | \$ 4.3 |
| Evergy Metro billings to Evergy Missouri West | 34.7 | 39.3 |

Money Pool

Evergy Missouri West is authorized to participate in the Evergy, Inc. money pool, which is an internal financing arrangement in which funds may be lent on a short-term basis to Evergy Missouri West from Evergy, Inc. and between Evergy Metro and Evergy Missouri West. As of March 31, 2021, Evergy Missouri West had no outstanding receivables or payables under the money pool. As of December 31, 2020, Evergy Missouri West had no outstanding receivables and a \$100.0 million outstanding payable to Evergy Metro under the money pool.

Related Party Net Receivables and Payables

The following table summarizes Evergy Missouri West's related party net payables.

| | March 31 2021 | December 31 2020 |
|--------------------------------------|------------------|---------------------|
| | (millions) | |
| Net payable to Evergy | \$ 47.2 | \$ 39.8 |
| Net payable to Evergy Kansas Central | 9.5 | 6.6 |
| Net payable to Evergy Metro | 379.6 | 188.1 |

Tax Allocation Agreement

Evergy files a consolidated federal income tax return as well as unitary and combined income tax returns in several state jurisdictions with Kansas and Missouri being the most significant. Income taxes for consolidated or combined subsidiaries are allocated to the subsidiaries based on separate company computations of income or loss. As of March 31, 2021 and December 31, 2020, Evergy Missouri West had income taxes receivable from Evergy of \$65.6 million and \$26.8 million, respectively.

10. TAXES

Components of income tax expense are detailed in the following table.

| Three Months Ended March 31 | 2021 | 2020 |
|------------------------------------|-------------|-------------|
| Current income taxes | (millions) | |
| Federal | \$ (36.5) | \$ (31.9) |
| State | (2.2) | — |
| Total | (38.7) | (31.9) |
| Deferred income taxes | | |
| Federal | 32.4 | 31.7 |
| State | 2.2 | 0.1 |
| Total | 34.6 | 31.8 |
| Income tax benefit | \$ (4.1) | \$ (0.1) |

Effective Income Tax Rates

Effective income tax rates reflected in the financial statements and the reasons for the differences from the statutory federal rates are detailed in the following table.

| Three Months Ended March 31 | 2021 | 2020 |
|---|-------------|-------------|
| Federal statutory income tax rate | 21.0 % | 21.0 % |
| Effect of: | | |
| State income taxes | 0.3 | 1.4 |
| Flow through depreciation for plant-related differences | 26.5 | (23.1) |
| Federal tax credits | 0.4 | (0.3) |
| AFUDC equity | 0.4 | — |
| Amortization of federal investment tax credits | 0.1 | (0.3) |
| Other | (0.3) | 0.5 |
| Effective income tax rate | 48.4 % | (0.8)% |