EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

David A. Campbell *Evergy, Inc. - President, CEO & Director*

Kirkland B. Andrews *Evergy, Inc. - Executive VP & CFO*

Lori A. Wright *Evergy, Inc. - VP of IR & Treasurer*

CONFERENCE CALL PARTICIPANTS

Dariusz Lozny *BofA Securities, Research Division - Research Analyst*

Michael Jay Lapides *Goldman Sachs Group, Inc., Research Division - VP*

Michael P. Sullivan *Wolfe Research, LLC - VP of Equity Research*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the First Quarter 2022 Evergy, Inc. Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Lori Wright, Vice President, Investor Relations and Treasurer. Thank you. Please go ahead.

Lori A. Wright - *Evergy, Inc. - VP of IR & Treasurer*

Thank you, Blue. Good morning, everyone, and welcome to Evergy's first quarter call. Thank you for joining us this morning.

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 and include additional information on non-GAAP financial measures. The releases issued this morning, along with today's webcast slides and supplemental financial information for the quarter, are available on the main page of our website at investors.evergy.com.

On the call today, we have David Campbell, Evergy's President and Chief Executive Officer; and Kirk Andrews, Executive Vice President and Chief Financial Officer. David will cover our first quarter highlights, our regulatory and legislative priorities and our enhanced ESG profile. Kirk will cover in more detail the first quarter results, the latest on sales and customers, and our financial outlook. Other members of management are with us and will be available during the question-and-answer portion of the call.

I will now turn the call over to David.

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Thanks, Lori, and good morning, everyone. I'll begin on Slide 5. I'm pleased to report that we had a solid first quarter as we delivered adjusted earnings per share of $0.58 compared to $0.55 in 2021. The increase in adjusted earnings over last year was driven primarily by higher transmission margin and lower operating expenses, partially offset by an increase in depreciation and amortization and higher income tax expense. Kirk will discuss these first quarter drivers in more detail.

One of our objectives is to become widely recognized for operational excellence, which includes safety. Our strong safety culture drives both discipline and consistency in performance as well as cost management. During the first quarter, our employees participated in a safety roadshow that included presentations at 70 sessions throughout our service territory. This continued focus on safety has contributed to a 68% reduction in

OSHA recordable safety events relative to the first quarter of 2021. I would like to thank all Evergy employees for their focus on safety and their dedication to providing safe, reliable and affordable power to our customers.

I would also like to congratulate our Wolf Creek nuclear plant for completing a project to store spent fuel in a concrete bunker adjacent to the plant. This is Wolf Creek's first dry cask fuel storage campaign, and the team did an excellent job managing the project.

With a solid start to the year, we are reaffirming our 2022 adjusted EPS guidance of $3.43 to $3.63 per share as well as our target long-term annual EPS growth rate of 6% to 8% from 2021 to 2025.

Slide 6 highlights the core tenets of our strategy, affordability, reliability and sustainability. Keeping rates affordable is at the forefront of our thinking, given its importance to our customers, especially given current economic conditions. We've made clear progress in advancing the competitiveness of our regional rates over the last few years, and our plan is constructed to continue this trajectory.

We are closely monitoring and managing inflation in all aspects of our business, and regarding fuel cost inflation, in particular, we are well positioned relative to many other utilities, given our relatively lower level of natural gas exposure as natural gas comprises typically 5% or less of our generation fuel mix annually. We, like many of our peers, have revisited our commodity procurement and hedging practices in light of the increased volatility, which are at levels not seen for more than a decade.

Ensuring reliability is also a core element of our strategy, along with SAIDI and SAIFI, this includes a focus on metrics relating to customer service, the commercial availability of our fleet, safety and all elements of our operations, including infrastructure investment. This spring has brought resiliency to the forefront as high winds in our service territory have been significantly more prevalent than normal, including several days in recent weeks with wind gusts in the 50 to 60 miles per hour range. These types of conditions reinforce the importance of our ongoing transmission and distribution investments.

With respect to sustainability, our track record includes reducing our carbon emissions by nearly 50% versus 2005 levels and providing nearly half of our energy from carbon-free sources. In January, we announced plans to build a 10-megawatt solar array at our Hawthorne Plant pending regulatory approval. And in February, Evergy's cumulative wind power generation passed the 90 million-megawatt hour milestone. That's enough wind power to fuel more than 300 billion miles of electric vehicle travel. We will continue our generation transition towards cleaner energy, while always balancing affordability and reliability.

On Slide 7, I'll profile another element of our corporate strategy related to environmental, social and governance measures. Since forming Evergy in 2018, we've enhanced our ESG practices and disclosures, which have yielded significant progress in our third-party ESG scores, as reflected on the slide.

For example, last year, we introduced our 2045 net-zero carbon target, with an interim goal of 70% reduction by 2030, building on our track record and trajectory of historical emissions reductions. Beyond environmental policy, we've also taken a comprehensive approach to reviewing and updating our social and governance policies and related disclosures. Examples include a corporate human rights policy, improved board governance bylaws, expanded shareholder rights and a formalized water policy among many others.

In addition, our Board has linked executive compensation to the successful execution of both environmental and diversity, equity and inclusion aspects of our business. We're proud of the advancements we've made to further demonstrate our commitment to leading ESG practices. We are focused on maintaining this momentum as we execute our plan and deliver sustainable results in the years ahead.

Now before handing it over to Kirk, I'll conclude by discussing some of our key regulatory and legislative priorities on Slide 8. In Kansas, we recently reached a nonunanimous stipulation and agreement with key interveners for the winter storm Uri costs from February 2021. The settlement calls for the roughly $120 million of deferred extraordinary fuel, purchase power and nonfuel costs at Kansas Central to be recovered through our fuel costs over a 2-year period beginning in April of next year. Similarly, the $37 million of net benefits of Kansas Metro will be returned to customers via the same method over a 1-year period, also beginning in April 2023.

We remain on track to file this summer, the annual update to our Kansas and Missouri integrated resource plans. We expect that the annual filing will be consistent with the resource plan that we laid out in last year's triennial IRP filing and the renewable development plan that Kirk discussed during our Investor Day last September.

In Missouri, we initiated the securitization process to recover the approximately $300 million of winter storm Uri cost in Missouri West. If approved, securitization will extend the recovery period for these costs over 15 years and thereby, significantly moderate the impacts on customers.

In terms of timing, we expect an order and the securitization proceeding in the fall of this year. And last month, we began flowing the approximately $25 million of net benefits from Uri back to Missouri Metro customers. This benefit will be shared over a 1-year period.

I'll wrap up the slide with an update on our legislative efforts to enhance and extend the planned and service accounting law known as PISA in Missouri. The bill under consideration sets an annual revenue requirement cap at 2.5%, applicable only to PISA-related deferrals. Bill also includes a property tax tracker and extends the law through 2028 with the opportunity for extension through 2033 with commission approval. We are encouraged by the support the bill has received in both the Senate and House, and we'll continue to work with legislators and parties to secure passage over the next 10 days.

With respect to the pending Missouri rate case, we expect to receive intervenor direct testimony on June 8 related to revenue requirements and on June 22, relating to rate design aspects, with rebuttal testimony due mid-July and surrebuttal testimony due mid-August. A settlement conference is scheduled for August 22, with hearings later that month through early September. Revised rates in Missouri will go effective on December 2. We look forward to working with parties to constructively resolve the case.

I will now turn the call over to Kirk.

Kirkland B. Andrews - *Evergy, Inc. - Executive VP & CFO*

Thanks, David, and good morning, everyone. I'll start with the results for the quarter on Slide 10. For the first quarter of 2022, Evergy delivered adjusted earnings of $134 million or $0.58 per share, and that's compared to $125 million or $0.55 per share in the first quarter of 2021.

First quarter adjusted EPS was driven by the following items, as shown on the chart from left to right: as expected, higher margin driven by our transmission investments drove a $0.05 increase; adjusted O&M expense was approximately $13 million lower or $0.04 per share due to reduced credit loss expense, lower transmission and distribution expense as well; $0.03 of higher depreciation and amortization expense due to increased infrastructure investment; and finally, we had a $0.03 of unfavorable income tax expense, which was an inter-year timing impact related to income tax smoothing, which will reverse throughout the year.

I will also note, our first quarter adjusted EPS excludes a $0.05 loss on one of our Evergy ventures investments, which went public via SPAC in the fourth quarter of 2021. As you may recall, our fourth quarter 2021 EPS similarly excluded a larger mark-to-market gain associated with the same investment. On a cumulative basis, relative to our original investment, this results in a net gain of approximately $0.04.

Finally, as David mentioned, given the solid first quarter results, combined with our outlook over the balance of this year, we're reaffirming our adjusted EPS guidance range of $3.43 to $3.63 per share for 2022. And consistent with historical patterns, we expect our second quarter adjusted earnings to contribute approximately 20% of our total adjusted EPS for the full year.

Turning to Slide 11, I'll provide a brief update on recent sales and customer trends. On the left-hand side of the slide, you'll see that overall, our weather-normalized retail sales for the quarter were up about 40 basis points, which drove a small positive variance in earnings, largely in line with expectations.

Demand by subcategory, as expected, continues to reflect the reversal of the impact of COVID in the prior year as we return to more normal conditions with lower residential demand as fewer customers are working from home, while commercial and especially industrial demand trend higher. As summarized on the lower right of the slide, on the economic development front, Meta, formerly known as Facebook, chose the Kansas

City region for a new $800 million data center, which is expected to bring over 1,400 construction jobs to the area. Additionally, Northeast Kansas was selected as the site for a new $650 million biomanufacturing facility, which is expected to add 500 jobs to our service territory.

And finally, last month, Bombardier announced that Wichita, Kansas, the Air Capital of the world will be the new home of its U.S. headquarters and will bring along hundreds of new jobs to that region.

And finally, on Slide 12, our focus remains on continuing to demonstrate a strong track record of execution. We reaffirmed our adjusted EPS guidance for 2022 as well as our long-term compounded annual EPS growth rate of 6% to 8% from 2021 to 2025 based on the midpoint of last year's original EPS guidance of $3.30. And we expect to return a meaningful portion of our earnings growth to our shareholders by maintaining our dividend payout ratio to keep that dividend growth in line with earnings.

We continue to invest in our infrastructure to improve affordability, enhance reliability and customer service, while advancing our sustainability and transitioning our generation fleet, as reflected in our $10.7 billion 5-year CapEx plan through 2026, which is consistent with the targeted rate base growth of 5% to 6% from 2021 to 2026.

With that, I'll hand the call back to David.

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

We would now welcome your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Michael Sullivan from Wolfe Research.

Michael P. Sullivan - *Wolfe Research, LLC - VP of Equity Research*

David, I wanted to start with the pending Missouri legislation there. Maybe if you could just give us a little more color on the process. Is it really just a matter of working through things here? Or do you sense there is some level of opposition that could waylay things at the last moment? And if it does get done, just does that change the way you think about how you invest or frequency of rate case filings and things like that?

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Thanks, Michael. So it's a great question. The broad-based support for the extension of bill is reflected by versions passing through both the Senate and the House. So the main issue at this point is just working through with the end of the session, a week from tomorrow. It's just working through, can we get things through the session as with every bill that's pending, it's typically a bit of a race, both the marathon through the night and the rates to get things through the session. So that's really the main issue to work through.

In terms of our plan, I think that what PISA reflects in the support for PISA reflects is the support that's in Missouri for the ongoing investment both in the resiliency and reliability of the system as well as the transition towards renewable resources done with the focus on affordability or reliability. So I don't know that it changes the plan. It just further reinforces and access the themes of the plan. And it allows us to do so in sort of an orderly basis.

In terms of the rate case schedule, we don't have a fixed timetable that we were mandated to follow nor would this bill require one. So I think it won't change our plans in terms of timing. That will really be driven by the level of investment when we want to get things to the usual factors that balance when you file a case. Hopefully, that makes sense.

Michael P. Sullivan - *Wolfe Research, LLC - VP of Equity Research*

Yes. No, it does. And then I also wanted to circle back to just the near-term resource planning. I think on the last call, you provided an update around the 190 megawatts solar project that it sounded like was slipping a little bit. And then I think in conjunction with that, you had the Lawrence coal plant retirement. Can you just update us on where that stands?

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Sure. And I'll hand to Kirk. I'll just briefly say, the solar farm, the 190-megawatt solar farm that we call the project, we still are actively considering it, but we had pulled the predetermination process for that. We mentioned that in the last call. We also noted that it was not a material earnings driver in our forecast period because of the nature of the market-based rate structure we have for that. It was not a traditional rate base addition. So that -- I think there is a timing question on the project, which does not have any kind of material earnings impact.

The Lawrence plant, as you noted, we described in the last call, our plans. It's a 2-unit coal plant outside Lawrence, Kansas that we were linking the retirement time line to the addition of the solar farm. I think we're still thinking along those lines. But we're no longer planning to retire all 500 megawatts. We'll convert 350 megawatts, which is unit size to gas, so we can keep a reliability asset online. So that's still the plan. And again, I think very consistent with the earnings trajectory and growth rate that we've laid out in the farm.

Kirk, anything you'd add?

Kirkland B. Andrews - *Evergy, Inc. - Executive VP & CFO*

I think (inaudible) just obviously focused on consistency and certainty of cost there. And with some of the headwinds we've seen with the recent Department of Commerce investigation around antidumping and countervailing duties, I think that's going to be a little bit of a pacing item as we look to work constructively of our counterparty on that project. But overall, if at the very least, it results in a delay, as David said, and I think I've talked to a lot of you about this, not a meaningful driver of earnings in the early years of our plan.

So if anything, it just shifts us closer to the point which it would deliver a more consistent earnings strength, but relatively small project, and we're going to continue to manage the process as we move forward with our counterparty here.

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Again, as Michael, as you know, our IRP, or integrated resource plan, was -- I know it's been a big focus in recent calls. We have less solar over the near term. So in 2024 and 2025, we're adding wind. So the next tranche of solar is not scheduled for us online until 2026. We have 350 megawatts of solar in IRP in 2026. So we're less exposed to the near-term issues in the supply chain and the tariff proceeding.

Operator

Your next question comes from the line of Michael Lapides from Goldman Sachs.

Michael Jay Lapides - *Goldman Sachs Group, Inc., Research Division - VP*

Just one thing. Can you remind us on pension status, which are funded statuses? And given the move in rates, given the move in the market, how you're thinking about what that does to both pension liability and maybe more importantly, pension expense that flows through O&M?

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

So we see predominance of the Michaels this morning. Michael following Michael. So for us, it's not a -- we don't have an earnings exposure on it given our regulatory mechanisms in the 2 states. Our funding status is relatively lower than some other plans, and that's again related to how our regulatory funding mechanisms work.

So I think we'll continue to show that funding level. We don't expect the change in interest rate is going to have a material impact on the costs that flow through to rates to customers. So for us, relative to others, it's not the same kind of earnings driver. And it's a pretty arcane set up and maybe simplest to go through it offline. But you got headline summary is one that you can go with.

Michael Jay Lapides - *Goldman Sachs Group, Inc., Research Division - VP*

Got it. Yes. I knew Missouri had the tracker, I wasn't aware Kansas did as well. That's super helpful, much appreciated. One other question. Just any update on the discussions about buy-in of wind PPAs?

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Kirk?

Kirkland B. Andrews - *Evergy, Inc. - Executive VP & CFO*

Sure, Michael. The only thing I'd tell you is we've -- as I've said at the fourth quarter call, we felt confident enough given the progression of dialogue with a subset of those counterparties that we're targeting, getting at least one of those buy-ins and potentially repowering done this year. We remain in active dialogue with those counterparties for progressing the discussions. So I'll just reaffirm that we're continuing to target that, and we'll keep you apprised as we continue to progress that project or process, I should say.

Michael Jay Lapides - *Goldman Sachs Group, Inc., Research Division - VP*

Got it. Much appreciated. And that's not in your CapEx guidance. So that would all be incremental?

Kirkland B. Andrews - *Evergy, Inc. - Executive VP & CFO*

It is not. That would be incremental, yes.

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Correct.

Operator

Your next question comes from the line of Julian Dumoulin from Bank of America.

Dariusz Lozny - *BofA Securities, Research Division - Research Analyst*

This is Dariusz on for Julian. Just wanted to maybe come back to the Lawrence gas conversion discussion. Can you maybe just kind of talk through the puts and takes there relative to the 190 megawatts of solar that appears to be on hold at the moment sort of from a capital perspective, how the one compares to the other?

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Dariusz, thanks for your question. Partly, we're linking them for the energy replacement. We also -- we're linking them because we can go through linked predetermination process. So it's pretty efficient from a regulatory perspective to link those 2 together. That was really the main driver of why the 2 -- where we can decouple if we need to. And certainly, we'll consider that over time.

Again, the solar project is very unusual in that it just didn't have any meaningful earnings impact until beyond our forecast period. So there's less impact from that. There's also relatively modest impact from Lawrence because we're keeping the bulk of the plant online. There's some O&M savings, of course, that would happen from converting to -- from coal to gas, but relatively modest impact on rate base. We plan to securitize that, but we keep the large unit online.

So again, it's a matter of convenience from a regulatory proceeding and energy management perspective will link the 2, but we don't need to. It's not a must. And so we'll look at that as we continue to evaluate the cost of solar. I think that the -- from an integrated resource planning perspective, we can accommodate that retirement of Lawrence. Your next question may relate to our overall commodity price environment. That's certainly something we look at. We're talking a time line of '23, '24, we'll have to see what the -- I've lived through a number of natural gas cycles, believe it or not, so we'll see how long this one goes. But that -- we will look at those dynamically. They won't necessarily be linked, but they still currently are.

Dariusz Lozny - *BofA Securities, Research Division - Research Analyst*

Okay. That's very helpful. One more, if I can, and this relates to, again, this relates to some of the objectives you guys set out on the Q4 call. Obviously, we're in an inflationary environment that's been in discussions, certainly, with respect to wind. You guys have stated that you're hoping to execute some build transfer agreements for wind for delivery in the mid-decade time frame. Can you just give an update on how those conversations are progressing?

Kirkland B. Andrews - *Evergy, Inc. - Executive VP & CFO*

Sure, Dariusz. It's Kirk. So as a reminder, we do have 800 megawatts across the course of wind, across the course of '24 and '25, 324 and 525. As we updated you, I think last year and again, in the fourth quarter, we launched an RFP process. Responses have been robust. We've got shortlisted counterparties. We're relatively and reasonably oversubscribed relative to that objective, and we're continuing to progress that dialogue.

I think we've seen some constructive responses, and we'll continue to update as we move forward. We're targeting getting the first part of that done from an execution of build transfer in time to get those projects online, that first 300 megawatts in '24 and '25. And as it sounds now in that process, as we say, with the level of engagement we have with counterparties, we're still on track to deliver that, especially focusing on that first installment of 324.

Operator

There are no further questions at this time. I would now like to turn the conference back to David Campbell, President and CEO.

David A. Campbell - *Evergy, Inc. - President, CEO & Director*

Great. Thank you, Blue. Thanks, everyone, for your interest in Evergy. Have a great day. We'll conclude with that.

Operator

This concludes today's conference call. Thank you for participating, and have a wonderful day. You may all disconnect.
