REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EVRG.OQ - Q3 2024 Evergy Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 07, 2024 / 2:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Pete Flynn *Evergy Inc - Director, Investor Relations*

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

Bryan Buckler *Evergy Inc - Executive Vice President, Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Shahriar Pourreza *Guggenheim Securities - Analyst*

Julien Smith *Jefferies LLC - Analyst*

Durgesh Chopra *Evercore ISI Institutional Equities - Analyst*

Michael Sullivan *Wolfe Research - Analyst*

Travis Miller *Morningstar Inc. - Analyst*

Ryan Levine *Citigroup Inc. - Analyst*

Paul Patterson *Glenrock Associates - Analyst*

Paul Fremont *Ladenburg Thalmann & Co. Inc. - Analyst*

PRESENTATION

Operator

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

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

Pete Flynn - *Evergy Inc - Director, Investor Relations*

Thank you, Jill, and good morning, everyone. Welcome to Evergy's third 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 Bryan Buckler, Executive Vice President and Chief Financial Officer. David will cover third quarter highlights, provide updates on our generation plans and our regulatory and legislative agendas and discuss updates to our financial outlook. Bryan will cover our third quarter results, retail sales trends and our long-term guidance. Other members of management are with us and will be available during the Q&A portion of the call.

I'll 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 third quarter adjusted earnings of $2.02 per share compared to $1.88 per share a year ago. The increase over last year was driven primarily by demand growth, new retail sales and FERC investments partially offset by cooler summer weather and higher depreciation and amortization expense.

Our year-to-date adjusted earnings are $3.46 per share compared to $3.27 per share a year ago. With these solid results year-to-date, we are reaffirming our 2024 adjusted EPS guidance range of $3.73 per share to $3.93 per share.

Bryan will discuss these earnings drivers in more detail in his portion of the call. Speaking of Bryan, as many of you know, he joined Evergy on October 1 as our Chief Financial Officer. Bryan brings a strong track record of experience to our company and he'll be a tremendous addition to our leadership team.

I would also like to thank Geoff Ley for his variable service in the interim role. We all look forward to working with Bryan, and I know he will be a great mentor and leader for our financial organization.

As part of today's announcement, we are establishing our 2025 adjusted EPS guidance range of $3.92 per share to $4.12 per share with a midpoint of $4.02 per share. We're also establishing a long-term growth target of 4% to 6% through 2029, based on the 2025 midpoint of $4.02 per share. From 2026 to 2029, we anticipate being in the top half of this guidance range relative to the 2025 baseline.

I'll provide more details in the upcoming slides. I'm also happy to announce a 4% increase in our quarterly dividend or $2.67 per share on an annualized basis. This increase is consistent with our updated growth outlook and working toward the midpoint of our 60% to 70% target payout ratio.

Let's move on to Slide 6, where I'll highlight our recently announced new generation investments that will help enable the historic economic development opportunities in Kansas and Missouri. As we outlined in our 2024 Integrated Resource Plans, our overarching goal is to identify the most cost-effective and resilient plan that reliably serves our customers across uncertain future scenarios.

We expect to achieve that goal through a balanced approach to new resource additions, including the use of the latest, most efficient new technologies for dispatchable generation, complemented by emissions-free renewable resources that support economic development in the communities we serve, all while maintaining affordable rates and ensuring that we provide reliable electric service.

On October 21, we announced plans to invest in two new combined cycle natural gas plants in Sumner County and Reno County, Kansas. These high-efficiency plants will provide flexible baseload generation that meets stringent emission standards and pairs well with the abundant renewable resources in our region.

Over 1,000 jobs will be required for the construction phase of these plants, which will create new skilled craft jobs and generate substantial property tax revenues. We launched the process with the Kansas Corporation Commission yesterday, and we look forward to working with KCC staff, CURB and other parties for a constructive outcome.

Later this month, we will file CCN applications for the Missouri share of the new gas plants, including a simple cycle plant to be located in Missouri. Construction of these plants is scheduled to begin in 2026 and 2027, respectively. And if approved, these investments will be eligible for CWIP treatment in Kansas or construction work in progress treatment in Kansas as provided for under House Bill 2527.

We've also announced investments in three solar farms totaling 325 megawatts. These will be our company's first utility-scale solar projects at Kansas Central and Missouri West adding an important element to our portfolio and reflecting in all of the above generation mix.

We anticipate all three projects to start commercial operations in 2027. We filed a request for certificates of convenience and necessity with the Missouri Public Service Commission on October 25 for two projects totaling 165 megawatts, both of which will be eligible for treatment in Missouri.

In addition, we filed for a predetermination for a 159-megawatt solar project in Kansas in tandem with the filing for the new natural gas plants. We are very excited to advance our responsible energy transition as Evergy prepares to meet the growing demands of our customers and ensuring that their needs are met both today and in the future.

Slide 7 lays out our updated capital expenditure forecast, which has been extended through 2029. Our latest rolling five-year investment plan totals approximately $16.2 billion from 2025 to 2029 which represents a $3.7 billion increase relative to our prior five-year forecast through 2028.

The forecast includes $2.4 billion of incremental generation investment and $1.3 billion of incremental distribution investment to support growth and improve reliability and resiliency. The program is expected to result in 8% annualized rate base growth through 2029.

We'll take a prudent approach to financing the tremendous growth opportunity this investment plan represents, utilizing a balanced mix of debt, equity and equity-like securities and internally generated cash flow to support our balance sheet and strong investment-grade credit rating.

We'll take a flexible approach to equity financing with optionality around timing and execution options. Bryan will provide more details on our financing strategy in his remarks. Our revised capital forecast incorporates a significant portion of the Integrated Resource Plans filed in April, May of this year. These IRPs prioritize a cost-effective approach to reliably serve customers and result in a balanced mix that enables fuel diversification and responsible portfolio transition.

And alongside these new generation investments, the majority of our five-year capital plan is focused on transmission and distribution projects and other investments that advance our strategic objectives of affordability, reliability and sustainability and enable us to support the tremendous economic development opportunities in our states.

On Slide 8, we introduce our updated adjusted EPS growth outlook, which contemplates 4% to 6% growth off the 2025 adjusted EPS guidance midpoint of $4.02 with an expectation to grow in the top half of the range through 2029.

The midpoint of 2025 guidance represents a 5% increase over the 2024 guidance midpoint, consistent with our prior target. Our updated growth outlook is driven by our $16.2 billion five-year capital plan, which includes the investments to serve the 2% to 3% load growth that we expect through 2029.

We anticipate a regular cadence of rate case filings across our jurisdictions, approximately every 18 months. So that will be through every cycle over in every jurisdiction. Importantly, our growth outlook only reflects the three large new customers announced today. Bryan will describe the growth drivers in more details in his remarks.

Moving to Slide 9. We were pleased to reach a unanimous settlement with stakeholders in our pending Missouri West rate case, which, if approved by the Missouri PSC would provide a balanced outcome for customers. The settlement calls for a net revenue increase of $55 million, which also reflects a significant reduction in fuel costs and base rates.

The settlement includes the addition of our 22% share of the Dogwood Energy Center and operating combined cycle gas plant identified in our 2023 IRP. Dogwood provides a low-cost generation solution to support our customers' energy needs. The fuel adjustment clause sharing mechanism remains an outstanding item that will require commission ruling.

We believe that our position, which contemplates maintaining the existing 95% and 5% sharing split, is well supported by the record and past commission decision. We continue to view Missouri as a supportive jurisdiction for infrastructure investment as evidenced by this rate case.

We expect the commission order in December with new rates effective by January 1, 2025. On Slide 10, I'll provide a brief 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 1. The passage of HB 2527 reflects the support of Kansas legislators, regulators and stakeholders for infrastructure investment in support of economic development.

As we described earlier, our capital investment plan includes new combined cycle gas plants and incremental distribution projects, which will qualify for CWIP treatment and treatment, respectively, which serve to mitigate regulatory lag and support our credit profile. We look forward to our capital structure workshop and ROE workshop in Kansas, which is scheduled for November 20 and will be live streamed.

This workshop was born out of discussions with Kansas stakeholders earlier this year and presents an opportunity outside the confines of a litigated proceeding, for constructive dialogue around the importance of a clear and stable framework for regulatory capital structure and authorized returns.

This framework serves as an important backdrop for providers of capital Kansas for their investments 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. Also in Kansas, we've begun the planning process for our Kansas Central rate case, which we expect to file in the first quarter of 2025.

Key drivers of the case will include a request for the recovery of our reliability and efficiency focused distribution investments, as well as customer and technology infrastructure investments. We look forward to working constructively with our regulators and stakeholders just as we have in multiple forms over the years to advance these cases and deliver benefits for our Kansas customers and communities.

Lastly, as mentioned earlier on Wednesday, we filed for predetermination for our new natural gas plants and the Kansas Sky Solar Farm. Predetermination filings run on an eight-month clock and we anticipate an order from the Kansas Commission in the summer of 2025.

Hitting to Missouri, we expect a commission order on our Missouri West rate December. And for the CCN proceedings, the procedural schedule has not yet been finalized, but based on prior CCN proceedings, we anticipate resolution approximately seven to nine months after the filing.

Moving to Slide 11, we highlight our three major economic development wins, 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 of demand, actively considering our service territory.

We're happy to share that we're in advanced stages of negotiation with two new data centers and combined, these represent between 500 and 1,000 megawatts of incremental load. As a reminder, our capital investment and load growth forecast only reflect the three projects announced to date. I know many of you will ask about timing. As a general rule, we will announce specifics on these projects in tandem with customer announcements regarding their plans.

Of course, the economic -- the environment for new economic development projects is competitive. And while we do not expect to win all projects in the more than 6 gigawatt pipeline, we are currently having a very active dialogue with these potential new customers.

Our focus on affordability and regional rate competitiveness is an important contributor to this pipeline and provides a foundation of support with a tremendous potential in our region building on our success with Panasonic, Meta and Google.

We are very excited to work with customers as they consider our region. As part of the exercise, along with 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 loads.

Based on the announcements of Google's data center, Panasonic's EV battery manufacturing facility and Meta's Data Center, we are extending our weather-normalized demand growth forecast of 2% to 3% through 2029, previously ran through 2028.

I'll conclude my remarks on Slide 12, which highlights the core -- highlights the core tenets of our strategy. Our efforts to enhance affordability have yielded significant progress and improving regional rate competitiveness over the past few years. Our strategic plan is designed to sustain that positive trajectory by keeping our long-term rate trajectory in line with inflation, while at the same time investing in infrastructure and technology to meet customer demand.

REFINITIV

By prioritizing affordability, we contribute to the robust economic development pipeline ahead of us and supports the substantial economic potential within our states. As outlined in our capital plan, we will continue to invest in grid modernization to ensure reliability, strong customer service and improvements in SAIDI safety, public safety and grid resiliency. This includes a focus on metrics related to customer service, the performance of our generation fleet, safety and all operational elements, including infrastructure investment.

Our primary sustainability goal is to lead a responsible and cost-effective energy transition as reflected by our investments in new hydrogen-enabled natural gas plants and in new solar farms to support our Kansas and Missouri customers. We look forward to continuing to advance a balanced mix of resource additions over the coming years, always with a focus on affordability, reliability and sustainability.

And with that, I will turn the call over to Bryan.

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Thank you, David. Thank you, Pete, and good morning, everyone. I would like start by saying that I'm thrilled to join David's team and Evergy family and be a part of this wonderful communities in Kansas and Missouri. My first few weeks on the job, I've been very impressed with our employees dedication towards customers and what their excitement to deliver infrastructure needed to parities, communities a long-term economic growth.

There's a lot of enthusiasm around here for the future and I'm honored to help lead our efforts to seize opportunities in front of the company. With that, I'll start on Slide 14 with a review of our results for the quarter.

For the third quarter of 2024, Evergy delivered adjusted earnings of $466 million or $2.02 per share compared to $432 million or $1.88 per share in the third quarter of 2023. As shown on the slide from left to right, the year-over-year increase in third quarter adjusted EPS was driven by the following:

First, a cooler summer drove a 12% decrease in cooling degree days and a $0.14 decrease in EPS when compared to the third quarter of 2023. When compared to normal, weather drove an estimated $0.06 unfavorable impact.

Next, weather-normalized demand grew 0.8%, driven by growth in all three customer classes, which added $0.02 per share. New retail rates in Kansas contributed $0.10 of increased EPS for the quarter and recovery of our FERC-regulated investments drove a $0.06 benefit.

Next, higher depreciation and amortization expense due to increased infrastructure investment drove a $0.03 decrease in EPS. And the net impact of tax items for the quarter drove a $0.07 increase.

Turning to Slide 15. I'll provide a brief update on recent sales trends. On the left side of the screen, you'll see that weather-normalized retail sales for both the third quarter and year-to-date increased 0.8%. The positive year-to-date trend has been primarily driven by solid growth in both residential and commercial usage, including load results that are beginning to benefit from the start of Meta's data center operations.

At a macro level, the continued robust customer demand in our service areas is supported by a strong labor market as the Missouri, Kansas and Kansas City metro area unemployment rates remained below the national average of 4.1%.

As David noted in his earlier remarks, we expect weather-normalized demand growth through 2029 of 2% to 3% factoring in the impact of new large customer load. While we have not yet included any of the additional 6 gigawatt plus customer pipeline in our five-year plan, we certainly are in active talks with several large customers, believe this pipeline represents real upside to our EPS and credit metric forecast.

Let's now turn to our updated financing plan on Slide 16. As David discussed earlier, our updated five-year rolling capital investment plan contemplates $16.2 billion of investment from 2025 through 2029, including an incremental $1 billion of capital in 2025 and '26 combined. Overall, as David alluded to, we will hand our investments prudently targeting an FFO to debt ratio of approximately 15% throughout the forecast period.

Our strong cash flows from operations will be supplemented by the issuance of debt, equity and equity-like instruments. Our first common stock issuances are planned for 2026 and 2027 at approximately $400 million in each of those years and will be higher in 2028 and '29, consistent with the increase in annual level of capital investments in those years.

Our 2025 guidance does not currently contemplate a common stock issuance next year. Though we will remain flexible and opportunistic in the timing and type of funding we deploy throughout the five-year plan as we balance earnings growth and balance sheet strength. And as I stated earlier, there are several upside to our EPS and credit metric forecasts, including the potential load from the 6-gigawatt large customer pipeline.

Shifting to Slide 17, I'll discuss key 2025 earnings considerations. As we mentioned previously, we are introducing 2025 adjusted EPS guidance of $3.92 to $4.12 per share. Primary drivers for consideration include load growth ramping up from the Meta data center in our Missouri West territory and the Panasonic EV battery manufacturing plant in Kansas Central.

Growth will also be driven by new rates Missouri West, which will go in effect in January, a potential partial year impact from new rates at Kansas Central as early as the fourth quarter of '25, an ongoing recovery of our investment in FERC jurisdictional projects. We expect these positive drivers to be partially offset by the impact from depreciation and interest expense, net of accounting for the deferral benefits from PISA in both Kansas and Missouri.

Moving to Slide 18. We highlight key adjusted EPS drivers beyond 225, when we expect growth in the top half of our 4% to 6% target. Meaningful margin uptick will begin to manifest itself as we expect a significant increase of load growth in each year 2026 through 2029 as Panasonic, Meta and Google work towards their full run rates.

Also, the foundational earnings power of the company will be fortified by our capital investment program, which will drive a rate base CAGR of approximately 8% through 2029. We also plan to have more frequent rate cases to avoid large customer rate increases and to ensure the financial stability of our utilities.

In short, we believe our long-term plan strikes an appropriate balance of affordability for our customers strong infrastructure and economic development for our communities and solid EPS growth. I will close on Slide 19 with a recap of our future financial expectations. With solid results year-to-date, we are reaffirming our 2024 adjusted EPS guidance of $3.73 to $3.93 per share.

We are also establishing our 2025 adjusted EPS guidance at $3.92 to $4.12 per share, with the midpoint representing 5% growth from 2024. From the new baseline midpoint of $4.02 in 2025, we expect to grow in the top half of our 4% to 6% adjusted EPS target range through 2029.

This is a plan we have high confidence in with many tailwinds for our business. Our employees are focused on consistent execution of our operational and financial goals as we advance our strategic objectives of ensuring affordability, reliability and sustainability for our customers.

And with that, we will open the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Shah Pourreza, Guggenheim Partners.

Shahriar Pourreza - *Guggenheim Securities - Analyst*

Bryan, congrats on your first earnings call.

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Thanks, Shah. Very excited to be here.

Shahriar Pourreza - *Guggenheim Securities - Analyst*

I'm sure. Congrats. David, the industry is starting to see some of the larger loads trickle into CapEx earnings growth as we look at this kind of top end of the 4% to 6% you guys rolled out today. Is there kind of a general earnings sensitivity can give us for this customer class as we look at the potential gigs plus coming down the line?

I guess put differently, could another deal or to put you over the top end at this point? I mean, you seem to allude it's accretive, but just kind of curious in the context of the four to six?

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

Shah, it's great question. I back Bryan's comments about our high confidence in the plan with some real tailwinds. A plan is currently laid out, only includes the three announced customers. So we've got high confidence in the top half of our range through 2029 with the three announced customers.

We land additional loans, that would be upside opportunity. So I won't give you that always depends on how big and which ones and rates, but we see real tailwinds, real potential from any incremental customers, and we have a couple of very active ones and a big pipeline.

Shahriar Pourreza - *Guggenheim Securities - Analyst*

Okay. No, that's helpful because I think that answered the question. And then just, obviously, you have your cap structure workshop coming up on the 20th. You talked about it on the prepared. It's not exactly kind of a decisional or a docketed process I guess any updated thoughts on how this will feed into your '25 case? And any updated thoughts on the '25 GR itself?

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

Shah, another good question. So the -- and you have it exactly right, excuse me, I'm so excited I've got a frog metro. But the capital structure workshop is one where it's not a decisional meeting. It's an opportunity to have a dialogue about a very important driver of the competitiveness of Kansas and ability to attract capital.

So we view it as an opportunity for us to share information around both the economic development landscape, the importance of attracting capital in the landscape when many other jurisdictions are in the same posture, what the common practices are and really outside of a litigated proceeding, have the opportunity to have a robust dialogue.

It's not a decisional meeting. It's a workshop. It will be manifested kind of results in how the Kansas rate case advances next year and years following. But even setting up that dialogue outside of litigated proceeding, we think, is a constructive step.

So we're excited to have that workshop. We'll have presentations jointly with staff. We'll have some outside presenters who are there and will be largely a dialogue. In terms of the general rate case, we plan to file in Kansas Central, as I mentioned, in the first quarter of 2025, that schedule, the rates will go in effect sometime in the early or in the fourth quarter of next year as well.

So we look forward to that discussion and it's going to be our reliability focused investments. We do have any big generation that's coming along in that time frame. So it will be investments what we made through the last rate case and reflective of a more regular cadence. So I think it avoids customers having to see a big step change if you have a regular cadence rate case. You'll see that filed in the first quarter next year.

Operator

Julien Smith, Jefferies.

Julien Smith - *Jefferies LLC - Analyst*

Bryan, congratulations again. So nicely done. Look, maybe to follow up on Shah's line of questioning here. I mean when you think about what could put you over the edge here, and you talk about that top end here, I'm going to continue to needle you a little bit on this.

How do you think about some of the other angles, right? So you talk about including a significant portion of the IRP, what's remaining? And then separately and related, SPPs come up with this ITP here seems pretty robust. How do you think about what's reflected in terms of that into this latest plan update, if you will?

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

Do you read in quickly as always, Julien. So how do I frame it. So -- and Bryan, it's has been great to have in the team because we've taken a clean look at things. And I think the tone and content his remarks, I would echo, we have high confidence in the plans in front of us. That's based on these three customers in the CapEx plan that we have. .

We know how important execution is. So we want to put a plan out there that we have high confidence in and executing. We did note a substantial portion of the IRP. So the main element suite, there's a big solar portion of our solar investment that you see coming online in 2027, the IRP that we expect to do through a PPA.

And there's -- in the out years, a CCGT and a CT that have not yet been included. So those all represent additional capital. And then what I'd emphasize is the robust discussions we're having with large customers that all represents the opportunity as well.

But it was really important for us to put out a plan that we had high confidence in executing and that's exactly what we've done. And we really see a lot of tailwinds, as Bryan described. Go ahead, please.

Julien Smith - *Jefferies LLC - Analyst*

No, I was looking at a follow-up. Why not include the CCT here? Is that predicated on getting that incremental load going back to the sort of the vector what you're talking about earlier? Or is this more about just regulatory clarity, et cetera? And maybe the same dynamic on that solar PPA, the trick is you're uncertain whether it will be a PPA or an ownership opportunity after them?

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

I would bifurcate the two,, we do expect the solar opportunity to be a PPA. I would say for the gas clients, it's just -- it's a little -- it's a level of conservatism. We ran them to the IRP. They are needed based on the current three announced customers and the load that we see in our system.

So we expect that we're going to need those plants, but those are the plants that are coming online. I think it's in the 2031 to 2032 time frame. So I just view it as a -- we expect this still to be built a level of conservatism and also as we will walk through the process with the appliances you saw there was a lot of enthusiasm and support for the gas plants announcements that we made a couple of weeks ago in Kansas, we had the Governor, the Speaker of the House, the President of Senate, key local officials, chairs of their respective House and Senate committee.

So there's a lot of support for these for the investments in these communities, the dispatchable generation that it represents. So I view it, Julien, is we want to -- we have a plan we have high confidence in, and we think we have some real tailwinds and upside alongside that plan.

Julien Smith - *Jefferies LLC - Analyst*

Got it. And just to clarify here. I mean, basically, as you roll forward and eventually include the CCCT, I mean the plan basically or effectively accelerates here as estate obviously you talked about the high end of the plan, but seems like it even further accelerates if you roll a further period forward, if you will. Is that kind of the way to start to read this? Is the CapEx just so long dated, whether it's the CC or the ITP?

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

I think adding the -- those two gas plants would -- all people increase the capital investment, it would be towards the back end of the plan, right? Those units come online in '31 and '32, but it will be further incremental investment relating to further rate base growth.

And again, that was reflected in the IRP and reflects our approach to a balanced mix of generation and prioritizing affordability alongside the liability and sustainability. So yeah, adding those in would be additional capital in the outer years of the plan.

Operator

Durgesh Chopra, Evercore.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

Bryan, my congratulations to you as well. Just -- absolutely, sir. So just guys, can you talk about the chance of the long-term growth rate here upper half of 4% to 6%? Is that a range that you will hit each year? Or is that more sort of a CAGR approach tied to rate case timing, et cetera, et cetera?

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

Yes, Durgesh, a good question. And just to reiterate, we've established our 2025 guidance range in part to be -- give a baseline for that 4% to 6% following 2025 and a top half expect in the top half of that range. In general, we're going to start to have consistent execution on the top half. There are year-over-year, there can be some dynamics relating to timing.

So we haven't given year-over-year guidance, but our overall goal is for consistency, but there can be some dynamics year-over-year. In particular, our jurisdictions in the relative size can drive some variation, but we don't expect to be all that significant.

And certainly, our goal is to be consistent. We know that's what the investors like to see and that's what we'll strive for. More regular cadence of rate cases can help with that, and it can also help from a customer perspective. We always balance that, of course, when we think about timing because then there's a more predictable and sort of ratable impact on customers as well.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

Got it. So more close to just linear and consistent growth year-on-year out. That's great. And then just as you think about regulatory lag and you've got all this constructive legislation in the state, you're going to be in a more active rate filing cycle, how should we think about regulatory lags throughout our 5-year plan?

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Yes, Durgesh, I'll take that. And I'll just add on to what David said before, I really think it's -- 2026 is right around the corner, and we have a lot of momentum and tailwinds for the plan that are going to kick in beginning in '25, but certainly in 2026 and beyond.

And as you think about our 5-year plan and your question around regulatory lag and rate case cadence, we certainly are pleased to have PISA both in Kansas and Missouri. As you know, we have CWEP rates for new gas generation. That's really important to help our credit metrics as we make these large investments for our customers.

So regulatory lag is certainly better managed under the provisions of PISA going forward. And not that there's not any, there's still going to be some regulatory lag. And with this large of an investment, profile over the next five years, it's going to be important that we stay current on our recoveries of investments. So that's why you'll see as David described, us being a bit more regular in our cadence, Think about it as roughly every 18 months for most jurisdictions, but not all.

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

And Durgesh all I'd add is the -- I think we've seen in Missouri and we've got superior utilities in the Missouri jurisdiction. PISA creates a framework where you can manage a regulatory lag, a pretty regular cadence for other utilities in Missouri as well, reflecting the PISA doesn't lead to the earnings contribution that just helps to mitigate lags, but there's still you want to have a regular cadence.

So we're really pleased to have PISA enacted in Kansas, not only for the provisions in the regulatory lag mitigation, but because it reflects the consistent and widespread support for investment to support economic development in Kansas state. So we've got mechanisms in Kansas now they're actually slightly ahead of Missouri because there is 90% deferral around an 85% and the SWIP provision on the Kansas side, not yet on the Missouri side.

So we think there are tools to manage that regulatory lag, but a regular cadence of rate case will be important. And again, from my perspective, also beneficial for customers is a little more predictable at more regular as opposed to having longer delays and then step function increases.

Durgesh Chopra - *Evercore ISI Institutional Equities - Analyst*

I appreciate that discussion, very helpful. But just kind of putting a finer point on it, Dave, are you modeling substantial improvement in regulatory lag as you roll out this 5-year capital plan? Or how should we think about that? Maybe just directionally if you don't want to quantify it?

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Yeah. I mean directionally, there's no doubt. As we I'll give it to you this way, Durgesh. We -- when we went through the modeling, I would say, as David mentioned, to come in with some fresh lenses, but I'm quite fortunate to come into the company after that there was some -- the company had not some significant achievements in 2020.

We've talked about the support of legislation in Kansas constructive rate case settlement in Missouri and then the Google announcement in the second quarter. So certainly, the team has been through very much the detailed planning.

We've looked at earnings growth. That is as I mentioned, very strong beginning in 2026, which is right around that corner. We've embedded the load growth we expect, but with more tailwinds to come. We now have rate base growth. That's 8% versus the past, it was 6%. So all those things give us tremendous confidence in being in the top half of that 4% to 6% growth through 2029.

I do think we're being conservative in our messaging, as David mentioned, because we want to execute across our work streams and firmly land at a higher growth rate, hopefully, in the future. But directionally speaking, for sure, regulatory lag is less burdensome than it was in previous plans given the provisions of the law we have.

Operator

Michael Sullivan, Wolfe.

Michael Sullivan - *Wolfe Research - Analyst*

Just picking up on that last kind of point you all were making. I guess just at a high level, how should we think about taking rate base growth up by 2 percentage points and then that only translating to the EPS CAGR going up 0.5 percentage point, I guess, if you think about midpoint to upper half?

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

So I think, Michael, the way we think about, I mean, you can model it from all expect. If you look at our capital investments over time, they get significantly larger in the out years of the plan that it also reflected the 8% rate base growth is the average from 24 to 29. That's going to be more accelerated in the out years.

So we did provide a sort of an overall integrated growth outlook that's going to be -- and as Bryan described, that we've got some tailwinds going into 2026. So the way I look at it, Michael, is that we've got potential, and we believe some tailwinds to drive profitability drivers over time that are significant and we amplify in the back half of the plan, when we provide an overall outlook that we're confident in executing off of that 2025 baseline starting in 2026. There's upside potential, particularly as we get into the out years.

Michael Sullivan - *Wolfe Research - Analyst*

Okay. Yeah. No, that's helpful. I mean I think part of it is just also the introduction of equity. And I was just maybe looking for more color on the amount of equity is actually -- how much you're introducing is more than half of the CapEx increase. And I think you're also kind of moderating the dividend growth a little bit as well. So just how do we think about that on the funding side of things?

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

Yeah. I'll let Bryan in. As you know, what we said in the past was that we did not anticipate, based on the prior capital plan, equity issuances before 2026. Now implicit in that, Michael, as you know, is that equity issuances would begin in 2027 and 2028.

So I would encourage you to think about the equity issuances we described today is also -- we're not talking about what we -- what was also in the plan before as well as what we need to do for funding with respect to the incremental investments that we've made. Hopefully, that makes sense.

Michael Sullivan - *Wolfe Research - Analyst*

It does.

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

Yeah. And in terms of timing and overall levels, and I think this is in Bryan or actually, Bryan, maybe you want to go over again with our expected sort of size and cadence is time recognizing that we'll be flexible and opportunistic.

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Yeah, absolutely. And I would say, Michael, as you understand, we're going to be targeting this 15% FFO to debt target throughout. And as I discussed earlier, our 2025 the EPS guidance does not contemplate a new common stock issuance in 2025. So I just want to be clear about that.

As you think about the out years, equity needs began in '26 and '27 because again, we added a lot of capital to the plan in '25 and '26. It does grow in '28, '29 as the capital plan grows. But as far as the five to seven question, increasing the -- not increasing to 5% to 7%, staying at 4% to 6% in the top half of that and yet rate base going up 2%.

As David said, there's a lot of tailwinds. And certainly, I think the short answer to your question is conservatism because we want to execute and deliver on this plan, meet or beat expectations and we got a lot of tailwinds, and we'll re-evaluate periodically our long-term growth prospects.

Michael Sullivan - *Wolfe Research - Analyst*

Okay. I appreciate the color. If I could just do one more real quick. Cost of the gas plants, can you give us any rough estimate there?

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

No, I think there's no question that the costs have risen since the prior estimates that we had in the IRP that we filed. We're in line with what you've seen with some of the other utilities that have published. There have been a couple of utilities that have gone out. So you'll see the numbers as we do our filings, and we'll have an update in particular as we go through our -- we have a proposal for the EPC that's out now.

So we'll have an updated filing in the first quarter. But it's in line. You've seen a couple of utilities that have put out numbers. So it's -- we still think it's -- they're fully justified and important for our customers to have a balanced portfolio and meet our growth needs.

But it's a little higher than certainly in the world in the last stage. And we're pretty pleased with our progress, too. I know another question I probably asked is around timing. We've made good progress in our technology selection for the Power Island. So that's turbine the generator, steam turbine as well as the gas turbine and the generator and related equipment. That's still confidential as to who we've selected. But that process is moving and moving forward.

Operator

Travis Miller, Morningstar.

Travis Miller - *Morningstar Inc. - Analyst*

Bryan, I'm just wondering if you've become a chosen yet or if that was a requirement for getting the job.

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

That's a great question. I can assure you that it was.

Travis Miller - *Morningstar Inc. - Analyst*

Okay. Very good. I'll note that. (multiple speakers) Second question is, of that new CapEx, the incremental part, how much roughly was T&D versus generation?

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

Yeah. So of the incremental portion of about $2.4 billion of the $3.7 billion is incremental generation, about $1.3 billion is primarily distribution products, investment in reliability and serving growth because, obviously, that drives distribution needs as well. So those two categories, primarily.

Travis Miller - *Morningstar Inc. - Analyst*

Okay. And then just to triple clarify, the gas plants are not in the 2029 number, right?

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

The gas plants there -- yeah, so thank you for the clarifying question. Gas plants are definitely in our forward CapEx plan. Julien was asked a good question because we described in the release in my script that we've included a substantial portion of the Integrated Resource Plan.

So we've included the gas plants that are in our Integrated Resource Plan through 2030. There's a CCGT and CT in 2031, and 2032 that are not yet included at this time. It's about 1,000 megawatts together.

Travis Miller - *Morningstar Inc. - Analyst*

Of the ones that aren't included?

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

Correct. And those in the IRP late come online in 2031, and 2032. So it's capital in the out years of the plan, but it's, again, in the spirit of this call is conservatism. We'll -- we do think they'll be needed, broad-based support for those kind of investments in our service territory, but we just launched a process for the first set, so will march to systematically. It's very important for us to work closely and constructively with our regulators obviously as we move through this. And we'll always be focused on that as we go through this process.

Travis Miller - *Morningstar Inc. - Analyst*

Okay. Great. Understood. And I think you answered my question just a minute ago on supply chain. Are you able to go through the E&C RFP process and procure some of the equipment before getting the predetermination?

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

Well, it's an insightful question. The bulk of the spend would, of course, follow predetermination. So will line up and have a robust contracting practices and how we -- what risk we take beforehand. But we're taking some steps to line up slots and otherwise, but with modest risk relative to overall profit size, of course, but predetermination is the key gating item for the vast majority of the spend.

Operator

Ryan Levine, Citi.

Ryan Levine - *Citigroup Inc. - Analyst*

I guess one follow-up. In terms of your engagement with these hyperscaler customers, when you're looking at your supply chain, is it safe to say that any incremental generation at this point would not be eligible or available until the 2031, and beyond time period? And how does that shape the pace of conversations with these customers?

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

Well, it's part of the metric of the conversation. So it's right in the middle of it, their interest primarily is speed at this stage. A lot of that comes down to transmission and distribution availability as well and the specific ramp rate to the customers.

We -- the advanced discussions that we have for the incremental 500 megawatts to 1,000 megawatts. We're -- part of that active discussion is we believe being able to line up opportunities to meet their low needs. We, like everyone else around the country. No one's got much capacity over the next couple of years.

But we believe that we've got the ability to sign up a couple of additional customers and continue down with potentially more with the plans we have in front of us with potential incremental opportunities as well. So we think that we can line up with the customer needs and time lines, recognizing that here, just like everywhere, they love to be able to go maybe even faster.

But we feel good about the discussions we're having and me reach a middle ground where we can meet their needs, but we've got to have ensuring that we have capacity both generation and transmission distribution available.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

Just a few clarification questions. On the no need for common equity in 2025. Does that also -- is that also associated with equity-linked securities and that kind of stuff? Or is it -- or are you just referring to common equity? I guess what I'm saying is there any potential for -- is there any distinguishment between the two in your comments?

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Great question, Paul. Yes. No plans for common equity in 2025. You're absolutely right. We'll be thoughtful about market conditions and be opportunistic as we think about '26 as we roll through 2025, but nothing on common stock that we think will become outstanding during the year.

We still have a little bit of our financing plan to finish out for 2024. We have some holding company debt. We need to term out roughly in the neighborhood of $400 million, $500 million. And you'll see in our financing plan footnotes that we're going to evaluate whether we do unsecured debt or junior subordinated note to fill that.

But all the potential interest costs associated with that issuance are fully baked into our 2025 EPS plan. So that's just a little bit of finer detail on that financing slide that I wanted to give you.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And then with respect to the robust discussions, when do you think they might come to some sort of conclusion or something that you -- what do you think of an announcement if there were to be one might potentially come out?

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

Paul, commercial discussions, you can set a time line, but then it's a goals and objectives. We hope to I know from our counterparts perspective as well, we are advancing those with the goal of trying to wrap something up by year-end and certainly by the year-end, Paul.

So there's a time urgency on both eyes related to it. It takes two to tango. In this case, it's more than 1 counterparty. So we don't fully control the time line. What we do know is that there's very strong interest, very active discussions getting down to specific details. But these are -- of course, these are large loads complicated approaches. So we can't guarantee anything, but we're targeting in the next few months given how discussions are.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Great. And then finally, on the current projections that you have on the 8% rate base growth, I think it sounds like you said, very achievable. -- with the -- but what's the -- how should we think about what your expectations are in terms of the potential rate trajectory for customers during that during this period of time through 2029. Obviously, it's going to vary and what have you. But just roughly speaking, what -- how should we think about the rate impact of the current plan?

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

Yeah, Paul, I think you would probably describe it as highly confident. We wouldn't have sized that point. And I appreciate the question because working this plan, we will work closely with our regulators as we implement it because this is about supporting and helping to advance the economic development opportunities and growth in our area. So we believe that the plan lines up with a rate trajectory that's in line with inflation.

That's important for us. We've made tremendous progress on improving our regional rate competitiveness these past few years, and we don't want to let up on that. And the growth that we're seeing helps to enable making these significant investments, helping to diversify our portfolio, add to dispatchable generation, but the target is to keep on rates in line with inflation.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And what is your expectation for if that seems to be changing here on the street. So what do you -- when you think about inflation, what are you guys -- I mean, is that just sort of a generic whatever inflation is? Or what -- do you guys have a projection for inflation?

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

In general, Paul, I think we're closer to the historical view of where inflation goes, what the Fed target is. There's some tie-in with what actual inflation is because obviously can have an impact on our costs. But we're hopeful that inflation is trending towards the 2% range. It could be in the mid-2s going forward. But your guess is as good as mine.

With the election impact, maybe the general expectation in the macroeconomy is that inflation could be higher. So I will not get into that game because there are many who are more thoughtful about that. But our view is that we -- more with it in line with the historical transit inflation and again, our goal is to keep affordability at the forefront, make sure that we're continuing to maintain and advance our regional rate competitiveness.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And then just finally, on the the gas plants that you've announced and everything, it sounds very regular stuff. There's nothing -- there's no plan for -- you're not going to be asking your CCC or are you for any specific -- something like CCS or something that some new technology or something that's associated with it. I think you mentioned hydrogen, but I think that's hydrogen ready.

Could you just -- I mean, it sounds to me like these were pretty much kind of regular plant things and nothing -- no real advanced technology or something out of the ordinary. Am I right about that?

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

Paul to describe as these are -- yes, the -- these are highly efficient. They're the modern advanced CCGT and CT technologies, but they're not -- there's no carbon cash or sequestration element that we've embedded in our plan or forecast. We're hopeful that, that develops over time.

And I think our sites would have enough room to accommodate them over time, but that's not part of our baseline ask and I would describe all the technology and the technology selection relates to proven technology. They're in the most advanced and highly efficient group, but they are proven technologies that have been deployed.

Operator

Paul Fremont, Ladenburg Thalmann.

Paul Fremont - *Ladenburg Thalmann & Co. Inc. - Analyst*

I'm going to take one more shot at the 4% to 6%. If you -- if you were successful on all three of the advanced negotiations involving the 500 to 1,000 megawatts of incremental load, would that be enough to put you above 6% or within 6%?

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

I would probably echo and we mentioned a couple of advanced discussions, but you have it right, combined in the 500 megawatts to 1,000 megawatt range. What I would describe is we've got high confidence in the plan that we have and signing additional loads would represent incremental tailwinds. So leave it at that. Then it all comes down the suits of it, but high confidence in the plan with the three large customers that have already announced and then with many tailwinds, including the discussions underway.

Operator

At this time, I'm showing no other questions. I would now like to turn it back to David Campbell for closing remarks.

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

Great. Thank you, Jill. Thank you, everyone, for your time this morning and for your interest in Evergy. Have a good day, and we'll see you with EI. That closes the call.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.