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OVERVIEW:

Company Summary

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Michael Sullivan *Wolfe - Analyst*

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PRESENTATION

Operator

Good day, and thank you for standing by. welcome to the Q2 2024 Evergy, Inc. earnings conference call. (Operator Instructions).

Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Peter Flynn, Director of Investor Relations. Please go ahead.

Peter Flynn - *Evergy Inc - Director of Investor Relations*

Thank you, Didi, and good morning, everyone. Welcome to Evergy's Second Quarter 2024 Earnings Conference Call. Our webcast slides and supplemental financial information are available on our Investor Relations website at investors.evergy.com. Today's discussion will include forward-looking information. slide 2 and the disclosure in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations. They also include additional information on our non-GAAP financial measures.

Joining us on today's call are David Campbell, Chairman and Chief Executive Officer; and Geff Way, acting Chief Financial Officer and Treasurer. David will cover second quarter highlights and an update on our regulatory and legislative agendas. Geff will cover our second quarter results, retail sales trends and our financial outlook for 2024. Other members of management are with us and will be available during the Q&A portion of the call. I will now turn the call over to David.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Pete, and good morning, everyone. I'll begin on slide 5. This morning, we reported second quarter adjusted earnings of $0.90 per share compared to $0.81 per share a year ago.

The increase in adjusted earnings over last year was driven primarily by demand growth, weather, new retail rates and higher transmission margin, partially offset by higher operations and maintenance costs, D&A and interest expense. Geff will discuss these earnings drivers in more detail in his remarks.

Now as you all know, Kirk Andrews resigned from his role as Chief Financial Officer on June 4. We were excited to appoint Geff Ley as acting CFO on June 7, while we conduct an internal and external search.

We expect to conclude the search this year. Geff worked closely with Kirk and me, and he brings an outstanding capability set to the role, which has enabled a smooth transition. We'd like to thank Kirk for his leadership, and we wish him all the best in his next chapter of his career closer to home.

In May, we filed our triennial Integrated Resource Plan in Kansas following a similar filing from Missouri in April.

In aggregate, the 2024 preferred plan includes 5,800 megawatts of resource additions through 2033, representing an increase of 1,500 megawatts over the next 10 years, when compared to the 2023 preferred plan.

Our IRP and its underlying analysis reflect the benefits of a diverse fuel mix. Renewables have low or negative marginal costs and no emissions, but they are intermittent depending on mother nature or large-scale storage deployment for reliability. New and existing thermal resources are emitting and have higher marginal cost for fuel and O&M, but they can be dispatched to meet customer demand when they are needed most.

The ultimate goal of having a balanced mix is to ensure reliability and affordability for our customers as we advance a responsible fleet transition, this transition will require sustained investment over the coming years and will incorporate the most recent IRP and its high levels of new generation when we provide an update to our capital plan on the third quarter earnings call.

Shifting back to the quarter, since the beginning of April, we experienced 10 severe storm events that produce wind gusts in excess of 50 miles per hour. Wind speeds at this level down countless trees and tree limbs and caused extensive damage to equipment and structures across our service territory.

I'd like to thank our customers for their patience during outages caused by this unusually severe weather and thank our transmission and distribution teams, contractors, personnel from neighboring utilities in our call center, and customer service employees for their hard work throughout our storm restoration efforts.

Our frontline employees are a bedrock of safely delivering affordable and reliable power to our customers and communities. We're extremely proud of their contribution as it worked long shifts through hot and humid conditions.

Our team's execution has enabled solid performance in the first half of the year, and we are reaffirming our 2024 adjusted EPS guidance range of $3.73 to $3.93 per share as well as our target long-term annual adjusted EPS growth target of 4% to 6% from 2023 to 2026.

On slide 6, we highlight three major economic development wins that we have featured, Google, Panasonic and Meta. In aggregate, their demand represents approximately 750 megawatts of load and each will be the largest customer in their respective jurisdiction by a wide margin.

The overall economic development pipeline remains robust in both Kansas and Missouri with projects representing more than 6 gigawatts, a of demand actively considering our service territories.

As a reminder, our capital investment and load growth forecast only reflect projects announced to date. Now many of you will ask us about timing as a general rule, we will announce specifics on these projects in tandem with customer announcements regarding their plans. Of course, the environment for new economic development projects is competitive.

And while we do not expect to win all of these projects in our pipeline, we are excited by the very active dialogue we are having with these potential customers as they consider our region.

Our strategic focus on affordability and reliability and regional great competitiveness are important contributors to this pipeline and provide a foundation for the tremendous potential in our region, building on our success with Panasonic, Meta and Google.

As part of the exercise, alongside the economic development rates that are in place in both Kansas and Missouri, we are looking at rate design elements to ensure that there is appropriate and adequate recovery associated with large new loans.

Moving to slide 7, based on the announcements of Google's data center, Panasonic's EV battery manufacturing facility and Metis Data Center, along with other announced industrial projects, we expect a solid 2% to 3% weather-normalized demand growth through 2028.

Moving to slide 8, I'll provide an update on our regulatory and legislative priorities in both Kansas and Missouri. First, I'm pleased to highlight House Bill 2527 in Kansas, which became effective on July first of this year.

The bill incorporated multiple provisions to establish a competitive framework for electric infrastructure investment including the use of Plant-in-Service Accounting, or PISA, and a construction work in progress mechanism that applies to new natural gas units.

The PISA provisions in HB 2527 served to mitigate regulatory lag between rate cases, very similar to how it works in Missouri, there with a 90% deferral in Kansas. Overall, the passage of HB 2527 signals in support of Kansas legislators, regulators and stakeholders for infrastructure investment in support of economic development and the importance of a competitive and constructive regulatory framework for infrastructure investment. It is an exciting time in our region as reflected by our significantly higher sales growth forecast relative to recent history.

We are also looking forward to our capital structure workshop in Kansas, which we expect to occur in the fourth quarter. This workshop, which was born out of our legislative discussions with Kansas stakeholders earlier in the year, presents an opportunity for constructive dialogue around the importance of a clear and stable framework for regulatory capital structure and authorized returns outside the confines of litigated proceeding.

This framework serves an important backdrop for providers of capital to invest in Kansas and for Evergy to attract competitively priced capital, much like the constructs that exist in Missouri and other neighboring states.

As always, we are committed to advancing the generational economic development opportunity ahead of us in concert with Kansas policymakers and stakeholders.

Now pivoting to Missouri, we continue to work our way to our pending rate case in Missouri West. In late June, staff and other interveners filed direct testimony. And earlier this week, all parties filed rebuttal testimony, true-up and surrebuttal testimony will be filed on September 10.

In our upcoming filings, we anticipate that our overall revenue request will decrease as a result of lower fuel and power costs, reflecting lower commodity prices and higher market revenues.

As a reminder, changes in fuel and power costs are not earnings drivers in the rate case. The expected reduction in fuel costs would be a pass-through benefit to customers in base rates. Any subsequent increases or decreases in these costs after the new base rates are set, will be reflected in the fuel clause between rate cases.

After true-up and surrebttal testimony are filed, a settlement conference will be held on September 23, followed by hearings beginning on September 30 and running through early October. Revised rates of Missouri will go into effect by January 1, 2025.

We look forward to working collaboratively with the Missouri Public Service Commission staff and our stakeholders to achieve a constructive outcome for Missouri West customers. As we described, we expect our cadence of rate cases going forward to be roughly every other year. So that will be true for every jurisdiction, some may be more frequent, others less.

I'll conclude my remarks with slide 9, which highlights the core tenets of our strategy: affordability, reliability and sustainability. On the affordability front, advancing regional rate competitiveness is one of our primary objectives. Our focus on delivering benefits to our customers is demonstrated in the comparative EIA data on rate trends across the Central United States over the past five years.

Kansas and Missouri stand out positively in that comparison. Our strategic plan is designed to sustain this positive trajectory by keeping our long-term rate trajectory at or below the rate of inflation.

By prioritizing affordability, we contribute to the robust economic development pipeline ahead of us, and lay the groundwork for continued support of the substantial economic potential within our states. Insuring reliability is also a core element of our strategy encompasses state, safety, grid resiliency and public safety.

This also includes a focus on metrics related to customer service, the commercial availability of our generation fleet, safety and all elements of our operations, including infrastructure investment.

With respect to sustainability, almost half the power generated by Evergy comes from emission-free resources. Since 2005, we have reduced carbon emissions by 53% and sulfur dioxide and nitrogen oxide emissions by 98% and 90%, respectively. Our integrated resource plan includes a balanced mix of resource additions going forward as we manage the responsible transition of our generation portfolio.

Evergy is committed to delivering safe, reliable, affordable and sustainable energy to customers while being a great place to work for a diverse workforce and supporting the communities we serve. With that, I will now turn the call over to Geff.

Geoffrey Ley - *Evergy Inc - Chief Financial Officer and Treasurer*

Thank you, David, and good morning, everyone. Before we walk through our financial results, I wanted to take a moment to mention what an honor and privilege it is for me to have this opportunity to serve as the acting CFO for Evergy.

The transition has been a smooth one, due to the support that I have received throughout from David, our Board and the entire Evergy team, for which I am very grateful. I would be remiss if I also didn't thank my family for their continued support of my career.

Back to the business at hand. I'll start by turning to Slide 11 with a review of our results for the quarter. For the second quarter of 2024, Evergy delivered adjusted earnings of $207 million or $0.90 per share compared to $186.1 million or $0.81 per share in the second quarter of 2023.

As shown on the slide from left to right, the year-over-year increase in second quarter adjusted EPS was driven by the following: first, a warmer start to the summer resulted in increased cooling degree days, which drove a $0.03 increase in EPS when compared to the second quarter of 2023 and it was an estimated $0.06 above normal.

Next, weather-normalized demand grew 2.2%, driven by growth in residential and commercial demand, which added $0.06 per share. Also, new retail rates in Kansas contributed $0.06 of increased EPS for the quarter.

Another $0.06 increase was driven by higher transmission margins resulting from ongoing investments to enhance our transmission infrastructure. There was a $0.03 negative variance in EPS compared to Q2 2023, driven by higher O&M expense.

Approximately $0.01 of this variance was driven by swarming outage restoration costs, which were related to the severe storms that impacted our service territory. The rest of the variance was due to expected timing of expenditures compared to the second quarter of last year.

Next, higher depreciation and amortization expense due to increased infrastructure investment drove a $0.04 decrease. Additionally, higher interest expense drove a $0.02 decrease in EPS for the quarter. And finally, other items drove a $0.02 decrease as well.

I'll turn next to the year-to-date results, which you'll find on slide 12. Through the first six months of 2024, Evergy delivered adjusted earnings of $331.7 million, or $1.44 per share compared to $322.2 million or $1.40 per share for the same period last year. Again, moving from left to right on the slide, our year-over-year EPS drivers compared to the year-to-date period last year include the following weather contributed a $0.03 increase in EPS as a warmer start to the summer in Q2 was partially offset by warmer weather, winter weather in Q1.

When compared to normal, the impact of weather was a $0.01 decrease in EPS through the year-to-date period. Weather-normalized demand increased 0.8% and driven primarily by higher residential and commercial demand, adding $0.06 of EPS. New retail rates in Kansas contributed $0.11 through the second quarter.

Increased transmission margin resulting from beneficial investments in our transmission infrastructure drove a $0.10 increase. Higher O&M expense drove a $0.09 negative variance through the second quarter.

The timing of this variance was embedded in our full year guidance and is primarily attributable to implementation of an early retirement program, which significantly reduced O&M in the first half of 2023. We remain confident in our ability to manage costs in the context of our guidance.

Next, we had an $0.08 decrease from higher depreciation and amortization expense resulting from infrastructure investments. In addition, there was a $0.06 decrease in EPS due to increased interest expense.

And finally, there are other items which collectively drove a $0.03 decrease in EPS through the year-to-date period.

Turning to slide 13, I'll provide a brief update on our recent sales trends. On the left side of the screen, you'll see that weather-normalized retail sales increased 2.2% in the second quarter as compared to last year, primarily driven by increases in both residential and commercial usage. Year-to-date, weather-normalized demand was up by approximately 0.8% with a similar pattern of residential and commercial demand driving growth.

We continue to see lower demand from industrial customers despite a recovery among those larger customers who had weaker demand in 2023. Overall, we expect industrial demand to recover as we continue to move through 2024. This will be further augmented as we expect load from large new customers resulting from recent economic development wins to start coming online later this year.

We expect to see a more notable pickup in demand beyond 2024 and as we anticipate Panasonic, Meta and Google to reach their full run rates in 2026, 2027 and 2028, respectively. As David noted in his earlier remarks, we expect weather-normalized demand growth through 2028 of 2% to 3% as these new large customer loads are added to our base customer demand growth. The continued robust customer demand growth in our service territories is supported by a strong local labor market.

As the Kansas City and Kansas Metro Kansas City Metro in Kansas areas, unemployed rates remain below the national average of 4.1%. Finally, on slide 14, I'll wrap up with an overview of our long-term financial expectations. With our solid start to the year, we are reaffirming our 2024 adjusted EPS guidance range of $3.73 to $3.93 per share. We are also reaffirming our long-term adjusted EPS growth target of 4% to 6% through 2026, which is based on our original 2023 adjusted EPS guidance midpoint of $3.65 per share.

Currently, our five-year capital investment plan includes $12.5 billion of infrastructure investment through 2028, with the expectation that we will fund this program without the need to issue new equity through 2026.

This $12.5 billion investment plan does not yet incorporate the impact of changes related to our 2024 IRP filed in the second quarter or other changes in our planned investments since the beginning of the year.

On our third quarter earnings call, we will provide updated capital investment and financing plans, which will incorporate these developments. While we are excited for these investments, which are expected to support a generational economic development opportunity for our region, we remain focused on consistent execution of our operational and financial goals as we advance our strategic objectives of maturing affordability, reliability and sustainability for our customers. And with that, we will open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

James Kennedy of Guggenheim Partners.

James Kennedy - *Guggenheim Partners - Analyst*

Hey, guys, good morning. So I guess just starting with the upcoming Kansas workshop, can you speak a little more to your approach for the event? I guess what should we expect in terms of outputs? How could this carry forward into the case next year? I guess, we get a report that could be filed in direct testimony, just kind of how to think about the workshop? Thanks.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

It's a great question. And obviously, that's something that we're going to work collaboratively with 60 staff, in particular, on the approach. Our objective in the workshop is outside the context of a litigated proceeding to really discuss with all parties and ground ourselves in what's the best way for Kansas to have a competitive approach to attracting capital.

So we anticipate this is going to be a workshop, not a decision-oriented meeting, but a workshop that enables a robust discussion the underlying facts in terms of approaches across the country and in Kansas, the competitive landscape, how it impacts the strength of the relative utility and our ability to attract capital. So we really think it's a good dialogue to help level set, not leading to a decision, but they help have a level setting of approach and how we best position Kansas to attract to attract capital competitively and doing that before the rate case outside of a rate case, I think is the best way to have a good dialogue around it. And the details will be forthcoming. Obviously, as we finalize them, so I won't get ahead of that. We do expect it to occur in the fourth quarter.

James Kennedy - *Guggenheim Partners - Analyst*

Okay. Any timing expectations within 4Q at this point?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

There'll be advance notice when the dates are set. We're not trying to anything. It's really just lining up calendar, so we're going through at this stage.

James Kennedy - *Guggenheim Partners - Analyst*

Okay. Perfect. And then just on the data center side, a few of your peers this quarter gave rules of thumb regarding large interconnections associated residential transmission savings. I guess is that something you'll see on your system and any kind of quantification there as you get these interconnections online?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. The approach we're taking is really specific to each situation because it really varies, frankly, based on location matters a lot based on availability within the transmission system, what kind of upgrades may be required.

So particularly with the large loads, we found a rule of thumb is it's such a wide range and it's not especially helpful as a rule of thumb. So we generally are linking that to specific projects. So we'll update our capital plan and reflect the products that have been announced and the specific impacts that they have.

So for example, in our capital plan update, we'll do in the third quarter. The Google announcement was subsequent to our last capital filing will incorporate the impacts of the Google announcement, and it's impact on our T&D system in that update.

But the rule thumb really varies significantly based on size of customer specific location. We did mention I know that it's folks are interested in the quantification of size, now we were comfortable describing how projects representing more than 6 gigawatts.

We're in active discussions with those parties. But of course, we're at being at the end of the earnings season, we've seen a lot of different companies have discussed, very large numbers. There's no doubt that different counter parties are talking to various utilities. That said, we're excited about that we've been very active in specific discussions. So we look forward to advancing those in the coming months. And our approach will be to really no specifics when customers are ready to announce at the same time.

James Kennedy - *Guggenheim Partners - Analyst*

Thanks, guys. Appreciate it.

Operator

Nicholas Campanella of Barclays.

Nicholas Campanella - *Barclays - Analyst*

Hey, good morning and happy Friday, Cornet of hopefully, you can hear me. So just a follow-up on the data center discussion, just outside of that 6 gigs, it's only Google that's included in the IRPs today. So if any of this additional comes to fruition, you would have to revisit the capital plan.

Is that the right understanding? That's one. And then the secondly is just on the rate tariffs, David, that you talked about for large loads. Just maybe expand on what the process looks like for that? Do you have to do would you do that in a formal rate case and how should we think about that?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Good question. I'm packing several elements here. And thank you for clarifying on the capital plan refresh because it's a good point. So the capital plan we published back in February did not include the Google announcement.

The IRP that we published in April and May did reflect the Google announcement, but was not incorporated the IRP refresh was also not reflected in the capital fund refresh. So any subsequent announcements would not only be incorporated at a capital refresh but also be incorporated in any of our resource planning going forward. So hopefully, that's clear mud.

But it's so again, the capital plan refresh is going to reflect both Google and the new IRP. But any further announcements beyond the three that we mentioned will entail incremental resource additions because we're like many, we're really hitting our capacity constraints.

The 6 gigs that we described are and reflects not only data centers, but there's a large range of onshoring manufacturing opportunities. It's certainly fair to say that data centers are the largest, but there's a range of different industries that are looking in our region, frankly, as reflected by the Panasonic announcement because it's a very big player, too.

So 6 gigs incorporates a diverse set of industries. In terms of tariffs, we've got a pretty good set of tariffs that we can leverage within our system today. So it's a little bit TBD, but we anticipate that we'll be moving forward, largely leveraging the existing tariff structures that we have in both of our states because we've got an array of things already on the books. We'll consider, I know in some of the jurisdictions, folks have launched specific proceedings around tailored grades, but we like the different structures that we have in place.

How we're thinking about it is just to make sure that the economic development rates that were put in place are there for a reason, they're there to attract economic development.

But at the size of the potential loads we're talking about and the resource additions they may entail for the incremental loans that we're looking at thinking about how do we make sure that we've got a rate structure that takes account of the incremental costs are being incurred. So it's a fair approach. It really benefits everyone because we think there's a win-win all around.

Nicholas Campanella - *Barclays - Analyst*

Okay. That's great. I appreciate that. And then just on the upcoming capital refresh into the third quarter, just wanted to be clear on what to expect. We'll obviously get the new CapEx plan. Would you be giving rate base growth as well? And then is EPS guidance and the five-year CAGR more fourth quarter call item? Just what are you planning to deliver on.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Nick. We anticipate that we're really focused on the CapEx plan and rate base growth in the third quarter call as well as the associated financing plan. So those are the elements that we expect to cover in the third quarter. And our typical cadence and talking about earnings is the fourth quarter, but we're absolutely going to go through. As we talk about the CapEx plan in conjunction with that, I think rate base growth and our financing plan will be to focus on that call.

Nicholas Campanella - *Barclays - Analyst*

Okay, thanks so much. Have great weekend. Thank you.

Operator

Julian DulanSmith of Jefferies.

Julian DulanSmith - *Jefferies - Analyts*

It's actually Brian Russo on for Julian. Just in Missouri, the inability at the legislature to extend PISA to include dispatchable generation. does that impact, I think what's in the IRP and or your earned returns in Missouri and cadence of rate cases? Or do you think this is likely to be picked up with the next legislature and then that gives you more than enough time when any dispatchable generation is planned in the IRP?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So thank you for your question.

The IRP that we put forward obviously reflects the mechanisms and replace in Missouri today. So you'll see that we and the other large utilities in the state are planning to build new generation, including a new natural gas that's in our integrated resource plans.

I think it will be very important to find ways to do that in a way that's particularly effective from a credit metric and cash flow perspective. So the construction work in progress mechanism and a piece of extension to include new natural gas will be helpful in enabling Missouri to be competitive in sourcing natural gas plants.

We thought there was a great dialogue around those provisions in the last legislative session, at the end of the day, there was a new legislation passed, but the range of stakeholders who are supportive of new natural gas generation and having new dispatchable generation in the state.

That was a broad and diverse set of folks who are supportive of that. So we look forward with other utilities and the other stakeholders supportive to advance that dialogue in the upcoming session. We won't have the same general election dynamics present in the next session. So we'll really be able to focus in on the merits of those provisions, we think there's broad-based support.

But I do think new generation is important for Missouri to take advantage of the growth that is on the Missouri side of the state line, both Google and Meta, for example, in our Missouri jurisdictions. So we look forward to advancing that dialogue because having a diverse portfolio, growing that portfolio is important to support the growth that we expect we can attract in Missouri.

Julian DulanSmith - *Jefferies - Analyts*

Okay. Great. And then just to confirm the 2% to 3% weather normalized sales growth, it seems clear that it's more back-end loaded. Do you think it's going to kind of track that '26 to '28 time period for Google, Panasonic and Meta? And then is Google still on track and on schedule? Has that broke around yet? Or is it still in the development stage?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

I can cover the first part on the demand, Brian. As we think about the demand going forward, as I mentioned, we have the ramp of Panasonic Meta and Google kind of an order over the '26 through 2028 period. So we'll see a light ramp-up of some of those in 2024, but you'll see more contributing in 2025, and it will continue to build momentum as we move through the period through 2028.

So you will see that continue to build, but you should see year-over-year increases in that growth rate as we move forward through that 2% to 3% range that we discussed.

On the Google side, their commitment is very high. They had a very at a public announcement of a very broad set of stakeholders, the mayor and state officials from Missouri or presence they lined up the land in the site. So I think side work is underway. I don't think the data center construction has yet started, but Google is very committed to the region as reflected by their public announcement there. So we're excited by Google is excited about building that facility in our region.

Julian DulanSmith - *Jefferies - Analyts*

Okay. And then just lastly on the IRP. Can we expect kind of a supplemental IRP, possibly in 2025 as some of the potential load materialize?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So in the process in both of our states, we have a triennial update, but we have an annual refresh. So yes, in practice, you'll have an update next in the same timing next year, on the other. And the triennial updates historically were the more significant ones, was a process in Missouri. It's still a relatively new process in Kansas.

But with so much happening on the demand side, a lot of changes are now happening year-to-year. So yes, we'll have an annual process, and we'll so new loads emerge, and we add them to our plans. Those will be reflected in our annual updates

Julian DulanSmith - *Jefferies - Analyts*

Congratulations. Thank you very much.

Operator

Michael Sullivan of Wolfe.

Michael Sullivan - *Wolfe - Analyst*

I just wanted to go back to Nick's question just in terms of like expectations for the Q3 call update. In terms of financing needs, are you all still planning to stick with kind of that, I guess, mismatch of three-year view on financing versus five year on CapEx?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Good morning, Michael. So, and Michael, I know that you're missing your fellow Demand Deakon on this call, so we're going to have to have no insight at forest comments this time. But the we expect and Pete gave me a little although in my response to Nick, well, of course, comment on our earnings growth expectations in the third quarter call. So we our focus is on what the CapEx plan update will be.

But we're planning to talk about the financing strategy that because obviously, if you put changes to a CapEx line, you've got to talk about your plans for financing that. And we'll talk about our financing plans through the period of the CapEx refresh. So five-year update on the CapEx plan, we'll talk about our financing plan through that period.

Michael Sullivan - *Wolfe - Analyst*

Okay. Great. That's not how it is today though, right? So that is kind of different. Can you talk about no equity through '26?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

You're right. It's a.

Yes, we what our past comments, we really didn't what we said was we know equity be required in the future, no equity to '26. We weren't specific on what happens after '26. So I guess there was something implicit in those comments.

What Geff described today, and we wanted to I'll frame it clear, Lisa, we'll here is that our current capital plan is $12.5 billion. We articulated with that expectation, we wouldn't be issuing equity through 2026. As we update that capital plan, we'll update our financing expectations through the five-year period at the same time. Hopefully, that makes sense.

Michael Sullivan - *Wolfe - Analyst*

That makes total sense. And it is definitely helpful. Okay. Sorry.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

I appreciate your asking.

Michael Sullivan - *Wolfe - Analyst*

Yes. Okay. No, great to clear that up. And then can you give us any sense of next year's rate case outlook? I know you said kind of every other year, it could be different at how to think about which subsidiaries are going to be in next year?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Well, we had Kansas rate cases in 2023. So if we're on a typical cadence of every other year, I would expect that we'll be revisiting Kansas next year. And we've seen that with the piece of framework, and again, I think that the every company is different, every situation is different, but we see some other utilities who operate in piece environments and their they've established a cadence that's typically often an 18-month time frame.

We want to there are pros and cons to more frequent cases. But of course, with the investment levels that we all have, more regular cadence of rate cases helps with respect to keeping up with that level of investment, but also helps with the level of predictability, fewer step function changes for customers. So I think they're balancing the workload with the benefits of a kind of a steady progress.

That's why I mentioned that what we expect every of the year. Some will be more frequent, some less. But we certainly have seen in piece of jurisdictions where some players have established a cadence or month time frame is often pretty effective and efficient.

Michael Sullivan - *Wolfe - Analyst*

Okay. That makes sense. And so do you think you can get what you need out of the workshops and anything to that come from that before you actually kick off the next rate cases at the beginning of next year, presumably? Or could there be some overlap?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

It's I think the workshop process will largely conclude our expectation is it will wrap up before we get in the rate case, Michael. And it's we don't want to overstate, but we also want to understand the workshop is really to enable a dialogue around what's a pretty important provision and feature for the competitiveness of Kansas and attracting capital. But it's a dialogue we want to have with our stakeholders in Canada. There's one thing that I've learned in my time in the few years and it reinforces my experience in the industry.

We just want to be on the same page with and being alongside our regulators and key stakeholders in our states. We think our Kansas regulators constituents recognize the importance of the economic development opportunity we have and the importance of being competitive in attracting capital. So we think the dialogue will help to level set for that, but it's and our goal is that we have that workshop in the fourth quarter, and we think it will wrap up before we get into the rate case.

Michael Sullivan - *Wolfe - Analyst*

Okay, thanks. Thanks very much. And I appreciate that.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Michael.

Operator

Travis Miller of Morningstar.

Travis Miller - *Morningstar - Analyst*

Morning. Thank you, good morning. You just answered my question on the Kansas regulatory environment and the timing there. So I'll ask more broadly, just this 4% to 6%, you're outlining a lot of positives here in terms of growth. The demands, if you do go with the Kansas rate case, you would have something presumably in rates 2026 or so. The CapEx update sounds like it's going to be more positive. What are perhaps the offsets that would keep you at that 4% to 6% versus going to a 5% to 7% or potentially even higher, what are potential offsets the growth given all the positives that you've been outlining here?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Well, I would reinforce your comment. I think there are a lot of positive dynamics that we're seeing in our jurisdictions. Our level of rate base growth is low relative to our peers. So 6% rate base growth, we looked across all our peers.

I'm sure you have as well that there's typically a gap between what that rate base growth level is and what the earnings trajectory is because you have to finance that growth and it's often a little bit of lag. PISA is a very effective mechanism for mitigating lag, but it still has some.

So what we want to get into the cadence of the level of investment, the pace at which we're if we are increasing our investment, the pace at which we increase investment, then that's going to have to roll through in the rates on rate cases. So part of it is the timing of when these positives are manifested in the underlying trajectory.

You also have to have a financing strategy and making sure that the financing strategy is incorporated on the math. In other words, turning to ship in a regulated industry, turn it overnight. But I think there are a lot of positive dynamics.

When I say not turn it overnight because you do have to roll through the cadence of rate cases, getting that investment in your rate base and then getting them into rates. But the dynamics that are the tailwinds, the economic development opportunity that supports infrastructure investment because you're adding new loads, you can spread those fixed costs.

Those are real positives as you noted. So we think those are nice tailwinds for us as we systematically work through our plan. And we don't plan to get ahead of our regulators and stakeholders on that. We'll be working with our constituents, but we think we are all aligned and being very excited about the economic development opportunity, which is the fundamental tailwind behind us.

Travis Miller - *Morningstar - Analyst*

Sure. Okay. Great. And then okay, can you remind us what demand growth expectation is in that 4% to 6% number?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So it's as we noted in our materials, a 2% to 3% weather-normalized demand growth through 2028 is reflected while we've given our earnings growth target through '26, which Michael indirectly teed up that we'd like to see that go longer, but it's we've given the earnings growth rate through the 2026, but that sales growth rate we've extended through 2028.

Travis Miller - *Morningstar - Analyst*

Okay. And again, just to clarify, I'm not going to say a lot, but some of that was 2027 and '28 when you see some of these large loads. Commons is to assume that 2023 to '26 is less than 2% to 3% in terms of demand growth?

Geoffrey Ley - *Evergy Inc - Chief Financial Officer and Treasurer*

Yes, Travis. And I think if you look at our disclosure on the slide, you'll see that our base demand growth projection was 0.5% to 1%. And then when we add on these new large loads through 2020, we see that growing to 2% to 3%. And so I think in that interim time frame, you would see us moving from one range to the other range over time.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So the answer is yes. I think you've got that sense of it. We are pleased about the growth trends in the first half of the year, obviously, as we showed in the slides.

Yes, that's very helpful. Appreciate all the details and much like you.

Operator

Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyts*

Almost a lot of questions have been answered. But I apologize for being a little dense on this capital structure workshop. This is a purely regulatory thing? Or are you guys expecting sort of legislation or something? And I mean you have had rate cases and stuff and you guys are pretty effective portraying your views. I'm just sort of I'm just not exactly gathering what exactly I'm missing something, and I apologize, I just haven't really grasped what the how this workshop in this context is where it's supposed to achieve? I assume you guys want a higher equity ratio. And the purpose of this is served to have a discussion about it. But why is it that this workshop you see as being a more effective way of dealing with the with this issue than the normal course of business? Or is there something else, like I said, like maybe legislation or something you're thinking about?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So thank you, Paul, for the question. We as you recall, in our rate case last year, there's voluminous testimony filed on the topic. Ultimately, we were able to all parties were able to reach a settlement that was approved by the commission. So it was an item that was settled. It was also an item that was part of the legislation of advanced earlier this year.

Ultimately, it was removed from the legislation, so HB 2527 included PISA with a 90% deferral and included a construction work in progress mechanism for new natural gas plants.

But we, with the parties agree that on the capital structure issue, moving from the legislation, let's have a dialogue around it later this year. So our objective, and I think it's pretty straightforward. It's really to have a discussion around that outside the context of the contested case, the litigated proceeding, and really try to level set on what is the prevalent practice?

How does Kansas stack up in terms of competitiveness, where how to how does it typically impact the company's credit and other factors. So it's really just an opportunity to have a dialogue on an important issue that drives the competitiveness and attracting capital outside of a rate case.

Now in the next rate case, return on equity, capital structure other things will, of course, be part of those proceedings. So we think having this dialogue on a topic that was a big area of focus in '23 when we were teeing up the importance of being competitive and attracting capital, the parties agreed in the legislative process out of the workshop. So we're not overstating what we're seeing to accomplish, but it's an important topic, and we look forward to a dialogue outside of a rate cases.

Paul Patterson - *Glenrock Associates - Analyts*

Okay. Great. I apologize for not picking up a quick enough. On the just finally on just to sort of clarify, with the sort of rate design and what have you, when we think about these new projects, it sounds to me that you expect these new projects to essentially carry the cost, the incremental cost of supplying them. Is that how we should think about the attractive opportunities that are coming up here? Or do you see these as being some mix of economic development subsidized kind of situation or something. I just wanted to sort of make sure I understood that.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So I think that the rates that there are economic development rates that are available, but there's also a series of rate structures that are around that contemplate incremental costs are being incurred. So I think our view is that particularly the size of loads at up to 6 gigawatts or more.

You want to make sure that the rates that you're including are ones that reflect the incremental cost, but it doesn't mean that every rate structure is only based on incremental costs, a number of jurisdictions where the rates are based on the average cost across the system because in some instances, right, the incremental cost of new generation may be higher than the average installed base, not always the case. We're just trying to make sure this is a great thing about having a set of structures that are already in place that the rates that are in place don't end up where a huge burden has shifted to other existing customers. And we think there's a path to get there. It gets very similar to what other jurisdictions are grappling with at the same time.

Again, when you're in a situation where it's 20 megawatts of incremental load you've got excess capacity in the system. Those often in the past were priced on marginal cost, it's a different context here. But I think the answer is actually probably pretty similar across different jurisdictions. It's finding a set of rate structures that make sure that you're actually covering the overall cost of the system when you've added that much new load.

Paul Patterson - *Glenrock Associates - Analyts*

Thanks so much, guys, really appreciate it every week and thank you to.

Operator

Thank you. I'm showing no further questions at this time. I'd like to turn it back to David Campbell for closing remarks.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Great. Thanks, Didi. Thanks, everyone, for your interest in Evergy. Have a great day, and have a great weekend. That concludes the call.

Operator

This concludes today's conference call. Thank you for participating, and you may now disconnect.
