Evergy Missouri West, Inc.

Unaudited Consolidated Financial Statements for the Three Months Ended and Year to Date September 30, 2022 and 2021 and Management's Narrative Analysis of the Results of Operations Year to Date September 30, 2022 and 2021

EVERGY MISSOURI WEST, INC.

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Unaudited Consolidated Financial Statements and Management's Narrative Analysis of the Results of Operations for the Three Months Ended and Year to Date September 30, 2022 and 2021:

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
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
CO_2	Carbon dioxide
CPP	Clean Power Plan
CSAPR	Cross-State Air Pollution
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
February 2021 winter weather event	Significant winter weather event in February 2021 that resulted in extremely cold temperatures over a multi-day period across much of the central and southern United States
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse gas
KDHE	Kansas Department of Health & Environment
MECG	Midwest Energy Consumers Group
MDNR	Missouri Department of Natural Resources
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
SIP	State implementation plan
SPP	Southwest Power Pool, Inc.

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

	September 30 2022	December 31 2021
ASSETS	(millions, except share amounts)	
CURRENT ASSETS:		
Cash and cash equivalents	**$ 1.6**	$ 1.8
Receivables, net of allowance for credit losses of $4.5 and $6.7, respectively	**52.7**	32.7
Related party receivables	**1.9**	1.6
Accounts receivable pledged as collateral	**65.0**	50.0
Fuel inventory and supplies	**77.5**	72.4
Income taxes receivable	**—**	3.9
Regulatory assets	**165.4**	77.1
Prepaid expenses and other assets	**10.0**	8.2
Total Current Assets	**374.1**	247.7
PROPERTY, PLANT AND EQUIPMENT, NET	**3,214.2**	3,009.4
OTHER ASSETS:		
Regulatory assets	**587.0**	617.0
Goodwill	**351.6**	351.6
Other	**22.5**	26.7
Total Other Assets	**961.1**	995.3
TOTAL ASSETS	**$ 4,549.4**	$ 4,252.4

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

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

	September 30 2022	December 31 2021
LIABILITIES AND EQUITY	(millions, except share amounts)	
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ —	$ 387.5
Notes payable and commercial paper	**584.1**	395.3
Collateralized note payable	**65.0**	50.0
Accounts payable	**61.1**	142.2
Related party payables	**287.3**	306.0
Accrued taxes	**51.0**	8.2
Accrued interest	**8.8**	8.5
Regulatory liabilities	**3.6**	3.3
Asset retirement obligations	**0.8**	1.1
Other	**8.4**	4.2
Total Current Liabilities	**1,070.1**	1,306.3
LONG-TERM LIABILITIES:		
Long-term debt, net	**999.7**	752.5
Deferred income taxes	**432.0**	398.3
Unamortized investment tax credits	**2.5**	2.5
Regulatory liabilities	**249.5**	284.6
Retirement benefits	**23.1**	22.5
Asset retirement obligations	**16.2**	16.1
Other	**18.7**	19.2
Total Long-Term Liabilities	**1,741.7**	1,495.7
Commitments and Contingencies (Note 9)		
EQUITY:		
Common shareholder's equity		
Common stock-1,000 shares authorized, $0.01 par value, 10 shares issued, stated value	**1,457.7**	1,257.7
Retained earnings	**281.7**	194.8
Accumulated other comprehensive loss	**(1.8)**	(2.1)
Total Shareholder's Equity	**1,737.6**	1,450.4
TOTAL LIABILITIES AND EQUITY	**$ 4,549.4**	$ 4,252.4

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

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

	Three Months Ended September 30		Year to Date September 30	
	2022	2021	**2022**	2021
	(millions)			
OPERATING REVENUES	**$ 259.5**	$ 268.3	**$ 683.6**	$ 664.7
OPERATING EXPENSES:				
Fuel and purchased power	**118.9**	81.0	**278.3**	246.7
Operating and maintenance	**52.3**	48.0	**147.5**	140.6
Depreciation and amortization	**28.0**	27.3	**83.7**	85.6
Taxes other than income tax	**12.7**	12.9	**39.5**	38.6
Estimated impairment loss on Sibley Unit 3	**6.0**	—	**6.0**	—
Total Operating Expenses	**217.9**	169.2	**555.0**	511.5
INCOME FROM OPERATIONS	**41.6**	99.1	**128.6**	153.2
OTHER INCOME (EXPENSE):				
Investment earnings	**17.2**	1.0	**19.2**	2.2
Other income	**0.1**	0.7	**1.1**	1.6
Other expense	**(3.8)**	(3.6)	**(11.7)**	(11.1)
Total Other Income (Expense), Net	**13.5**	(1.9)	**8.6**	(7.3)
Interest expense	**11.1**	12.8	**33.8**	40.4
INCOME BEFORE INCOME TAXES	**44.0**	84.4	**103.4**	105.5
Income tax expense	**6.3**	16.3	**16.5**	16.9
NET INCOME	**$ 37.7**	$ 68.1	**$ 86.9**	$ 88.6
COMPREHENSIVE INCOME				
NET INCOME	**$ 37.7**	$ 68.1	**$ 86.9**	$ 88.6
OTHER COMPREHENSIVE INCOME				
Defined benefit pension plans				
Amortization of net losses included in net periodic benefit costs, net of tax	**0.1**	0.2	**0.3**	0.5
Change in unrecognized pension expense, net of tax	**0.1**	0.2	**0.3**	0.5
Total other comprehensive income	**0.1**	0.2	**0.3**	0.5
COMPREHENSIVE INCOME	**$ 37.8**	$ 68.3	**$ 87.2**	$ 89.1

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)

Year to Date September 30	2022	2021
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(millions)	
Net income	**$ 86.9**	$ 88.6
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**83.7**	85.6
Net deferred income taxes and credits	**23.9**	77.1
Allowance for equity funds used during construction	**(0.8)**	(0.5)
Payments for asset retirement obligations	**(0.9)**	(3.0)
Changes in working capital items:		
Accounts receivable	**(12.6)**	(6.2)
Accounts receivable pledged as collateral	**(15.0)**	(15.0)
Fuel inventory and supplies	**(5.1)**	(12.1)
Prepaid expenses and other current assets	**(91.8)**	(40.0)
Accounts payable	**(55.5)**	(45.6)
Accrued taxes	**46.7**	78.9
Other current liabilities	**7.1**	3.9
Change in other assets	**36.1**	(263.6)
Changes in other liabilities	**11.2**	8.6
Cash Flows from (used in) Operating Activities	**113.9**	(43.3)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(360.8)**	(313.8)
Cash Flows used in Investing Activities	**(360.8)**	(313.8)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short term debt, net	**188.8**	29.5
Collateralized short-term borrowings, net	**15.0**	15.0
Proceeds from long-term debt	**246.9**	497.3
Retirements of long-term debt	**(387.5)**	(348.5)
Net money pool borrowings	**(16.5)**	138.0
Equity contribution	**200.0**	—
Cash Flows from Financing Activities	**246.7**	331.3
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(0.2)**	(25.8)
CASH AND CASH EQUIVALENTS:		
Beginning of period	**1.8**	28.0
End of period	**$ 1.6**	$ 2.2

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, 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
Net income	—	—	25.0	—	25.0
Change in unrecognized pension expense, net of tax	—	—	—	0.2	0.2
Balance as of June 30, 2021	10	1,257.7	128.2	(2.8)	1,383.1
Net income	—	—	68.1	—	68.1
Change in unrecognized pension expense, net of tax	—	—	—	0.2	0.2
Balance as of September 30, 2021	10	$ 1,257.7	$ 196.3	$ (2.6)	$ 1,451.4
Balance as of December 31, 2021	10	$ 1,257.7	$ 194.8	$ (2.1)	$ 1,450.4
Net income	—	—	16.9	—	16.9
Change in unrecognized pension expense, net of tax	—	—	—	0.1	0.1
Equity contribution	—	200.0	—	—	200.0
Balance as of March 31, 2022	10	1,457.7	211.7	(2.0)	1,667.4
Net income	—	—	32.3	—	32.3
Change in unrecognized pension expense, net of tax	—	—	—	0.1	0.1
Balance as of June 30, 2022	10	1,457.7	244.0	(1.9)	1,699.8
Net income	—	—	37.7	—	37.7
Change in unrecognized pension expense, net of tax	—	—	—	0.1	0.1
Balance as of September 30, 2022	10	$ 1,457.7	$ 281.7	$ (1.8)	$ 1,737.6

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, 2021 and 2020.

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.

Evergy Missouri West has evaluated the impacts of events occurring after September 30, 2022 up to November 3, 2022, the date the unaudited consolidated financial statements were issued, and has updated such evaluation for disclosure purposes through November 25, 2022. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

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.

	September 30 2022	December 31 2021
	(millions)	
Fuel inventory	$ 22.2	$ 24.7
Supplies	55.3	47.7
Fuel inventory and supplies	$ 77.5	$ 72.4

Property, Plant and Equipment

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

	September 30 2022	December 31 2021
	(millions)	
Electric plant in service	$ 4,414.0	$ 4,038.9
Accumulated depreciation	(1,315.0)	(1,251.6)
Plant in service, net	3,099.0	2,787.3
Construction work in progress	115.2	222.1
Property, plant and equipment, net	$ 3,214.2	$ 3,009.4

Abandoned Plant

When Evergy Missouri West retires utility plant, the original cost, net of salvage, is charged to accumulated depreciation. However, when it becomes probable an asset will be retired significantly in advance of its original expected useful life and in the near term, the cost of the asset and related accumulated depreciation is recognized as a separate asset and a probable abandonment. If the asset is still in service, the net amount is classified as plant to be retired, net on the consolidated balance sheets. If the asset is no longer in service, the net amount is classified as a regulatory asset on the consolidated balance sheets.

Evergy Missouri West must also assess the probability of full recovery of the remaining net book value of the abandonment. The net book value that may be retained as an asset on the balance sheet for the abandonment is dependent upon amounts that may be recovered through regulated rates, including any return. An impairment charge, if any, would equal the difference between the remaining net book value of the asset and the present value of the future revenues expected from the asset.

Evergy Missouri West retired its Sibley Station in 2018 and the retirement of Sibley Unit 3 met the criteria to be considered an abandonment. Evergy Missouri West has classified the remaining net book value of Sibley Unit 3 as retired generation facilities within regulatory assets on its consolidated balance sheet and as of December 31, 2021, this amount was $123.4 million. Evergy Missouri West collects a full return of and on its investment in Sibley Station in current customer rates and has requested the continued return of and on its unrecovered investment in Sibley Station as part of its current rate case with the Missouri Public Service Commission (MPSC) which was filed in January 2022.

In October 2019, the MPSC issued an accounting authority order (AAO) requiring Evergy Missouri West to defer to a regulatory liability 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 its retirement in November 2018 to be considered in Evergy Missouri West's current rate case. Subsequent to the MPSC order in 2019, Evergy Missouri West recorded a regulatory liability for the estimated amount of revenues that Evergy Missouri West had collected from customers for Sibley Station since December 2018 that Evergy Missouri West determined was probable of refund. This regulatory liability did not include revenues collected related to the return on investment in Sibley Station as Evergy Missouri West determined that they were not probable of refund based on the relevant facts and circumstances. As of December 31, 2021, this Sibley AAO regulatory liability was $29.3 million.

In the third quarter of 2022, Evergy Missouri West determined that the refund of revenues collected since December 2018 for return on investment in Sibley Station was now probable based on regulatory precedent from an August 2022 MPSC decision in a similar proceeding for an unaffiliated utility and the MPSC staff’s position in Evergy Missouri West’s current rate case. As a result of this determination, Evergy Missouri West recorded a $47.5 million decrease to operating revenues on its consolidated statements of comprehensive income for the three months ended and year to date September 30, 2022, for the deferral to its Sibley AAO regulatory liability of revenues collected from customers for return on investment in Sibley Station since December 2018. The Sibley AAO regulatory liability had a total value as of September 30, 2022 of $84.7 million.

Based on the recent MPSC regulatory precedent, Evergy Missouri West believed it was probable that the Sibley AAO regulatory liability would be offset for recovery purposes against its unrecovered investment in Sibley Unit 3 in its current rate case and as a result, netted its Sibley AAO regulatory liability against its retired generation facilities regulatory asset for Sibley Unit 3 on its consolidated balance sheets as of September 30, 2022. Year to date September 30, 2022, the retired generation facilities regulatory asset was also reduced by $7.1 million, primarily consisting of amortization expense equal to the depreciation expense for the asset reflected in retail rates.

Evergy Missouri West also recorded a $6.0 million estimated impairment loss on Sibley Unit 3 on its consolidated statements of comprehensive income for the three months ended and year to date September 30, 2022, as it no longer expected to earn a return on its unrecovered investment in Sibley Unit 3 based on the regulatory precedent discussed above. As of September 30, 2022, and following the netting of the Sibley AAO regulatory liability, amortization expense and the estimated impairment loss recorded in the third quarter of 2022, Evergy Missouri West's retired generation facilities regulatory asset for Sibley Unit 3 was $25.6 million.

In November 2022, the MPSC issued a final rate order. The final order determined that Evergy Missouri West will be allowed to collect the return of but not the return on its unrecovered investment related to the 2018 retirement of Sibley Station. Further, in determining the value of Evergy Missouri West's unrecovered investment in Sibley Station, the MPSC accepted an intervenor's position which resulted in a $173.6 million unrecovered investment in Sibley Unit 3 to be recovered from customers. The MPSC also determined in its order that Evergy Missouri West's Sibley AAO regulatory liability would not be offset for recovery purpose against its unrecovered investment in Sibley Unit 3. This unrecovered investment will be recovered from customers over four years.

As a result of the provisions in the MPSC's final rate order, Evergy Missouri West expects to record an impairment loss on Sibley Unit 3 on its consolidated statements of income for the three months ended and year ended December 31, 2022 of approximately $8 million and $14 million, respectively. See Note 4 for additional information regarding the AAO and Evergy Missouri West's current rate case.

Other Income (Expense), Net

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

	Three Months Ended September 30		Year to Date September 30	
	2022	2021	2022	2021
		(millions)		
Non-service cost component of net benefit cost	$ (3.7)	$ (3.6)	$ (11.2)	$ (10.7)
Other	(0.1)	—	(0.5)	(0.4)
Other expense	$ (3.8)	$ (3.6)	$ (11.7)	$ (11.1)

Supplemental Cash Flow Information

Year to Date September 30	2022	2021
Cash paid for (received from):	(millions)	
Interest, net of amounts capitalized	$ 39.1	$ 35.1
Income taxes, net of refunds	(14.6)	(99.7)
Non-cash investing transactions:		
Property, plant and equipment additions	23.2	45.0

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 (February 2021 winter weather event). These circumstances resulted in higher than normal market prices within the Southwest Power Pool, Inc. (SPP) Integrated Marketplace for both natural gas and power for the duration of the February 2021 winter weather event. As part of the February 2021 winter weather event and inclusive of the aforementioned items, Evergy Missouri West incurred natural gas and purchased power costs, net of wholesale revenues, of $293.4 million for year to date September 30, 2021.

The amount of purchased power costs incurred by Evergy Missouri West in the first quarter of 2021 during the February 2021 winter weather event have been subject to subsequent resettlement activity by the SPP that has resulted in a net increase to the total cost of the February 2021 winter weather event from the amount initially recorded. As of September 30, 2022, Evergy Missouri West has incurred total natural gas and purchased power costs, net of wholesale revenues, of $296.6 million related to the February 2021 winter weather event and inclusive of these subsequent SPP resettlements.

As of September 30, 2022 and December 31, 2021, Evergy Missouri West had deferred substantially all of its fuel and purchased power costs related to the February 2021 winter weather event to a regulatory asset for recovery through a securitization financing order. See Note 4 for additional information regarding this regulatory proceeding.

Renewable Generation Investment
In August 2022, Evergy Missouri West entered into an agreement with a renewable energy development company to purchase for approximately $250 million an operational wind farm located in the state of Oklahoma with a generating capacity of approximately 199 MW. Subject to customary regulatory approvals and closing conditions, this transaction is expected to close in the first half of 2023.

2. REVENUE

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

	Three Months Ended September 30		Year to Date September 30	
	2022	**2021**	**2022**	**2021**
Revenues		(millions)		
Residential	$ 147.6	$ 140.6	$ 349.1	$ 326.0
Commercial	94.7	85.1	236.7	214.2
Industrial	26.6	25.1	72.1	64.7
Other retail	(46.6)	1.9	(42.0)	5.5
Total electric retail	$ 222.3	$ 252.7	$ 615.9	$ 610.4
Wholesale	26.2	5.7	35.4	27.0
Transmission	5.5	4.1	16.1	12.4
Industrial steam and other	5.2	5.6	15.4	14.2
Total revenue from contracts with customers	$ 259.2	$ 268.1	$ 682.8	$ 664.0
Other	0.3	0.2	0.8	0.7
Operating revenues	$ 259.5	$ 268.3	$ 683.6	$ 664.7

Evergy Missouri West's other retail electric revenues for the three months ended and year to date September 30, 2022, include a $47.5 million deferral of revenues to a regulatory liability for the expected refund of amounts collected from customers since December 2018 for the return on investment of the retired Sibley Station. See "Abandoned Plant" in Note 1 for additional information.

3. RECEIVABLES

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

	September 30 2022	December 31 2021
	(millions)	
Customer accounts receivable - billed	$ 12.4	$ 1.3
Customer accounts receivable - unbilled	35.2	27.8
Other receivables	9.6	10.3
Allowance for credit losses	(4.5)	(6.7)
Total	$ 52.7	$ 32.7

As of September 30, 2022 and December 31, 2021, other receivables for Evergy Missouri West included receivables from contracts with customers of $1.1 million and $0.6 million, respectively.

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

	2022	2021
	(millions)	
Beginning balance January 1	$ 6.7	$ 3.7
Credit loss expense (income)	(0.1)	1.6
Write-offs	(3.8)	(3.3)
Recoveries of prior write-offs	1.7	1.7
Ending balance September 30	$ 4.5	$ 3.7

Sale of Accounts Receivable

Evergy Missouri West sells an undivided percentage ownership interest in its retail electric 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 September 30, 2022 and December 31, 2021, Evergy Missouri West's accounts receivable pledged as collateral and the corresponding short-term collateralized note payable were $65.0 million and $50.0 million, respectively. 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

MPSC Proceedings

2022 Rate Case Proceeding

In January 2022, Evergy Missouri West filed an application with the MPSC to request an increase to its retail revenues of $27.7 million before rebasing fuel and purchased power expense, with a return on equity of 10% and a rate-making equity ratio of 51.81%. The request reflects increases related to higher property taxes and the recovery of infrastructure investments made to improve reliability and enhance customer service and were also partially offset by significant customer savings and cost reductions created since the Great Plains Energy and Evergy Kansas Central merger in 2018. Evergy Missouri West also requested an additional $32.1 million increase associated with rebasing fuel and purchased power expense, the implementation of tracking mechanisms for both property tax expense and credit loss expense, the creation of a storm reserve, and the full return of and return on its unrecovered investment related to the 2018 retirement of Sibley Station as part of its application with the MPSC.

During the third quarter of 2022, Evergy Missouri West, MPSC staff and other intervenors in the case reached several non-unanimous partial stipulations and agreements to settle certain issues in the case. The partial stipulations and agreements provide for an increase to Evergy Missouri West's retail revenues of $42.5 million after rebasing fuel and purchased power expense and were exclusive of certain items which were resolved by the MPSC in its final order, including the return of and return on Evergy Missouri West's unrecovered investment related to the 2018 retirement of its Sibley Station, among other items. The resolution of these items will have an impact on the final revenue requirement approved in the case. Evergy Missouri West also agreed to withdraw its request for the creation of a storm reserve. In September 2022, the MPSC issued an order approving the partial non-unanimous stipulations and agreements.

In November 2022, the MPSC issued a final rate order. The rates established by the order are expected to take effect on December 6, 2022. The final order determined that Evergy Missouri West will be allowed to collect the return of but not the return on its unrecovered investment related to the 2018 retirement of Sibley Station. Further, in determining the value of Evergy Missouri West’s unrecovered investment in Sibley Station, the MPSC accepted an intervenor’s position which resulted in a $182.3 million unrecovered investment in Sibley Station to be recovered from customers. This unrecovered investment in Sibley Station will be recovered from customers over four years. In the fourth quarter of 2022, Evergy Missouri West expects to record an approximately $17 million decrease to operating revenues for the additional deferral to its Sibley Accounting Authority Order (AAO) regulatory liability of revenues collected from customers for return on investment in Sibley Station since December 2018 based on the higher unrecovered investment in Sibley Station determined by the MPSC in its order. Evergy Missouri West also expects to record an impairment loss on Sibley Unit 3 on its consolidated statements of income for the three months ended and year ended December 31, 2022 of approximately $8 million and $14 million, respectively, as a result of the provisions of the MPSC’s final rate order.

The increase to Evergy Missouri West’s revenue requirement as determined in the final rate order will be finalized following collaboration with the MPSC staff and other intervenors in the case prior to the expected effective date of new rates on December 6, 2022 and the increase will be subject to applicable limitations under Missouri’s plant-in service accounting (PISA) legislative mechanism.

Other 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 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 a regulatory liability for the revenues discussed above for consideration in Evergy Missouri West's current rate case. Subsequent to the MPSC order in 2019, Evergy Missouri West recorded a regulatory liability for the estimated amount of revenues that Evergy Missouri West had collected from customers for Sibley Station since December 2018 that Evergy Missouri West had determined was probable of refund. This regulatory liability did not include revenues collected related to the return on investment in Sibley Station as Evergy Missouri West determined that they were not probable of refund based on the relevant facts and circumstances. As of December 31, 2021, this Sibley AAO regulatory liability was $29.3 million.

In the third quarter of 2022, Evergy Missouri West determined that the refund of revenues collected since December 2018 for return on investment in Sibley Station was now probable based on regulatory precedent from an August 2022 MPSC decision in a similar proceeding for an unaffiliated utility and the MPSC staff's position in Evergy Missouri West's current rate case. As a result of this determination, Evergy Missouri West recorded a $47.5 million deferral to its Sibley AAO regulatory liability for the three months ended and year to date September 30, 2022 for revenues collected from customers for return on investment in Sibley Station since December 2018. The Sibley AAO regulatory liability had a total value as of September 30, 2022 of $84.7 million. Based on the recent MPSC regulatory precedent, Evergy Missouri West believed that the Sibley AAO regulatory liability would be offset for recovery purposes against its unrecovered investment in Sibley Unit 3 in its current rate case and as a result, has netted its Sibley AAO regulatory liability against its retired generation facilities regulatory asset for Sibley Unit 3 on its consolidated balance sheets as of September 30, 2022, resulting in a net regulatory asset of $25.6 million.

In November 2022, the MPSC issued a final order for Evergy Missouri West's current rate case and as a result, Evergy Missouri West will be required to refund to customers all of the amounts collected in revenue for Sibley Station since December 2018, including the revenues collected from customers for non-fuel operations and maintenance costs and other costs associated with Sibley Station following the station's retirement and the related return on investment. Evergy Missouri West expects to record an approximately $17 million decrease to operating revenues in the fourth quarter of 2022 for the additional deferral to its Sibley AAO regulatory liability of revenues collected from customers for return on investment in Sibley Station since December 2018 based on the higher unrecovered investment in Sibley Station determined by the MPSC in its order. The Sibley AAO regulatory liability amounts will be refunded to customers over a period of four years, beginning when new rates become effective in December 2022. See "Abandoned Plant" in Note 1 for additional information.

February 2021 Winter Weather Event AAO
In June 2021, Evergy Missouri West and Evergy Metro filed a joint request for an AAO with the MPSC that would allow Evergy Missouri West to defer to a regulatory asset any extraordinary costs, including carrying costs, to provide electric service during the February 2021 winter weather event for consideration in future proceedings.

Evergy Missouri West initially deferred substantially all of its fuel and purchased power costs, net of wholesale revenues, related to the February 2021 winter weather event to a regulatory asset pursuant to its ability to recover these amounts through its fuel recovery mechanism, which allows for the recovery of 95% of increases in fuel and purchased power costs, net of wholesale revenues, above the amount included in base rates to customers. This AAO request is intended to address the recovery of the February 2021 winter weather event amounts separate from the normal fuel recovery mechanism process given the extraordinary nature of the February 2021 winter weather event and to help moderate customer bill impacts. Evergy Missouri West recognized a regulatory asset of approximately $280 million related to its costs incurred during the February 2021 winter weather event, primarily consisting of increased fuel and purchased power costs.

In the AAO filing, Evergy Missouri West requested to exclude its deferred February 2021 winter weather event amounts from recovery through its fuel recovery mechanism and indicated its intent to recover them through issuing securitized bonds pursuant to the securitization legislation signed into law in Missouri in July 2021. Evergy Missouri West also requested an approximately $15 million increase to its February 2021 winter weather event recovery from Missouri customers, which is not currently reflected in its regulatory asset for the February 2021 winter weather event, for the portion of net fuel and purchased power costs not traditionally recoverable because of the 5% sharing provision of its fuel recovery mechanism.

In April 2022, the MPSC staff filed a motion to suspend the February 2021 winter weather event AAO procedural schedule for Evergy Missouri West pending the resolution of its petition for securitization financing order discussed below. The MPSC granted the motion to suspend the AAO procedural schedule in April 2022.

February 2021 Winter Weather Event Securitization
In March 2022, Evergy Missouri West filed a petition for financing order with the MPSC requesting authorization to finance its extraordinary fuel and purchased power costs incurred as part of the February 2021 winter weather event, including carrying costs, through the issuance of securitized bonds. Evergy Missouri West requested to repay the securitized bonds and collect the related amounts from customers over a period of approximately 15 years from the date of issuance of the securitized bonds.

In October 2022, the MPSC issued a financing order authorizing Evergy Missouri West to issue securitized bonds to recover its extraordinary fuel and purchased power costs incurred as part of the February 2021 winter weather event. As part of this order, the MPSC found that Evergy Missouri West's costs were prudently incurred, that it should only be allowed to recover 95% of its extraordinary fuel and purchased power costs consistent with the 5% sharing provision of its fuel recovery mechanism, that it should be allowed to recover carrying costs incurred since February 2021 at Evergy Missouri West's long-term debt rate of 5.06% and approved a 15 year repayment period for the bonds with a 17 year legal maturity.

In the third quarter of 2022, Evergy Missouri West recorded an increase of $15.0 million to its February 2021 winter weather event regulatory asset for the recovery of carrying charges granted in the MPSC's financing order. As of September 30, 2022, the value of Evergy Missouri West's February 2021 winter weather event regulatory asset was $303.1 million. Evergy Missouri West will continue to record carrying charges on its February 2021 winter weather event regulatory asset until it issues the securitized bonds authorized by the MPSC's financing order, which is currently expected in the first half of 2023.

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

Evergy's $2.5 billion master credit facility expires in 2026. 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. The applicable interest rates and commitment fees of the facility are subject to upward or downward adjustments, within certain limitations, if Evergy achieves, or fails to achieve, certain sustainability-linked targets based on two key performance indicator metrics: (i) Non-Emitting Generation Capacity and (ii) Diverse Supplier Spend (as defined in the facility).

A default by Evergy Missouri West or one 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 September 30, 2022, Evergy Missouri West was in compliance with this covenant.

At September 30, 2022, Evergy Missouri West had $584.1 million of commercial paper outstanding at a weighted-average interest rate of 3.23%, had no issued letters of credit and had no outstanding cash borrowings under the master credit facility. At December 31, 2021, Evergy Missouri West had $395.3 million of commercial paper outstanding at a weighted-average interest rate of 0.40%, had no issued letters of credit and had no outstanding cash borrowings under the master credit facility.

6. GOODWILL

In May 2022, Evergy Missouri West voluntarily changed its annual goodwill impairment testing date from September 1 to May 1. Management considers this accounting change to be preferable because Evergy Missouri West's new goodwill impairment testing date will align with the annual impairment testing date of Evergy, Inc. This change has been applied prospectively from May 1, 2022 as retrospective application is deemed impracticable due to the inability to objectively determine the assumptions and significant estimates used in earlier periods without the benefit of hindsight.

Accounting rules require goodwill to be tested for impairment annually and when an event occurs indicating the possibility that an impairment exists. The annual impairment test for the $351.6 million of Evergy Missouri West acquisition goodwill was conducted as of May 1, 2022. The goodwill impairment test consists of comparing the fair value of a reporting unit to its carrying amount, including goodwill, to identify potential impairment. In the event that the carrying amount exceeds the fair value of the reporting unit, an impairment loss is recognized for the difference between the carrying amount of the reporting unit and its fair value. Evergy Missouri West's regulated electric utility operations are considered one reporting unit for assessment of impairment, as they have similar economic characteristics. The determination of fair value of the reporting unit consisted of two valuation techniques: an income approach consisting of a discounted cash flow analysis and a market approach consisting of a determination of reporting unit invested capital using a market multiple derived from the historical earnings before interest, income taxes, depreciation and amortization and market prices of the stock of peer companies. The results of the two techniques were evaluated and weighted to determine a point within the range that management considered representative of fair value for the reporting unit. The fair value of the reporting unit exceeded the carrying amount, including goodwill. As a result, there was no impairment of goodwill.

7. LONG-TERM DEBT

Mortgage Bonds

In March 2022, Evergy Missouri West entered into a First Mortgage Indenture and Deed of Trust, dated as of March 1, 2022 (Evergy Missouri West Mortgage Indenture), establishing a first mortgage lien on substantially all of its present properties and certain after-acquired properties, subject to certain exceptions. In connection with the establishment of the Evergy Missouri West Mortgage Indenture, Evergy Missouri West issued collateral mortgage bonds secured by the Evergy Missouri West Mortgage Indenture to serve as collateral for Evergy Missouri West's obligations under the following outstanding 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;
- $350.0 million of 2.86% Series A, maturing in 2031;
- $75.0 million of 3.01% Series B, maturing in 2033; and
- $75.0 million of 3.21% Series C, maturing in 2036.

The collateral mortgage bonds were issued to the holders of the unsecured senior notes, are only payable if Evergy Missouri West defaults on the underlying unsecured senior notes and do not increase the amount of outstanding debt for Evergy Missouri West.

As a result of the above transactions, Evergy Missouri West's outstanding senior notes have effectively become secured by the mortgage lien of the Evergy Missouri West Mortgage Indenture and rank equally and ratably with all of Evergy Missouri West's mortgage bonds, regardless of series, from time to time issued and outstanding under the Evergy Missouri West Mortgage Indenture.

Also in March 2022, Evergy Missouri West issued, at a discount, $250.0 million of 3.75% First Mortgage Bonds, maturing in 2032.

Senior Notes
In March 2022, Evergy Missouri West repaid its $100.0 million of 3.74% Senior Notes, at maturity.

Affiliated Notes Payable to Evergy
In June 2022, Evergy Missouri West repaid its $287.5 million of 5.15% Affiliated Notes Payable to Evergy, at maturity.

8. 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. Further explanation of these levels 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.

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.

	September 30, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
	(millions)			
Long-term debt[a]	$ 999.7	$ 620.2	$ 1,140.0	$ 1,195.4

[a]Includes current maturities.

Supplemental Executive Retirement Plan
At September 30, 2022 and December 31, 2021, Evergy Missouri West's Supplemental Executive Retirement Plan (SERP) rabbi trusts included $10.5 million and $12.5 million of core bond funds, respectively. The core bond funds are Level 1 investments.

9. 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 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.

Clean Air Act - Startup, Shutdown and Malfunction (SSM) Regulation

In 2015, the Environmental Protection Agency (EPA) issued a final rule addressing how state implementation plans (SIPs) can treat excess emissions during SSM events. This rule was referred to as the 2015 SIP Call Rule. The rule required 36 states to submit SIP revisions by November 2016 to remove certain exemptions and other discretionary enforcement provisions that apply to excess emissions during SSM events. Legal challenges ensued and the case was eventually placed in abeyance. In December 2021, the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit) restarted the litigation and oral arguments were held in March 2022. An additional case was also taking place in the U.S. District Court for the Northern District of California (District Court of Northern California) and in June 2022, the District Court of Northern California entered a final consent decree establishing deadlines for the EPA to take final action on SIP revisions that were submitted in response to the 2015 SIP Call Rule. Deadlines for 26 states and air districts, including Kansas, Missouri and Oklahoma, are listed in the final consent decree. Final action from the EPA could result in required SIP revisions in Oklahoma, Kansas and Missouri which could have a material impact on Evergy Missouri West. If the D.C. Circuit overturns the EPA's 2015 SIP Call Rule, the final consent decree's deadlines will no longer be valid.

Ozone Interstate Transport State Implementation Plans (ITSIP)

In 2015, the EPA lowered the Ozone National Ambient Air Quality Standards (NAAQS) from 75 ppb to 70 ppb. Impacted states were required to submit ITSIPs in 2018 to comply with the "Good Neighbor Provisions" of the Clean Air Act (CAA). The EPA did not act on these ITSIP submissions and was challenged in a court filing in May 2021 to address them. In February 2022, the EPA published proposed disapprovals of ITSIPs for nineteen states including Missouri and Oklahoma. In April 2022, the EPA published a final approval of the Kansas ITSIP in the Federal Register. In June 2022, the Missouri Department of Natural Resources (MDNR) announced they intended to submit a supplemental ITSIP to the EPA and placed the document on public notice until August 2022. MDNR anticipates submitting the supplemental ITSIP to the EPA in the fourth quarter of 2022.

Ozone Interstate Transport Federal Implementation Plans (ITFIP)

In April 2022, the EPA published in the Federal Register the proposed ITFIP to resolve outstanding "Good Neighbor" obligations with respect to the 2015 Ozone NAAQS for 26 states including Missouri and Oklahoma. This ITFIP would establish a revised Cross-State Air Pollution Rule (CSAPR) ozone season nitrogen oxide (NOx) emissions trading program for electric generating units (EGUs), and limit ozone season NOx emissions from certain industrial stationary sources. The proposed rule would also establish a new daily backstop NOx emissions rate limit for applicable coal-fired units larger than 100 MW, as well as unit-specific NOx emission rate limits for certain industrial emission units, and would feature "dynamic" adjustments of emission budgets for EGU's beginning with ozone season 2025. The proposed ITFIP includes reductions to the state ozone season NOx budgets for Missouri and Oklahoma beginning in 2023 with additional reductions in future years. Evergy Missouri West provided formal comments as part of the rulemaking process. The EPA intends to issue final ITFIP's for applicable states in March 2023. The EPA is also in the process of reconsidering its December 2020 decisions to retain the Ozone NAAQS at the level set in 2015 and the annual and 24-hour PM2.5 NAAQS at the levels set in 2012. Due to uncertainty regarding the proposed FIP and potential lowering of the ozone and PM2.5 NAAQS, Evergy Missouri West is unable to accurately assess the impacts of these potential EPA actions on its operations or consolidated financial results, but the cost to comply with the ITFIP and/or a lower future ozone or PM2.5 NAAQS could be material.

Regional Haze Rule

In 1999, the EPA finalized the Regional Haze Rule which aims to restore national parks and wilderness areas to pristine conditions. The rule requires states in coordination with the EPA, the National Park Service, the U.S. Fish and Wildlife Service, the U.S. Forest Service, and other interested parties to develop and implement air quality protection plans to reduce the pollution that causes visibility impairment. There are 156 "Class I" areas across the U.S. that must be restored to pristine conditions by the year 2064. There are no Class I areas in Kansas, whereas Missouri has two: the Hercules-Glades Wilderness Area and the Mingo Wilderness Area. States must submit revisions to their Regional Haze Rule SIPs every ten years and the first round was due in 2007. For the second ten-year implementation period, the EPA issued a final rule revision in 2017 that allowed states to submit their SIP revisions by July 31, 2021. Evergy Missouri West has been in contact with the Kansas Department of Health and Environment (KDHE) and MDNR as they worked to draft their SIP revisions. The Missouri SIP revision does not require any additional reductions from Evergy Missouri West's generating units in the state. MDNR submitted the Missouri SIP revision to the EPA in August 2022, however, they failed to do so by the EPA's revised submittal deadline of August 15, 2022. As a result, on August 30, 2022, the EPA published "finding of failure" with respect to Missouri and fourteen other states for failing to submit their Regional Haze SIP revisions by the applicable deadline. This finding of failure established a two-year deadline for the EPA to issue a Regional Haze federal implementation plan (FIP) for each state unless the state submits and the EPA approves a revised SIP that meets all applicable requirements before the EPA issues the FIP. The Kansas SIP revision was placed on public notice in June 2021 and requested no additional emission reductions by electric utilities based on the significant reductions that were achieved during the first implementation period. The EPA provided comments on the Kansas SIP revision in June 2021 that each state is statutorily required to conduct a "four-factor analysis" on at least two sources within the state to help determine if further emission reductions are necessary. The EPA also stated it would be difficult to approve the Kansas SIP revision if at least two four-factor analyses are not conducted on Kansas emission sources. KDHE submitted the Kansas SIP revision in July 2021. If a Kansas generating unit of Evergy Missouri West is selected for analysis, the possibility exists that the state or EPA, through a revised SIP or a FIP, could determine that additional operational or physical modifications are required on the generating unit to further reduce emissions. The overall cost of those modifications could be material to Evergy Missouri West.

Greenhouse Gases
Burning coal and other fossil fuels releases carbon dioxide (CO_2) and other gases referred to as greenhouse gases (GHG). Various regulations under the CAA limit CO_2 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 emission guidelines for GHG emissions from existing electric utility generating units (EGUs) and revisions to emission guideline implementing regulations. The rule defined the "best system of emission reduction" (BSER) for GHG emissions from existing coal-fired EGUs as on-site, heat-rate efficiency improvements. In conjunction with the finalization of the ACE rule, the EPA repealed its previously adopted Clean Power Plan (CPP) on the basis that the EPA had exceeded its statutory authority under CAA section 111(d) by defining BSER through generation shifting. A number of states and industry parties filed petitions for review in the D.C. Circuit, challenging the EPA's repeal of the CPP and its enactment of the ACE rule, and in January 2021, the D.C. Circuit issued a decision holding that CAA section 111(d) could be read in a manner that allows the EPA to define BSER as including generation shifting. The D.C. Circuit therefore vacated both the EPA's repeal of the CPP and its replacement of that rule with the ACE rule, and remanded them to the EPA for further consideration. In October 2021, the Supreme Court granted petitions for certiorari to review the D.C. Circuit decision. The Supreme Court issued its decision in June 2022, reversing the D.C. Circuit's decisions and holding that, absent specific authorization from Congress, the EPA lacks authority to define BSER through generation shifting. Given that the Supreme Court found the CPP to be unlawful and that the deadlines established in the ACE rule have passed, neither rule is in effect following the Supreme Court's ruling. In June 2022, the EPA announced its intent to propose GHG regulations that would apply to EGUs by March 2023.

Due to uncertainty regarding the future of the EPA's GHG regulations, Evergy Missouri West cannot determine the impacts on its operations or consolidated financial results, but the cost to comply with 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 vacated and remanded portions of the original ELG rule. Due to this ruling, the EPA announced a plan in July 2021 to release a proposed rulemaking in the fall of 2022 to address the vacated limitations for legacy wastewater and landfill leachate. Future ELG modifications for the best available technology economically achievable for the discharge of legacy wastewater and landfill leachate are likely and could be material to Evergy Missouri West.

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 on or after one year following publication of the final rule in the Federal Register but no later than December 31, 2025. In August 2021, the EPA published notice in the Federal Register that it is initiating a supplemental rulemaking to revise the ELG regulations after completing review of the ELG reconsideration rule as a result of an executive order from President Biden. As part of the rulemaking process, the EPA will determine if more stringent limitations and standards are appropriate. The 2020 ELG reconsideration rule will remain in effect while the EPA undertakes this new rulemaking.

Evergy Missouri West has reviewed the 2020 ELG reconsideration regulation, and the costs to comply with these changes are not expected to be material. However, Evergy Missouri West cannot predict what revisions the EPA may make under its supplemental rulemaking to revise the ELG regulations, and compliance costs associated with any revisions could be material.

In August 2021, based on an order issued by the U.S. District Court for the District of Arizona, which vacated and remanded the EPA's Navigable Waters Protection Rule (NWPR), which was promulgated in 2020, the EPA and the U.S. Army Corps of Engineers announced that they had halted implementation of the NWPR nationwide, and were interpreting "Waters of the United States" consistent with the regulatory regime that was in place prior to 2015. In December 2021, the EPA and the Department of the Army published a proposed rule that would formally repeal the NWPR and revise the definition of "Waters of the United States" to restore the definitions of "Waters of the United States" that were in place prior to 2015. A final rule was expected in August 2022 but has not been issued. Evergy Missouri West has reviewed the proposed rule and the impact on its operations or consolidated financial results are not expected to be material. A second rulemaking is expected in the future which will replace the NWPR. The cost to comply with any future rulemaking that replaces the NWPR could be material to Evergy Missouri West.

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 January 2022, the EPA published proposed determinations for facilities that filed closure extensions for unlined or clay-lined CCR units. These proposed determinations include various interpretations of the CCR regulations and compliance expectations that may impact all owners of CCR units. These interpretations could require modified compliance plans such as different methods of CCR unit closure. Additionally, more stringent remediation requirements for units that are in corrective action or forced to go into corrective action are possible. In April 2022, the Utility Solid Waste Activities Group (USWAG) and other interested parties filed similar petitions in the D.C. Circuit challenging the EPA's legal positions regarding the CCR rule determinations proposed in January 2022. A CCR unit at Sibley Generating Station has moved into corrective action. The cost to comply with these proposed determinations by the EPA could be material.

Evergy Missouri West has recorded Asset Retirement Obligations (AROs) for current estimates for the closure of ash disposal ponds and landfills, 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 and landfills. If revisions to these AROs are necessary, the impact on Evergy Missouri West's operations or consolidated financial results could be material.

10. 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 September 30		Year to Date September 30	
	2022	2021	2022	2021
	(millions)			
Evergy Kansas Central billings to Evergy Missouri West	$ 8.4	$ 7.3	$ 23.0	$ 24.1
Evergy Metro billings to Evergy Missouri West	35.7	35.4	100.7	103.2

Affiliated Financing

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 between Evergy Missouri West, Evergy Metro, Evergy Kansas Central and Evergy, Inc. Evergy, Inc. can lend but not borrow under the money pool.

As of September 30, 2022, Evergy Missouri West had no outstanding receivables and $47.0 million and $91.5 million of outstanding payables to Evergy, Inc. and Evergy Metro, respectively, under the money pool. As of December 31, 2021, Evergy Missouri West had no outstanding receivables and $155.0 million of outstanding payables to Evergy Metro under the money pool.

Evergy Missouri West also has access to certain equity financing support from its parent company, Evergy, Inc. in the circumstance that such support would be needed.

In February 2022, Evergy, Inc. provided Evergy Missouri West with an equity contribution of $200.0 million.

Related Party Net Receivables and Payables

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

	September 30 2022	December 31 2021
	(millions)	
Net payable to Evergy	$ 84.7	$ 39.5
Net payable to Evergy Kansas Central	9.9	10.4
Net payable to Evergy Metro	190.8	254.5

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

September 30, 2022 and December 31, 2021, Evergy Missouri West had income taxes payable to Evergy of $3.3 million and income taxes receivable from Evergy of $3.9 million, respectively.

11. TAXES

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

	Three Months Ended September 30		Year to Date September 30	
	2022	2021	2022	2021
Current income taxes		(millions)		
Federal	$ 2.2	$ 1.6	$ (9.4)	$ (57.4)
State	0.2	0.1	2.0	(2.8)
Total	2.4	1.7	(7.4)	(60.2)
Deferred income taxes				
Federal	4.7	13.5	23.0	72.1
State	(0.8)	1.1	0.9	5.0
Total	3.9	14.6	23.9	77.1
Income tax expense	$ 6.3	$ 16.3	$ 16.5	$ 16.9

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 September 30		Year to Date September 30	
	2022	2021	2022	2021
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Effect of:				
State income taxes	(1.1)	1.1	2.2	1.6
Flow through depreciation for plant-related differences	(5.6)	(2.7)	(7.1)	(6.5)
Federal tax credits	(0.1)	—	(0.1)	(0.1)
AFUDC equity	—	(0.1)	(0.2)	(0.1)
Other	0.1	—	0.2	0.1
Effective income tax rate	14.3 %	19.3 %	16.0 %	16.0 %

Evergy Missouri West, Inc. Management's Narrative Analysis of the Results of Operations

Year to Date September 2022 vs. 2021

Earnings Variances

		Change (millions)	
2021 Net income	$	88.6	
		Favorable/(Unfavorable)	
Utility gross margin[a]		(12.7)	A
Operating and maintenance		(6.9)	B
Depreciation and amortization		1.9	
Taxes other than income tax		(0.9)	
Estimated impairment loss on Sibley Unit 3		(6.0)	C
Other income (expense), net		15.9	D
Interest expense		6.6	E
Income tax expense		0.4	
2022 Net income	$	86.9	

[a] Utility gross margin is a non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Major factors influencing the period to period change in net income -- Favorable/(Unfavorable)

A	Due primarily to the deferral of revenues in the third quarter of 2022 for the expected refund of amounts collected from customers since December 2018 for the return on investment of the retired Sibley Station - ($47.5M); partially offset by impacts from the February 2021 winter weather event primarily driven by increased fuel and purchased power costs in February 2021 that are not currently recoverable from customers through Evergy Missouri West's fuel recovery mechanism - $20.9M; and higher retail sales in 2022 driven by higher weather-normalized demand and favorable weather - $13.9M.
B	Due primarily to an increase in transmission and distribution operating and maintenance expenses driven by higher contractor and vegetation management costs in 2022 - ($6.6M).
C	Due to the recording of an impairment charge on Evergy Missouri West's regulatory asset for retired generation facilities related to Sibley Unit 3 in the third quarter of 2022 - $6.0M. See "Abandoned Plant" in Note 1 of the consolidated financial statements for additional information.
D	Due primarily to carrying charges recorded by Evergy Missouri West in the third quarter of 2022 associated with its regulatory asset for fuel and purchased power costs related to the February 2021 winter weather event, driven by an MPSC order allowing for their recovery as part of Evergy Missouri West's securitization financing request - $15.0M.
E	Due primarily to the repayment of Evergy Missouri West's $80.9 million of 8.27% Senior Notes at maturity in November 2021 - $5.0M.

The Notes to Evergy Missouri West's Unaudited Consolidated Financial Statements for the period ended September 30, 2022 should be read in conjunction with this financial information.

Evergy Missouri West, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Financial Results		
Year to Date September 30	**2022**	2021
	(dollars in millions)	
Operating revenues	**$ 683.6**	$ 664.7
Fuel and purchased power	**278.3**	246.7
Operating and maintenance[(a)]	**147.5**	140.6
Depreciation and amortization	**83.7**	85.6
Taxes other than income tax	**39.5**	38.6
Estimated loss on Sibley Unit 3	**6.0**	—
Income from operations	**128.6**	153.2
Other income (expense), net	**8.6**	(7.3)
Interest expense	**33.8**	40.4
Income tax expense	**16.5**	16.9
Net income	**86.9**	88.6
Reconciliation of gross margin (GAAP) to utility gross margin (non-GAAP):		
Operating revenues	**683.6**	664.7
Fuel and purchased power	**(278.3)**	(246.7)
Operating and maintenance[(a)]	**(56.1)**	(47.5)
Depreciation and amortization	**(83.7)**	(85.6)
Taxes other than income tax	**(39.5)**	(38.6)
Gross margin (GAAP)	**226.0**	246.3
Operating and maintenance	**56.1**	47.5
Depreciation and amortization	**83.7**	85.6
Taxes other than income tax	**39.5**	38.6
Utility gross margin (non-GAAP)	**405.3**	418.0
Revenues	(dollars in millions)	
Residential	**349.1**	326.0
Commercial	**236.7**	214.2
Industrial	**72.1**	64.7
Other retail revenues	**(42.0)**	5.5
Total electric retail	**615.9**	610.4
Wholesale revenues	**35.4**	27.0
Transmission	**16.1**	12.4
Other	**16.2**	14.9
Operating revenues	**683.6**	664.7
Electricity Sales	(MWh in thousands)	
Residential	**2,947**	2,884
Commercial	**2,605**	2,499
Industrial	**1,083**	1,069
Other retail revenues	**15**	16
Total electric retail	**6,650**	6,468
Wholesale revenues	**361**	226
Total electricity sales	**7,011**	6,694

[(a)]Operating and maintenance expenses which are deemed to be directly attributable to revenue-producing activities include plant operating and maintenance expenses at generating units and transmission and distribution operating and maintenance expenses and have been separately presented in order to calculate gross margin as defined under GAAP. These amounts exclude general and administrative expenses not directly attributable to revenue-producing activities of $91.4 million and $93.1 million year to date September 30, 2022 and 2021, respectively.

Evergy Missouri West, Inc.
Non-GAAP Measures

Utility Gross Margin (non-GAAP)

Utility gross margin (non-GAAP) is a financial measure that is not calculated in accordance with GAAP. Utility gross margin (non-GAAP), as used by Evergy Missouri West, is defined as operating revenues less fuel and purchased power costs. Expenses for fuel and purchased power costs, offset by wholesale sales margin, are subject to recovery through cost adjustment mechanisms. As a result, changes in fuel and purchased power costs are offset in operating revenues with minimal impact on net income. Evergy Missouri West's definition of utility gross margin (non-GAAP) may differ from similar terms used by other companies.

Utility gross margin (non-GAAP) is intended to enhance an investor's overall understanding of results. Management believes that utility gross margin (non-GAAP) provides a meaningful basis for evaluating Evergy Missouri West's operations across periods because utility gross margin (non-GAAP) excludes the revenue effect of fluctuations in fuel and purchased power costs. Utility gross margin (non-GAAP) is used internally to measure performance against budget and in reports for management and the Evergy Missouri West Board of Directors. Utility gross margin (non-GAAP) should be viewed as a supplement to, and not a substitute for, gross margin, which is the most directly comparable financial measure prepared in accordance with GAAP. Gross margin under GAAP is defined as the excess of sales over cost of goods sold.

Utility gross margin (non-GAAP) differs from the GAAP definition of gross margin due to the exclusion of operating and maintenance expenses determined to be directly attributable to revenue-producing activities, depreciation and amortization and taxes other than income tax. See Financial Results, Revenue and Sales above for the reconciliation of utility gross margin (non-GAAP) to gross margin, the most comparable GAAP measure.