Risk Factors Comparison 2024-02-29 to 2023-02-24 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Prices are established by regulators and may not be sufficient to recover costs or provide for a return on investment. The prices that the FERC, KCC and MPSC authorize the utility subsidiaries of Evergy to charge significantly influence the Evergy Companies' results of operations, financial position and cash flows. In general, utilities are allowed to recover in customer rates costs that were prudently incurred to provide utility service, plus a reasonable return on invested capital. There can be no assurance, however, that regulators will determine costs to have been prudently incurred. Further, the amounts approved by the regulators may not be sufficient to allow for a recovery of costs or provide for an adequate return on and of capital investments. Also, amounts that were approved by regulators may be **subject to existing limitations in regulatory or legislative frameworks or** appealed, modified, limited or eliminated by subsequent regulatory or legislative actions. A failure to recover costs or earn a reasonable return on invested capital could have a material adverse effect on the results of operations, financial position and cash flows of Evergy and its utility subsidiaries. The Evergy Companies are also exposed to cost- recovery shortfalls due to the inherent" regulatory lag" in the rate- setting process. ~~This is~~ **Potential cost- recovery shortfalls occur** because utility rates are generally based on historical information and, except for certain situations ~~where~~ **in which** regulators allow for recovery of expenses through use of a formula that tracks costs, are not subject to adjustment between rate cases. ~~Evergy Kansas Central and Evergy Metro agreed to a five- year base rate moratorium in Kansas beginning in December 2018. In addition, Evergy Metro and Evergy Missouri West utilize a plant- in service accounting (PISA) legislative mechanism in Missouri, which limits the extent to which prices can increase after a general rate case to approximately 3 % on an annualized basis. Evergy Metro and Evergy Missouri West each filed rate cases in 2022 under the PISA constraints described above and new rates became effective in January 2023.~~ These and other factors may result in under- recovery of costs or failure to earn the authorized return on investment, or both. Furthermore, ~~during 2021 and 2022,~~ the United States' economy **has** experienced a substantial rise in the inflation rate **over the past several years** compared to recent historical inflation rates. While the **inflation rate has subsided due, in part, to actions taken by the** Federal Reserve Bank ~~has announced certain measures to combat rising inflation~~, there remains **some** uncertainty in the near- term outlook as to whether inflation will ~~continue and~~ **remain elevated or, alternatively,** whether actions by the Federal Reserve Bank will result in a recession. Increases in inflation raise the Evergy Companies' costs for labor, materials and services ~~. Furthermore~~ , **and** a failure to recover **these** increased ~~capital~~ costs could result in under- recovery ~~of costs~~ . Failure to timely recover the full investment costs of capital projects, the impact of renewable energy and energy efficiency programs, other utility costs and expenses due to regulatory disallowances, regulatory lag or other factors could lead to lowered credit ratings, reduced access to capital markets, increased financing costs, lower flexibility due to constrained financial resources and increased collateral security requirements or reductions or delays in planned capital expenditures. In response to competitive, economic, political, legislative, public perception and regulatory pressures, Evergy' s utility subsidiaries may be subject to rate moratoriums, rate refunds, limits on rate increases, lower allowed returns on investments or rate reductions, including phase- in plans designed to spread the impact of rate increases over an extended period for the benefit of customers. In addition, Transource, **of** which Evergy owns a 13. 5 % interest, is focused on the development of competitive electric transmission projects across the United States and faces similar risks with respect to projects located in regulatory jurisdictions outside of Kansas and Missouri. Any of these results could have a material adverse effect on the results of operations, financial ~~condition~~ **position** and cash flows of the Evergy Companies. Legislative and regulatory requirements may increase costs and result in compliance penalties. FERC, the North American Electric Reliability Corporation (NERC) and SPP have implemented and enforce an extensive set of transmission system reliability, cybersecurity and critical infrastructure protection standards that apply to public utilities. The MPSC and KCC have the authority to implement utility operational standards and requirements, such as vegetation management standards, facilities inspection requirements and quality of service standards. In addition, Evergy is also subject to health, safety and other requirements enacted by the Occupational Safety and Health Administration, the Department of Transportation, the Department of Labor and other federal and state agencies. As discussed more fully below, the Evergy Companies are also subject to numerous environmental laws and regulations, as well as laws and regulations related to nuclear power generation. The costs of complying with existing, new or modified regulations, standards and other requirements could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. Furthermore, regulatory changes could result in operational changes that increase costs or adversely impact the Evergy Companies' prospects. In addition, failure to meet quality of service, reliability, cybersecurity, critical infrastructure protection, operational or other standards and requirements could expose the Evergy Companies to penalties, additional compliance costs or adverse rate consequences, any of which could have a material adverse impact on their results of operations, financial position and cash flows. Environmental Risks: Costs to comply with environmental laws and regulations, including those relating to air and water quality, waste management and hazardous substance disposal, protected natural resources and health and safety, are significant and may adversely impact operations and financial results. The Evergy Companies are subject to extensive and evolving federal, state and local environmental laws, regulations and permit requirements relating to air and water quality, waste management and hazardous substance disposal, protected natural resources (such as wetlands, ~~endangered~~ **federally- listed** species and other protected wildlife) and health and safety. See Item 1. Business- Environmental Matters and Note 15 to the consolidated financial statements for additional information. In general, over time these laws and regulations have become and continue to become increasingly stringent and compliance with these laws and regulations require an increasing share of capital and operating resources, which may reduce the ~~amount of~~ resources available for other business objectives, including capital investments. Compliance with ~~these~~ **environmental** laws, regulations and requirements requires significant capital and operating resources. Regulators may also disagree with the Evergy Companies' interpretation or application of ~~these~~ **environmental** laws, regulations and requirements. The failure to comply with ~~these~~ **environmental** laws, regulations and requirements could result in substantial fines, injunctive relief and other sanctions. For example, Evergy Kansas Central recently decommissioned the Tecumseh Energy Center and removed all coal combustion residuals (CCRs) from a surface impoundment in a manner it believed complied with federal law, but the EPA has reviewed and determined **that** Evergy Kansas Central should have taken additional or alternative actions, even though the facility is closed. ~~A~~ **As a** ~~resulting~~ --- **result, Evergy Kansas Central has entered a** consent order with the EPA ~~has been agreed to by Evergy Kansas Central~~ and additional groundwater monitoring activities have been initiated at the site. The EPA has begun issuing CCR Part A and Part B rule extension application determinations for companies that applied for approval to operate unlined or clay-lined impoundments ~~past~~ **beyond** April 2021. The Evergy Companies did not apply for an extension, however, ~~these~~ -- **the EPA' s** proposed determinations **on applications** include extensive CCR rule interpretations and compliance expectations that may impact all owners of CCR units. The new 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 could result in substantial costs or operational impacts. In January 2022, the EPA announced changes ~~following a tour by the EPA administrator conducted in the second half of 2021~~ to address environmental justice issues in communities that are marginalized, underserved and overburdened by pollution. These changes will include additional unannounced inspections of suspected non- compliant facilities, ~~deploying~~ **deployment of** new assets to monitor air pollution and a general increase in overall monitoring and oversight. The EPA' s announcement focused on industries in Louisiana, Mississippi and Texas but ~~includes~~ **included** similar agency- wide action in parallel. ~~The Evergy Companies have multiple power plants located in communities that would be considered a higher priority by the EPA based on existing demographics. These sites could be subject to additional monitoring and unannounced inspections in the future.~~ In September 2022, the EPA and the Missouri Department of Natural Resources ~~(MDNR)~~ conducted a CAA environmental justice inspection of the Evergy Companies' Hawthorn Generating Station. No CAA noncompliance issues were found. **The Evergy Companies have multiple power plants located in communities that could be considered a higher priority by the EPA based on existing demographics, and these facilities may be subject to additional monitoring and unannounced inspections in the future.** Environmental permits are subject to periodic renewal, which may result in more stringent permit conditions and limits. New facilities, or modifications of existing facilities, may require new environmental permits or amendments to existing permits. Delays in the environmental permitting process, public opposition and challenges, denials of permit applications, limits or conditions imposed in permits and the associated uncertainty may materially adversely affect the cost and timing of projects, and thus **may** materially adversely affect the results of operations, financial position and cash flows of the Evergy Companies. In addition, compliance with environmental laws, regulations and requirements could alter the way assets are managed, which in turn could result in retiring assets earlier than expected, recording asset retirement obligations (AROs) or having a regulator disallow recovery of costs that had been prudently incurred in connection with those assets. There is also a risk of lawsuits alleging violations of environmental laws, regulations or requirements, claiming creation of a public nuisance or other matters, and seeking injunctions or monetary damages or other relief. Costs of compliance with environmental laws, regulations and requirements, or fines, penalties or negative lawsuit outcomes, if not recovered in rates from customers, could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. Financial Risks: Financial market volatility or declines in the Evergy Companies' credit ratings may increase financing costs and limit access to the credit markets, which may adversely affect liquidity and financial results. The Evergy Companies rely on funds from operations and access to the capital and credit markets to fund capital expenditures and for working capital and liquidity. Volatility in capital or credit markets, increases in interest rates, deterioration in the financial condition of the financial institutions on which the Evergy Companies rely, credit rating downgrades, delays in regulatory approvals for certain ~~refinancings~~ -- **financings** , a decrease in the market price of Evergy' s common stock or a **lack of** ~~decrease or disappearance in the~~ demand for ~~debt~~ securities issued by the Evergy Companies or subsidiaries could have material adverse effects on the Evergy Companies. These effects could include, among others: reduced access to capital and increased cost of borrowed funds and collateral requirements; dilution resulting from equity issuances at reduced prices; increased nuclear decommissioning trust and pension and other post- retirement benefit plan funding requirements; reduced ability to pay dividends; rate case disallowance of costs of capital; reductions in or delays of capital expenditures; delayed access to the capital markets at opportune times; and limitations in the ability of Evergy to provide credit support for its subsidiaries. The Evergy Companies plan to **continue to** make significant capital investments in renewable generation and to enhance the customer experience, improve reliability and resiliency and improve efficiency, which are expected to be funded with cash flows from operations and debt. If cash flows from operations are lower than expected or the costs of these capital investments are higher than expected, additional debt will be required to fund the investments, which, in turn, may create pressure on the Evergy Companies' credit ratings or result in a ratings downgrade and increase their cost of capital. In ~~2021~~ **2023** , a **credit rating agency downgraded Evergy' s, Evergy Kansas Central' s, Evergy Metro' s, Evergy Kansas South' s and Evergy Missouri West' s corporate** credit ratings ~~agency assigned the~~ **. Also,** Evergy **, Inc.' s and Evergy Metro' s senior unsecured and Evergy Metro' s senior secured debt ratings were downgraded and the Evergy** Companies ~~a~~ **' outlooks were moved from** negative ~~outlook, while affirming ratings, due~~ to **stable** ~~perceived risk related to increased capital expenditures and the ability to earn a return of and on those investments through upcoming rate cases~~ . Further, Evergy Kansas Central and Evergy Metro have outstanding tax-exempt bonds that may be put back to the respective issuer at the option of the holders, which could adversely impact liquidity. ~~Additionally, the appeal by the Office of the Public Counsel (OPC) of the financing order for Evergy Missouri West to recover costs incurred in connection with the February 2021 winter weather event through the issuance of securitized bonds will result~~

~~in a delay of such issuance and may increase financing costs.~~ Finally, market disruption and volatility could have an adverse impact on Evergy' s lenders, suppliers and other counterparties or customers, causing them to fail to meet their obligations. Evergy is a holding company and relies on the earnings of its subsidiaries to meet its financial obligations. Evergy is a holding company with no significant operations of its own. The primary source of funds for **Evergy' s** payment of dividends to its shareholders and its other financial obligations is dividends paid to it by its direct subsidiaries, particularly Evergy Kansas Central, Evergy Metro and Evergy Missouri West. Evergy' s subsidiaries are separate legal entities and have no obligation to provide Evergy with funds. The ability of Evergy' s subsidiaries to pay dividends or make other distributions, and accordingly, Evergy' s ability to pay dividends on its common stock and meet its financial obligations, principally depends on the earnings and cash flows, capital requirements and general financial position of its subsidiaries, as well as regulatory factors, financial covenants, general business conditions and other matters. In addition, the Evergy Companies are subject to certain corporate and regulatory restrictions and financial covenants that could affect their ability to pay dividends. Under the Federal Power Act, Evergy Kansas Central, Evergy Metro and Evergy Missouri West generally can pay dividends only out of retained earnings. Each of Evergy Metro and Evergy Missouri West has committed to Missouri regulators to not pay dividends to Evergy if its credit rating falls below BBB- for S & P Global Ratings or Baa3 for Moody' s Investor Services. Each of Evergy Kansas Central and Evergy Metro has committed to Kansas regulators to not pay dividends to Evergy if (i) the payment would result in an increase in the utility' s debt level (excluding short- term debt and debt due within one year) above 60 percent of its total capitalization, absent approval from the KCC or (ii) if its credit rating falls below BBB- for S & P Global Ratings or Baa3 for Moody' s Investor Services. Under various debt agreements, the Evergy Companies are also required to maintain a consolidated indebtedness to consolidated total capitalization ratio of not more than 0. 65 to 1. 00, which could restrict the amount of dividends the Evergy Companies are permitted to pay. Evergy cannot guarantee dividends will be paid in the future or that, if paid, dividends will satisfy announced targets or investor expectations or be paid with the same frequency as in the past. In addition, from time to time Evergy has in the past and may in the future guarantee debt obligations of its subsidiaries. Under the financing agreements to which Evergy is a party, a guarantee of debt may be considered indebtedness for purposes of complying with financial covenants that dictate the extent to which Evergy can borrow money, and any guarantee payments could adversely affect Evergy' s liquidity and ability to service its own debt obligations. Supply chain disruptions and inflation could negatively impact the Evergy Companies' operations and corporate strategy. The operations and business plans of the Evergy Companies depend on the global supply chain to procure the equipment, materials and other resources necessary to build and provide services in a safe and reliable manner. The delivery of components, materials, equipment and other resources that are critical to the Evergy Companies' business operations and corporate strategy has been restricted by domestic and global supply chain upheaval. This has resulted in the shortage of critical items. International tensions, including the ramifications of regional conflict, could further exacerbate the global supply chain upheaval. These disruptions and shortages could adversely impact business operations and corporate strategy. The constraints in the supply chain could restrict the availability and delay the construction, maintenance or repair of items that are needed to support normal operations or are required to execute on the Evergy Companies' corporate strategy for continued capital investment in utility equipment. These disruptions and constraints could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. Supply chain disruptions have contributed to higher prices of components, materials, equipment and other needed commodities and these higher prices may continue in the future. **Elevated** ~~The economy in the United States has encountered a material level of~~ inflation **levels have** ~~and that has~~ contributed to increased uncertainty in the outlook of near term economic activity, including whether inflation will continue and at what rate. Increases in inflation raise costs for labor, materials and services. The Evergy Companies typically recover increases in costs from customers through rates. Failure to recover increased costs could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. Public health crises, epidemics, or pandemics could adversely affect the Evergy Companies' business functions, financial ~~condition~~ **position** , liquidity, and results of operations. Public health crises, epidemics, or pandemics and any related government responses may adversely impact the economy and financial markets and could have a variety of adverse impacts on the Evergy Companies, including a decrease in revenues, increased credit loss expense; increases in past due accounts receivable balances; and access to the capital markets at unreasonable terms or rates. Public health crises, epidemics, or pandemics and any related government responses could also impair the Evergy Companies' ability to develop, construct, and operate facilities. Risks include extended disruptions to supply chains and inflation, resulting in increased costs for labor, materials, and services, which could adversely impact the Evergy Companies' ability to implement their corporate strategy. The Evergy Companies may also be adversely impacted by labor disruptions and productivity as a result of infections, employee attrition, and a reduced ability to replace departing employees as a result of employees who leave or forego employment to avoid any required precautionary measures. Despite the Evergy Companies' efforts to manage the impacts of public health crises, epidemics, or pandemics that may occur in the future, the extent to which they may affect them depends on factors beyond their knowledge or control. As a result, the Evergy Companies are unable to determine the potential impact any such public health crises, epidemics, or pandemics may have on their business plans and operations, liquidity, financial ~~condition~~ **position** , and results of operations. Increasing costs associated with defined benefit retirement and postretirement plans, health care plans and other employee benefits could adversely affect Evergy' s financial position and liquidity. Evergy maintains defined benefit retirement and other post-retirement employee benefit plans for certain current and former employees. The costs of these plans depend on a number of factors, including the rates of return on plan assets, the level and nature of the provided benefits, discount rates, the interest rates used to measure required minimum funding levels, changes in benefit design, changes in laws or regulations and the amount of any required or voluntary contributions to the plans. The Evergy Companies have substantial unfunded liabilities under these plans. Also, if the rate of retirements exceeds planned levels, these plans experience adverse market returns on investments or interest rates fall, required or voluntary contributions to the plans could be material. In addition, changes in accounting rules and assumptions related to future costs, returns on investments, interest rates and other actuarial assumptions, including projected retirements, could have a significant adverse impact on the results of operations, financial position and cash flows of the Evergy Companies. The costs of providing health care benefits to employees and retirees have increased in recent years and may continue to rise in the future. Future legislative changes related to health care could also cause significant changes to benefit programs and costs. The increasing costs associated with health care plans could have a significant adverse impact on the results of operations, financial position and cash flows of the Evergy Companies. The Evergy Companies are subject to commodity and other risks associated with energy markets. The Evergy Companies are required to maintain generation capacity that satisfies regulatory mandates and are obligated to provide power when required by the SPP or pursuant to contractual obligations. Although the Evergy Companies generally have regulatory mechanisms that allow them to recover the cost of fuel and purchased power necessary to satisfy these requirements, regulatory or legislative actions could limit, eliminate or delay recovery of these expenses after the expenses have been incurred. The Evergy Companies engage in the wholesale and retail sale of electricity and the wholesale purchase of electricity as part of their regulated electric operations in addition to energy marketing activities and the management of third- party generation facilities. These activities expose the Evergy Companies to risks associated with the price of electricity and other energy- related products, as well as credit exposure to their counterparties. Exposure to these risks is affected by a number of factors, including the availability and cost of fuel and power that the Evergy Companies purchase on the wholesale markets to serve customer load or to satisfy their regulatory or contractual obligations, the ability or effectiveness of strategies utilized by the Evergy Companies to hedge these risks, the extent to which the Evergy Companies may be required to post collateral for the benefit of third parties and the risk that counterparties fail to fulfill their obligations to the Evergy Companies. Market volatility can increase or create unanticipated risks. Regional transmission organizations and independent system operators may also retroactively reprice transactions following execution. Subject to certain regulatory constraints, the Evergy Companies use derivative instruments, such as transmission congestion rights (TCRs), swaps, options, futures and forwards, to manage commodity and financial risks. Losses could be recognized as a result of volatility in the market values of these contracts, if a counterparty fails to perform or if the underlying transactions, which the derivative instruments are intended to hedge, fail to materialize. The valuation of these financial instruments can involve management' s judgment or the use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The Evergy Companies cannot assure that their risk management practices will be effective or will mitigate all risks. The results of operations, financial position and liquidity of the Evergy Companies could be materially adversely affected if the Evergy Companies fail to recover, or experience a delay in the recovery of, fuel and purchased power expenses; if the Evergy Companies fail to adequately hedge or mitigate commodity or energy market risks; if the Evergy Companies are required to provide collateral in amounts greater than planned; if energy marketing transactions are retroactively repriced; or if counterparties fail to fulfill obligations to the Evergy Companies. Tax legislation and an inability to utilize tax credits could adversely impact results of operations, financial position and liquidity. Tax laws and regulations can adversely affect, among other things, financial results, liquidity, credit ratings and the valuation of assets, such as deferred income tax assets. The Evergy Companies regularly assess their ability to utilize tax benefits, including those in the form of net operating loss (NOL), tax credit and other tax carryforwards, that are recorded as deferred income tax assets on their balance sheets to determine whether a valuation allowance is necessary. A reduction in, or disallowance of, these tax benefits could have an adverse impact on the financial results and liquidity of the Evergy Companies. Additionally, changes in corporate tax rates or policy changes, as well as any inability to generate enough taxable income in the future to utilize all tax benefits before they expire, could have an adverse impact on the results of operations, financial position and liquidity of the Evergy Companies. In addition, the Evergy Companies construct and operate renewable energy facilities that generate tax credits that reduce federal income tax obligations. The amount of tax credits is dependent on several factors, including the amount of electricity produced and the applicable tax credit rate. A variety of factors, including transmission constraints, the ability to timely complete construction of renewable energy facilities, adverse weather conditions and breakdown or failure of equipment, could significantly reduce these tax credits, which could have an adverse impact on the results of operations and financial position of the Evergy Companies. The anticipated benefits of the Evergy Companies' strategy may not be realized. The Evergy Companies' strategy includes ~~significant planned reductions in~~ **maintaining and continuing reduced** operating and maintenance expense **levels** and ~~significant~~ planned increases in capital investments. The Evergy Companies' strategy also includes a different mix of capital investments than has been pursued in the past, including significant capital investments in renewable generation. The Evergy Companies' strategy also includes the planned retirement of coal- fired generation resources. If regulators determine that the retirement of coal generation facilities was not prudent, they could prohibit the Evergy Companies from recovering, or earning a return on, the investments in those facilities that were prudent when the investments were originally made. This concept is known as a" stranded asset," and generation retirements outside of those contemplated in the integrated resource plan increase the risk that regulators will disallow the recovery of otherwise prudent investments. In addition, the Evergy Companies may **in the future** utilize legislative mechanisms known as securitization to facilitate the retirement of coal- fired generation, which will eliminate future returns on the investment that was originally made by the Evergy Companies in those coal- fired generating facilities and reduce the Evergy' s Companies results of operations and financial position. No assurance can be given that the Evergy Companies will be successful in implementing their strategy in a timely manner or at all, and a failure to do so could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies and have an adverse impact on the price of Evergy' s common stock. The price of Evergy common stock may experience volatility. The price of Evergy common stock may be volatile. Some of the factors that could affect the price of Evergy common stock are Evergy' s earnings; the ability of the Evergy Companies to implement their strategic plan; the ability of Evergy to deploy capital; actions by regulators; and statements in the press or investment community about the Evergy Companies' strategy, earnings per share or growth prospects, financial ~~condition~~ **position** or results of operations. Negative perceptions or publicity from increasing scrutiny of environmental, social and governance practices could also adversely impact Evergy' s stock price. Also, individuals or entities, such as activist shareholders and special interest groups, may seek to influence the Evergy Companies' strategic plan or take other actions that could disrupt the Evergy Companies' business, financial results or operations and could adversely impact Evergy' s stock price. In addition, the Evergy Companies operate almost exclusively in Kansas and Missouri and this concentration may increase exposure to risks arising from unique local or regional factors. Furthermore, domestic and international market conditions and economic factors and political events unrelated to the performance of Evergy (including **geopolitical** ~~the COVID- 19 pandemic and the Russia-Ukraine conflict~~ **conflicts**) may also affect Evergy' s stock price. For these reasons, shareholders should not rely on historical trends in the price of Evergy common stock to predict the future price of Evergy' s common stock. Evergy has recorded goodwill that could become impaired and adversely affect financial results. As required by generally accepted accounting principles (GAAP), Evergy recorded a significant amount of goodwill on its balance sheet in connection with completion of the merger that resulted in the formation of Evergy. Evergy assesses goodwill for impairment on an annual basis or whenever events or circumstances occur that would indicate a potential for impairment. If goodwill is deemed to be impaired, Evergy may be required to incur non- cash charges that could materially adversely affect its results of operations. Customer and Weather-Related Risks: Changes in electricity consumption could have a material adverse effect on Evergy' s results of operations, financial position and cash flows. Change in customer behaviors in response to energy efficiency programs, changing conditions and preferences or changes in the adoption of technologies could affect the consumption of energy by customers. Federal and state programs exist to influence the way customers use energy and regulators have mandates to promote energy efficiency. Conservation programs and customers' level of participation in the programs could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. Technological advances, energy efficiency and other energy conservation measures have reduced and will continue to reduce customer electricity consumption. The Evergy Companies **predominately** generate electricity at central station power plants to achieve economies of scale and produce electricity at a competitive cost. Self- generation and distributed generation technologies, including microturbines, wind turbines, fuel cells and solar cells, as well as those related to the storage of energy produced by these systems, have become economically competitive with the manner and price at which the Evergy Companies sell electricity. There is also a perception that generating or storing electricity through these technologies is more environmentally friendly than generating electricity with fossil fuels. Increased adoption of these technologies could reduce electricity demand and the pool of customers from whom fixed costs are recovered, resulting in under recovery of the fixed costs of the Evergy Companies. Increased self- generation and the related use of net energy metering, which allows self- generating customers to receive bill credits for surplus power, could put upward price pressure on remaining customers. If the Evergy Companies are unable to adjust to reduced electricity demand and increased self- generation and net energy metering, their financial ~~condition~~ **position** and results of operations could be adversely affected. Changes in customer electricity consumption due to sustained financial market disruptions, downturns or sluggishness in the economy or other factors may also adversely affect the results of operations, financial position and cash flows of the Evergy Companies. Weather is a major driver of the results of operations, financial position and cash flows of the Evergy Companies and the Evergy Companies are subject to risks associated with climate change. Weather conditions directly influence the demand for and price of electricity. The Evergy Companies are significantly impacted by seasonality, and, due to energy demand created by air conditioning load, **their** highest revenues are typically recorded in the third quarter. Unusually mild winter or summer weather can adversely affect sales. In addition, severe weather and events, including tornados, snow, fire, rain, flooding, drought and ice storms, can be destructive and cause outages and property damage that can result in increased expenses, lower revenues and additional restoration costs. Storm reserves established by the Evergy Companies may be insufficient and rates may not be adjusted in a timely manner, or at all, to recover these costs. Additionally, because many of the Evergy Companies' generating stations utilize water for cooling, low water and flow levels can increase maintenance costs at these stations, result in limited power production and require modifications to plant operations. High water conditions can also impair planned deliveries of fuel to generating stations or otherwise adversely impact the ability of the Evergy Companies to operate these stations. Climate change may produce more frequent or severe weather events, such as storms, droughts or floods. These events could lead to unforeseen changes in water supply quality and create additional costs related to water treatment and complying with environmental discharge requirements. Climate change events could also impact the economic health of the Evergy Companies' service territories. An increase in the frequency or severity of extreme weather events or a deterioration in the economic health of the Evergy Companies' service territories could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies. In addition, policy, legal and regulatory efforts to influence climate change, such as efforts to reduce GHG emissions, impose a tax on emissions and create incentives for low-carbon generation and energy efficiency, could result in reduced sales and require significant costs to respond to such efforts. These efforts could also result in the early retirement of generation facilities, which could result in stranded costs if regulators disallow recovery of investments that were prudent when originally made and included in rates. Evergy has a goal to achieve net- zero ~~CO2~~ **CO2e** emissions **, for scope 1 and 2 emissions,** by 2045 with an interim goal of a 70 % reduction of **owned generation** CO2 emissions from 2005 levels by 2030 **through the responsible transition of the Evergy Companies' generation fleet** . The trajectory and timing of ~~reaching~~ **achieving** ~~the~~ **these emissions reductions** ~~net- zero goal~~ are **expected to be** dependent on many external factors, including enabling technology developments, the reliability of the power grid, availability of transmission capacity, supportive energy policies and regulations, and other factors. These external factors are outside of Evergy' s control, and without these enabling factors **,** Evergy cannot be confident in achieving **its interim goal or** its net- zero carbon reduction goal. In addition, any of the foregoing could adversely affect the results of operations, financial position and cash flows of the Evergy Companies and the market prices of Evergy' s common stock. New climate disclosure rules proposed by the SEC may increase the Evergy Companies' costs of compliance and adversely impact their business. On

March 21, 2022, the SEC proposed new rules relating to the disclosure of a range of climate- related risks. The Evergy Companies are currently assessing the proposed rule, but at this time they cannot predict the costs of implementation or any potential adverse impacts resulting from the rule. To the extent this rule is finalized as proposed, the Evergy Companies could incur increased costs relating to the assessment and disclosure of climate- related risks. The Evergy Companies may also face increased litigation risks related to disclosures made pursuant to the rule if finalized as proposed. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon- intensive sectors. Operational Risks: Operational risks may adversely affect the Evergy Companies. The operation of electric generation, transmission, distribution and information systems involves many risks, including breakdown or failure of equipment; aging infrastructure; employee error or contractor or subcontractor failure; problems that delay or increase the cost of returning facilities to service after outages; limitations that may be imposed by equipment conditions or environmental, safety or other regulatory requirements; fuel supply or fuel transportation reductions or interruptions; labor disputes; difficulties with the implementation or operation of information systems; transmission scheduling constraints; and catastrophic events such as fires, floods, droughts, explosions, terrorism or acts of war, severe weather, pandemics or other similar occurrences. Many of the Evergy Companies' generation, transmission and distribution resources are aged, which increases the risk of unplanned outages, reduced generation output and higher maintenance expense. Any equipment or system outage or constraint can, among other things, reduce sales, increase costs and affect the ability to meet regulatory service metrics, customer expectations and regulatory reliability and security requirements. The Evergy Companies have general liability and property insurance to cover a portion of their facilities, but such policies do not cover transmission or distribution systems, are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage may not be available in the future at reasonable costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any facilities may not be sufficient to restore the loss or damage. Certain insurers are also choosing to limit their exposure to companies with coal- fired generation, which may result in increased premiums and reduced scope of coverage. These and other operating events may reduce revenues or increase costs, or both, and may materially affect the results of operations, financial position and cash flows of the Evergy Companies. Physical and cybersecurity breaches, criminal activity, terrorist attacks, acts of war and other disruptions to facilities or information technology infrastructure could interfere with operations, expose the Evergy Companies or their customers or employees to a risk of loss, expose the Evergy Companies to legal or regulatory liability and cause reputational and other harm. The Evergy Companies rely upon information technology networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including the generation, transmission and distribution of electricity, supply chain functions and the invoicing and collection of payments from customers. The Evergy Companies also use information technology networks and systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal and tax requirements. These networks and systems are in some cases owned or managed by third- party service providers. In the ordinary course of business, the Evergy Companies collect, store and transmit sensitive data including operating information, proprietary business information and personal information belonging to customers and employees. The Evergy Companies' information technology networks and infrastructure, as well as the networks and infrastructure belonging to third- party service providers, are vulnerable to damage, disruptions or shutdowns due to attacks or breaches by hackers or other unauthorized third parties; error or malfeasance by employees, contractors or service providers; unintended consequences related to software or hardware upgrades, additions or replacements; malicious software code; vulnerabilities in third- party software code; telecommunication failures; the lack of availability of qualified employees and contractors; natural disasters or other catastrophic events; or criminal activity, terrorist attacks or acts of war. **The** ~~Driven in part by the COVID- 19 pandemic, the~~ Evergy Companies ~~have adopted the~~ use ~~of~~ technology to enable remote- working arrangements, which may increase or expose previously unknown vulnerabilities. Public reports have indicated an increase in cyberattacks in general ~~since the start of the pandemic~~ due, in part, to the increase in the number of employees working remotely and the proliferation of the different ways in which people interact with their information technology infrastructure. The occurrence of any of these events could, among other things, impact the reliability or safety of the Evergy Companies' generation, transmission and distribution systems and information systems; result in the erasure of data or render the Evergy Companies' equipment, or the equipment of third- party service providers, unusable; impact the Evergy Companies' ability to conduct business in the ordinary course; reduce sales; expose the Evergy Companies and their customers, employees and vendors to a risk of loss or misuse of information; result in legal claims or proceedings, liability or regulatory penalties; damage the Evergy Companies' reputation; or otherwise harm the Evergy Companies' results of operations, financial position and cash flows. The Evergy Companies can provide no assurance that they will be able to identify and remediate all security or system vulnerabilities or that unauthorized access or error will be identified and remediated. The Evergy Companies are subject to laws and rules issued by multiple government agencies concerning cybersecurity and safeguarding their customer and business information. For example, NERC has issued comprehensive regulations and standards surrounding the security of the bulk power system, including both physical and cybersecurity, and continually evaluates the necessity for updates and new requirements with which the Evergy Companies must comply. The Evergy Companies are subject to recurring, independent, third- party audits with respect to adherence to these regulations and standards. The NRC also has issued regulations and standards related to the protection of critical digital assets at nuclear power plants. Compliance with NERC and NRC rules and standards, and rules and standards promulgated by other regulatory agencies from time to time or future legislation, will increase the Evergy Companies' compliance costs and their exposure to the potential risk of violations of these rules, standards or future legislation, which includes potential financial penalties. Furthermore, the non- compliance by other utilities subject to similar regulations or the occurrence of a serious security event at other utilities could result in increased regulation or oversight, both of which could increase the Evergy Companies' costs and adversely impact their financial results.

Additionally, the Evergy Companies cannot predict the impact that any future information technology or malicious attack may have on the energy industry in general. The electric utility industry, both within the United States and internationally, has experienced physical and cybersecurity attacks on energy infrastructure such as power plants, substations and related assets in the past, and there will likely be more attacks in the future. Geopolitical matters, including terrorist attacks and acts of war, may increase the likelihood of such attacks. The Evergy Companies have been subject to attempted cyber attacks from time to time, and will likely continue to be subject to such attempted attacks, but these prior attacks have not had a material impact on their operations. However, because technology is increasingly complex and cyber- attacks are increasingly sophisticated and more frequent, there can be no assurance that such incidents will not have a material adverse effect on the Evergy Companies in the future. The Evergy Companies' facilities and systems could be direct targets or indirect casualties of such attacks. The effects of such attacks could include disruption to the Evergy Companies' generation, transmission and distribution, and information systems or to the electrical grid in general, reduced sales and could increase the cost of insurance coverage. Furthermore, although the Evergy Companies maintain information security risk insurance coverage, such insurance may not be adequate to cover any associated losses. Any of the foregoing could have a material adverse impact on the Evergy Companies' results of operations, financial position and cash flows. The cost and schedule of capital projects may materially change and expected performance may not be achieved. The Evergy Companies' business is capital intensive and includes significant construction projects. The risks of any capital project include: actual costs may exceed estimated costs; regulators may disallow, limit or delay the recovery of all or part of the cost of, or a return on, a capital project; increased inflation may render previously estimated costs to be inaccurate; risks associated with the capital and credit markets to fund projects; delays in receiving, or failure to receive, necessary permits, approvals and other regulatory authorizations; unforeseen engineering problems or changes in project design or scope; the failure of suppliers and contractors to perform as required under their contracts; inadequate availability or increased cost of labor or materials, including commodities such as steel, copper and aluminum that may be subject to uncertain or increased tariffs; inclement weather; new or changed laws, regulations and requirements, including environmental and health and safety laws, regulations and requirements; and other events beyond the Evergy Companies' control may occur that may materially affect the schedule, cost and performance of these projects. The Evergy Companies' strategy includes a significant amount of planned capital investments. The Evergy Companies' ability to implement these investments depend, in part, on the availability of adequate internal and external resources, such as employees and qualified contractors and the availability of materials. ~~In this regard, the global COVID- 19 pandemic has caused disruptions to the global supply chain and the availability of qualified labor, which, in turn, has increased inflationary pressures.~~ These and other risks could cause the Evergy Companies to defer or limit capital expenditures, materially increase the costs of capital projects, delay the in- service dates of projects, adversely affect the performance of the projects and require the purchase of electricity on the wholesale market, at potentially more expensive prices, until the projects are completed. These risks may significantly affect the Evergy Companies' results of operations, financial position and cash flows. Failure to attract and retain an appropriately qualified workforce or to maintain satisfactory collective bargaining agreements could negatively impact the Evergy Companies' business and operations and adversely impact the Evergy Companies' results of operations, financial position and cash flows. The Evergy Companies' workforce includes professional, managerial and technical employees. Failure to attract and retain qualified talent, successfully transition retirements with adequate replacements, or source qualified contractors could impede the Evergy Companies' strategy and / or adversely impact the Evergy Companies' ability to execute on their strategy. For example, certain skills, such as those related to construction, maintenance and repair of transmission and distribution systems are in high demand and have a limited supply. Evergy competes for qualified employees with these skills on a national level. A significant portion of the Evergy Companies' workforce is represented by five local unions of the IBEW and one local union of the UGSOA. The Evergy Companies currently have labor agreements with each of these unions that expire at varying times in 2024 through 2026. A failure to successfully negotiate these collective bargaining agreements could result in a labor disruption and have a significant adverse impact on the Evergy Companies' operations and results of operations. The Evergy Companies' strategic plan includes enhanced technology and transmission and distribution investments and a reduction in reliance on coal- fired generation. The Evergy Companies will need to attract and retain personnel that are qualified to implement the Evergy Companies' strategy and may need to retrain or reskill certain employees to support the Evergy Companies' long- term objectives. A failure to attract and retain qualified employees, retrain or reskill existing employees and maintain satisfactory collective bargaining agreements could have a significant adverse impact on the results of operations, financial position and cash flows of the Evergy Companies. The Evergy Companies are exposed to risks associated with the ownership and operation of a nuclear generating unit, which could adversely impact the Evergy Companies' business and financial results. Evergy indirectly owns 94 % of Wolf Creek, with Evergy Kansas South and Evergy Metro each owning 47 % of the nuclear plant. Such ownership exposes the Evergy Companies to various risks unique to the nuclear industry. Damages, decommissioning or other costs could exceed the Evergy Companies' ability to recover such costs through rates or other mechanisms such as decommissioning trust assets or through external insurance coverage, including statutorily required nuclear incident insurance. The NRC has broad authority under federal law to impose licensing and safety- related requirements for the operation of nuclear generation facilities, including Wolf Creek. In the event of non- compliance, the NRC has the authority to impose fines, shut down the facilities, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Additionally, the non- compliance of other nuclear facility operators with applicable regulations or the occurrence of a serious nuclear incident anywhere in the world could result in increased regulation of the nuclear industry. Such events could increase Wolf Creek' s costs and impact the financial results of the Evergy Companies or result in a shutdown of Wolf Creek. An extended outage of Wolf Creek, whether resulting from NRC action, an incident at the plant or otherwise, could have a material adverse effect on the results of operations, financial position and cash flows of the Evergy Companies in the event replacement power, damages, and other costs exceed or are not recovered through rates, insurance or decommissioning trust assets. If a longterm outage occurred, the state regulatory commissions could reduce rates by excluding the Wolf Creek investment from rate base. Wolf Creek commenced operations in 1985 and the age of Wolf Creek may increase the risk of unplanned outages and may result in higher maintenance costs. On an annual basis, Evergy Kansas South and Evergy Metro are required to contribute money to tax- qualified trusts that were established to pay for decommissioning costs at the end of the unit' s life. The amount of contributions varies depending on estimates of decommissioning expenses and projected return on trust assets. If the actual return on trust assets is below the projected level or actual decommissioning costs are higher than estimated, Evergy Kansas South and Evergy Metro could be responsible for the balance of funds required and may not be allowed to recover the balance through rates. The Evergy Companies are also exposed to other risks associated with the ownership and operation of a nuclear generating unit, including, but not limited to, (i) potential liability associated with the potential harmful effects on the environment and human health resulting from the operation of a nuclear generating unit, (ii) the storage, handling, disposal and potential release (by accident, through third- party actions or otherwise) of radioactive materials and (iii) uncertainties with respect to contingencies and assessments if insurance coverage is inadequate. Under the structure for insurance among owners of nuclear generating units, Evergy Kansas South and Evergy Metro are also liable for potential retrospective premium assessments (subject to a cap) per incident at any commercial reactor in the country and losses in excess of insurance coverage. In addition, Wolf Creek is reliant on a sole supplier for fuel and related services. The supplier has in the past been the subject of Chapter 11 reorganization proceedings, and an extended outage of Wolf Creek could occur if the supplier is not able to perform under its contracts with Wolf Creek. Switching to another supplier could take an extended amount of time and would require NRC approval. An extended outage at Wolf Creek could affect the amount of Wolf Creek investment included in customer rates and could have a material impact on the Evergy Companies' financial results. The structure of the regional power market in which the Evergy Companies operate could have an adverse effect on their results of operations, financial position and cash flows. Evergy Kansas Central, Evergy Metro and Evergy Missouri West are members of the SPP regional transmission organization, and each has transferred operational authority (but not ownership) of their transmission facilities to the SPP. The SPP' s Integrated Marketplace determines which generating units among market participants should run, within the operating constraints of a unit, at any given time. The SPP' s rules are primarily designed to provide for maximum cost- effectiveness, but in certain respects the rules also provide preferential treatment for certain resources based on public policy initiatives, such as increasing the deployment of renewable generation. If Evergy Kansas Central' s, Evergy Metro' s or Evergy Missouri West' s generating resources are not dispatched, each could experience decreased levels of wholesale electricity sales. The Evergy Companies' strategic plan includes adding a significant amount of renewable generation. Transmission constraints and delays in the transmission planning and construction processes could impair the ability of the Evergy Companies to sell and transmit electricity generated by these renewable generation facilities, which could have an adverse impact on the results of operations and financial position of the Evergy Companies. In addition, the rules governing the various regional power markets, including the SPP, may change from time to time and such changes could impact the costs and revenues of the Evergy Companies. Litigation Risks: The outcome of legal proceedings cannot be predicted. An adverse finding could have a material adverse effect on the Evergy Companies' results of operations, financial position and cash flows. The Evergy Companies are parties to various lawsuits and regulatory proceedings in the ordinary course of their respective businesses. The outcome of these matters cannot be determined, nor, in many cases, can the liability that could potentially result from each case be reasonably estimated. The liability that the Evergy Companies may incur with respect to any of these cases may be in excess of amounts currently accrued and insured against with respect to such matters and could adversely impact the financial results for the Evergy Companies. Environmental, Social and Governance Risks: The Evergy Companies are subject to risks relating to environmental, social and governance (ESG) matters that could adversely affect their reputation, business, financial ~~condition~~ **position** and results of operations. The Evergy Companies are subject to a variety of risks, including reputational risk, associated with ESG issues. The public holds diverse and often conflicting views on ESG topics. The Evergy Companies have multiple stakeholders, including their shareholders, customers, associates, federal and state regulatory authorities and the communities in which they operate, and these stakeholders will often have differing priorities and expectations regarding ESG issues. If the Evergy Companies take action in conflict with one or another of those stakeholders' expectations, they could experience an increase in customer complaints, a loss of business or reputational harm. The Evergy Companies could also face negative publicity or reputational harm based on the identity of those with whom they choose to do business. Any adverse publicity in connection with ESG issues could damage their reputation, ability to attract new customers and retain employees, compete effectively and grow their business. In addition, proxy advisory firms and certain institutional investors who manage investments in public companies are increasingly integrating ESG factors into their investment analysis. The consideration of ESG factors in making investment and voting decisions is relatively new. Accordingly, the frameworks and methods for assessing ESG policies are not fully developed, vary considerably among the investment community and will likely continue to evolve over time. Moreover, the subjective nature of methods used by various stakeholders to assess a company with respect to ESG criteria could result in erroneous perceptions or a misrepresentation of the Evergy Companies' actual ESG policies and practices. Organizations that provide ratings information to investors on ESG matters may also assign unfavorable ratings to the Evergy Companies. If the Evergy Companies fail to comply with specific ESG- related investor or stakeholder expectations and standards, or to provide the disclosure relating to ESG issues that any third parties may believe is necessary or appropriate (regardless of whether there is a legal requirement to do so), their reputation, business, financial ~~condition~~ **position** and / or results of operations could be negatively impacted.