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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 Corporate Planning & IR and 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*

Paul Patterson *Glenrock Associates LLC - Analyst*

Shahriar Pourreza *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

PRESENTATION

Operator

Thank you for standing by, and welcome to Evergy's Third Quarter Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your host, Vice President, Investor Relations and Treasurer, Lori Wright. Please go ahead.

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

Thank you, Latif. Good morning, everyone, and welcome to Evergy's third 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 containing 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 release is 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 third quarter highlights, recap our recent Investor Day and provide an update on our near-term resource plan. Kirk will cover in more detail the third quarter results, the latest on sales and customer information and our financial outlook for the remainder of the year. 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*

Thank you, Lori, and good morning, everyone. I'll begin on Slide 5 of our presentation. This morning, we reported third quarter adjusted earnings of $1.98 per share compared to $1.73 per share a year ago equal to a 14% increase. On a period-over-period basis, these results were driven primarily by favorable weather, higher transmission margin, higher other income and lower income taxes, partially offset by a decline in weather-normalized demand. For year-to-date September 30, adjusted earnings were $3.38 per share compared to $2.82 per share a year ago, equal to a 20% increase. As with the quarter, favorable weather is the most significant driver.

With these strong results, we are raising and narrowing our adjusted EPS guidance range to $3.50 to $3.60 per share, an increase from $3.20 to $3.40 per share. I commend and thank our team's ability to execute and focus on providing safe and reliable electric service to our customers throughout the first 9 months of the year, notwithstanding the lingering pandemic impacts and a significant winter weather event in February. Kirk will detail the drivers of our financial performance that resulted in the upside guidance revision.

In addition, we are affirming our 2022 adjusted EPS guidance of $3.43 to $3.63 as well as our targeted annual adjusted EPS growth target of 6% to 8% through 2025, as we laid out during our Investor Day. Lastly, this morning, we also announced a 7% increase in our quarterly dividend to $0.5725 per share or $2.29 per share on an annualized basis. This increase is consistent with our growth trajectory and reflects our Board's confidence in the execution of our plan. Moving on to Slide 6, I'll provide a brief recap of the business plan highlights from our recent Investor Day. As part of the event, we rebased and extended our key targets through 2025. Our 5-year capital investments are estimated to be $10.4 billion through 2025, of which nearly $1.5 billion is for renewables projects. This spending plan drives our projected rate base growth of 5% to 6% annually over that same time period.

We also extended our target for cost efficiencies and added nearly $20 million of savings in 2025, increasing our total estimated annual O&M savings from our 2018 base year to $345 million annually in 2025. This represents more than a 25% overall decline. Building on the strong performance and realized cost savings achieved over the last 3 years, this trajectory implies a 1% to 2% annualized cost productivity gain through the 5-year forecast period. The planned beneficial infrastructure investment and additional O&M savings enabled us to extend our top-tier 6% to 8% annual growth rate and adjusted earnings per share through 2025. We're able to fund this plan with significant cash flow and modest incremental debt, allowing us to maintain our strong balance sheet and credit metrics with no planned incremental equity through 2025.

Lastly, we showcased our strong ESG profile, including our significant progress in clean energy and changing our generation mix. In 2020, 50% of our energy was emissions free and we achieved a 51% reduction in Evergy's CO_2 emissions relative to 2005 levels. We stack up well relative to our Midwest peers in terms of both clean energy delivered to our customers and reduction in carbon emissions. We have ambitious, but achievable goals as we advance toward our target of net 0 carbon by 2045.

Slide 7 outlines our resource plan through 2026. To further lower energy cost for customers and reduce emissions, we plan to add more than 1,300 megawatts of new renewables split between over 500 megawatts of solar and 800 megawatts of wind through a series of yearly additions. We also plan to retire coal operations at our plant in Lawrence, Kansas. In September, we initiated a regulatory proceeding in Kansas called predetermination, seeking approval in advance for the Lawrence coal retirement and for the first 190 megawatts of solar generation.

We expect to have an order in this proceeding by mid-2022. In October, we also issued a request for proposal for 800 megawatts of wind generation projects we have sequenced across 2024 and 2025 for the benefit of Kansas and Missouri customers. Bids are due later this month, and we plan to select a short list of projects before the end of the year. We are targeting having negotiations completed by mid-2022. In parallel, we will continue to evaluate potential opportunities to buy in and repower existing power purchase agreements as initial production tax credits expire.

Before handing it over to Kirk, I'll wrap up on Slide 8, which summarizes the Evergy value proposition. The left-hand side of the page covers what we're focused on and how we plan to execute our strategy, which I discussed in depth during our Investor Day. The core tenets of our strategy are to advance affordability, reliability and sustainability through a relentless focus on our customers, supported by stakeholder and collaboration, sustainable investment and financial and operational excellence. The right-hand side of Slide 8 features what we believe are particularly attractive and distinctive features for our company.

First, we are an all-electric regulated utility with significant benefits delivered since the merger and further opportunities that we will capture through continuous improvement, performance management and sustained consistent execution. Second, we have significant opportunities ahead for the ongoing transition of our generation portfolio. And we can do so cost effectively given that we'll be replacing coal with low-cost renewables, which is a win-win for affordability and sustainability. Third, we are geographically advantaged given our proximity to world-class wind resources in Kansas. We are well positioned to participate in the renewables and transmission build-out that will occur as part of the national transition to a clean energy economy. And finally, we are targeting a high-performing 6% to 8% annual growth rate and adjusted earnings per share through 2025 at the top rank with our peers. We are very excited about the opportunities for our company, and we are deeply committed to the sustained effort required to deliver against our high performance objectives.

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 results for the quarter on Slide 10. For the third quarter of 2021, Evergy delivered adjusted earnings of $455 million or $1.98 per share compared to $393 million or $1.73 per share in the third quarter of 2020. The 14% increase in third quarter adjusted EPS was driven by the following items as shown on the chart from left to right. First, there were significantly more cooling degree days this past quarter as compared to the third quarter of 2020, resulting in $0.20 of favorable contribution from weather.

Adjusting for milder than normal weather experienced in the third quarter of 2020, the third quarter of this year saw $0.13 of EPS versus normal weather assumed in our original plan. The strong favorable weather impact this quarter was partially offset by a 1.2% decline in weather-normalized demand or approximately $0.06 per share. Higher transmission revenue resulting from our ongoing investments to enhance our transmission infrastructure drove about $0.06 per share. Other income increased $0.04 per share, driven by higher investment earnings from some of our investments in early-stage energy solution companies.

Income tax-related items, which include the impact of Kansas income tax rate exemption effective this year and higher amortization of excess deferred income taxes, partially offset by the timing of tax credit recognition to maintain our effective income tax rate for the year drove a net increase of $0.04 per share. And finally, other items, which consist primarily of higher depreciation and amortization and property tax expense as well as the impact of shares issued to BlueScape in April were partially offset by lower O&M, which, when combined, represent a net $0.03 decrease.

I'll turn next to year-to-date results, which you'll find on Slide 11. For the 9 months ended September 30, 2021, adjusted earnings were $775 million or $3.38 per share compared to $642 million or $2.82 per share for the same period last year. Again, moving from left to right on the slide, our year-to-date adjusted EPS drivers versus 2020 include the following: favorable weather from the first half of the year when combined with the warm weather in the third quarter contributed $0.25 year-to-date. When compared to normal weather assumed in our original 2021 plan, weather was $0.18 favorable. And although weather-normalized demand increased about 1% year-to-date, the margin impact of higher commercial and industrial sales was more than offset by an estimated 2% decline in residential sales, resulting in about $0.01 of lower margin versus the first 9 months of 2020.

As expected, higher transmission revenues driven by our FERC transmission investments resulted in a $0.12 increase. Other income was also $0.12 higher, driven primarily by an increase in investment earnings due to a realized gain from the monetization of an investment in the first half of the year combined with investment gains in the third quarter as well as higher AFUDC. The impact from the Kansas income tax exemption and higher amortization of excess deferred income taxes contributed $0.11 of favorability year-to-date. And finally, higher depreciation and amortization, property taxes and a slight increase in share count were partially offset by lower O&M and interest expense, leading to a net decrease of $0.03 per share.

Turning next to Slide 12. I'll provide a brief update on recent sales and customer trends. Weather-normalized retail sales decreased 1.2% during the third quarter compared to last year. This was primarily driven by lower residential sales, down 3% compared to last year, with fewer customers working from home compared to 2020. Weather normalized commercial sales were up slightly, reflecting the slow, steady return to normal. Industrial sales were flat with some puts and takes from multiple sectors. The Ford plant in our jurisdiction is still experiencing headwinds from chip shortages, which have slowed down production, and in turn electricity usage.

On the positive side, extensive oil refineries and pipelines in our jurisdictions are seeing a surge in usage as the commodity market was driven higher in demand for their product. The pandemic recovery continues to be slower than we originally planned and year-to-date weather-normalized demand has only increased about 1% compared to our original full year expectations of around 2%. And as I mentioned during our Investor Day in September, we adjusted our demand expectations for the balance of 2021, as likely due to the impact of the resurgence of COVID-19 over the summer, we now expect some of the recovery to more normal demand and mix to take place in 2022.

Turning next to Slide 13. I'll provide greater details on the drivers of our increased and narrowed guidance range for 2021. Starting with our previous guidance range, the left of the slide and moving again from left to right. Due to the shift in expected demand recovery from 2021 to 2022, the earnings contribution of weather-normalized sales is about $0.14 per share lower versus our original expectations. However, favorable weather through the first 3 quarters, which as I mentioned earlier, we estimate contributed $0.18, has more than offset the delay in normalized demand recovery. The net of these 2 items is a positive $0.04 in total sales compared to our original plan.

Continuing across the chart, the remaining positive drivers of our revised guidance include: $0.09 from income tax benefits driven by higher excess deferred income tax amortization, $0.07 from higher AFUDC and lower interest expense. And finally, our revised guidance includes the impact of the amount by which we expect our nonregulated businesses to exceed our original 2021 plan. Specifically, Evergy Ventures, the entity through which we make investments in early-stage energy solution companies as well as our power marketing business are on track to contribute greater than normal earnings in 2021, partially offset by the timing and phasing of certain costs, resulting in a net increase of $0.05 versus our prior guidance.

Together, these items lead to our revised 2021 adjusted EPS guidance of $3.50 to $3.60 per share. Of note, although as I mentioned, our Evergy Ventures business outperformance is one of our contributing factors to our revised guidance. This outperformance is primarily based on year-to-date results. In October, an equity investment in which we own a minority state, went public through an acquisition by a special purpose acquisition company, or SPAC, and Evergy received shares in the public company at closing subject to a lockup. As a result, we expect to record an unrealized gain on this investment in the fourth quarter.

Although this fourth quarter item is not yet reflected in our revised guidance, we expect this impact to be positive. And depending upon the fair value of accounting for the investment, it could cause our results for the year to even exceed our updated guidance range. However, we consider any potential gain from this investment, which we expect to monetize in 2022 when the lockup expires, the additional nonrecurring earnings for the year relative to our ongoing expectations for this part of our business.

Lastly, we also recognize our updated 2021 guidance implies a lower fourth quarter compared to last year. So on the right-hand side of the slide, we've included the key drivers which will impact the expected year-over-year fourth quarter results. These drivers include the following: first, given our strong year-to-date and expected earnings, we've made a few changes in the timing and phasing of certain cost items, which are expected to drive about $0.06 per share in the quarter. Second, although we've seen favorable bad debt expense in 2021, largely due to lower write-offs resulting from the extended moratorium on disconnections, which expired in May, we've now begun to see write-offs increase and believe this temporary trend is likely to continue, resulting in the realization of write-offs later in the year than we originally expected.

As a result, we expect to make a change in our receivable reserve calculation in the fourth quarter, which will lead to about $0.03 of additional bad debt expense. These 2 factors combined with other items, including the expiry of certain tax credits in 2021, lead to the implied difference in expected fourth quarter earnings versus 2020. And finally, turning to our affirmed 2022 adjusted EPS guidance on Slide 14. We've updated the bridge from our revised 2021 adjusted EPS guidance range of $3.50 to $3.60 to our 2022 adjusted EPS guidance range of $3.43 to $3.63.

Starting on the left-hand side of the slide with our 2021 guidance, we normalized $0.18 of favorable weather and a roughly $0.05 of earnings primarily from power marketing in Evergy Ventures. Although we expect these businesses to continue to contribute earnings going forward, this adjustment is merely associated with the outperformance in 2021, leaving their expected run rate contribution in our 2022 guidance.

After adjusting for these items, the drivers of our 2022 guidance midpoint are largely unchanged from the walk we provided on Investor Day and include $0.12 of increased retail demand, about 2/3 of which reflects the realization of more normal demand in 2022, which we originally expected to occur in this year.

And this shift is due to the observed delay in returning to normal demand mix due to lingering COVID effects in 2021. The remaining portion or about 1/3 of this $0.12 demand impact reflects normal year-over-year load growth in '22. We expect approximately $0.09 of additional earnings from transmission revenue as we continue to make investments to improve transmission infrastructure.

Next, additional O&M savings are expected to add around $0.05 as we continue to progress toward Tier 1 cost efficiency and our more robust long-term O&M savings objective, now representing an over 25% reduction in O&M from 2018 to 2025.

The remaining drivers include the impact of expiring merger-related bill credits and a slight increase in interest savings and AFUDC equity, all of which are offset by depreciation expense not yet reflected in rates and $0.01 of other items. With that, I'll hand the call back to David.

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

Thank you, Kirk. So for everyone on the call, we appreciate your time with us today. And now we'd be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Shar Pourreza of Guggenheim Partners.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Just a couple of questions here, if I may. First, the updated guidance for '21, which obviously even ex weaker weather-normalized demand is somewhat noticeably higher, right? Are you including any pull forward of OpEx from '22? Just trying to get a sense on potential flexibility in next year's guide, especially as we're seeing some demand drag continuing into '22 versus your prior expectations?

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

So Shar, as Kirk mentioned, we do have a series of timing and phasing of operating costs. So that's timing within this year. Some of that's pull forwards from the forward plan. We're not adjusting our guidance for 2022. Any time you have the opportunity to do prudent management your cost, that you look at that across the forward plan years and it can help with confidence in execution. But given the size of the numbers, we're not changing our guidance for 2022. But as companies do in this circumstance with some favorable weather, we are certainly looking at how -- and we'll continue to look at how are the pull-forward items or other items that we can address this year. There are limits in what you can do in that range, but as all companies look at that piece. So a chunk of it does relate to timing into year in '21.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Got it. So you have some contingency there to cushion.

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

We're not changing our guidance in '22, but we're -- we feel good about our ongoing execution trajectory.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Okay. Got it. And then just on the O&M side, obviously, some pretty sizable reductions you're expecting through '25. How do we sort of think about where you're currently guiding versus the overall kind of opportunity set? Do you see more to squeeze, especially as you guys are kind of shooting for Tier 1 utility status, and even further looking at asset level transition opportunities. I mean 25% reduction is a lot. I guess the question is, can you do more?

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

So that's a great question, Shar. I know we've talked about this in prior calls. I think the company had done a terrific job for Kirk's and my arrival coming in this year, a lot of cost savings achieved post merger in '19 and '20, ongoing trajectory of those reductions. And we teed up as part of our Investor Day, we described how we think there's an ongoing opportunity for 1% to 2% productivity gains. So we think it will be along the lines of executing the plan that we've laid out and then continuing to drive improvements across our business through a systematic process. So I think that, that's how we view our opportunity set is really driving that continuous improvement over time, consistent with what we've laid out in the Investor Day plan.

Shahriar Pourreza - *Guggenheim Securities, LLC, Research Division - MD and Head of North American Power*

Got it. And then just lastly for me, if I may, just on the IRP, (inaudible) you filed earlier this year. We've already seen multiple stakeholder groups make some noise in the Kansas docket. Staff made some positive and constructive comments. What should we be watching for in the process for the balance of the year across the states. And more importantly, is there any concerns around the IRP-related spending opportunities in light of some of the input cost pressures we've seen in the renewable space. I mean, how do you price in these headwinds as we think about future generation opportunities through '26 and beyond?

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

So thanks, Shar. On the -- and I'll ask Kirk to supplement the commentary. We filed for a predetermination relating to the 190 megawatts of solar. So we'll have the chance to review that spend program and our planned addition as part of a regulatory filing before we advance the process. Part of why that program was sized down a little bit in scope from the initial estimates, the 350 megawatts, reflected the overall supply chain environment and the maturity of the solar pipeline in SPP relative to the more mature pipeline on the wind side.

So we'll continue to evaluate that. But we like that we have the opportunity to have that dialogue proactively as part of the predetermination process. And we've launched the RFPs for wind in 2024 and 2025 as we described. So we'll see where those bids come out. Now it's -- we'll see how long the supply chain pressures advance. But I noted that we've got a target for reaching agreements related to the RFPs at least for the first year in mid-2022. So we'll have a good sense.

We'll have plenty of time to evaluate what we're seeing in the supply chain to make sure that what we're achieving drives our objectives of reliability, affordability and sustainability. So we'll always keep a focus on that. I think the intervenor comments in the IRP proceedings are relatively consistent with what you'd expect, which probably reflects that we're striking a balance in what we're striving to do. And we'll continue to do that, being mindful of the affordability impacts, as you know, of some of the supply chain pressures. That's why we're trying to take a pretty systematic and diligent approach to how we tackle it. Kirk, anything you'd add?

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

The only thing I'd add, just building on that last point. I mean, certainly, we're mindful of and not immediately seeing the cost and supply chain pressures, they're affecting across many sectors, including, but not limited to, renewals. Part of the reason why we made the slight shift that we did (inaudible) magnitude of the solar and advancing wind.

But beyond that, as we've indicated at our Investor Day, we're looking at all facets of opportunities. Obviously, David mentioned, we launched recently our RFP. That's our primary focus. But we have some self-development opportunities, the potential around some of those PPAs buy-ins and repowerings and given the existing dialogue around the -- some of the aspects of the bill back better framework, which is still a framework, but some of the potential for tax incentives, that can be potential mitigants and help aid affordability to help offset some of that cost pressure for us. So I think we've got a lot of levers and flexibility where that's concern, but we're certainly laser-focused to finding the right blend from an affordability and a reliability standpoint on that on the renewables front.

Operator

Our next question comes from Julien Dumoulin-Smith of Bank of America.

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

This is Dariusz on for Julien. Just wanted to start off thinking about average customer bills as we head into the heating season. Obviously, quite a bit of news out there about fuel, volatility and the impact that could have on bills. Do you have -- have you quantified sort of your average estimate for how much bill could increase either on a percentage basis or on a dollar per customer basis? And could you perhaps maybe speak to how that compares to your regional neighbors? I know there's fuel mix differences. So I think that might go in your favor, but if you could speak to that, please.

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

Sure. So it's obviously something we track closely. And we have a much smaller natural gas position than some of our neighbors. I can't comment on where their bill trajectory will go, but I'm sure you've been able to note the relative mix of gas relative to others. We -- about -- in 2020, only about 5% of our fuel and purchased power was natural gas related. So natural gas price movements have not had a significant impact. We do have a relatively sizable amount of coal, so the 40% range, and there has certainly been moving in PRB pricing.

We've got some protection around that from a hedging perspective over the near term. If those pricing pressures persist all the way through 2022, then obviously we'll have to see what those impacts are and see what the net impacts are in the wholesale market, of course, as well. We have a very sizable wind portfolio. And that wind portfolio will benefit relatively from higher prices when their fuel prices don't move, of course, on the wind side.

So net, we are in a lower general bill season, where our enterprise is summer heavy. So the highest customer bills are typically in the summer. So in the fall, we are rolling into what are typically significantly lower customer bills. But it's something we're very focused on. Again, net relative to those who are more natural gas intensive, they are likely to be facing more intensive fuel costs. But again, it all depends on what their hedge approach is. But on a relative mix basis, we don't have the same exposure to natural gas as others.

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

Okay. Great. And just on the predetermination filing in Kansas that you referred to in the opening remarks, could we potentially see -- I know you talked about the time frame for when you expect an order, I think you said mid '22. Should we expect to see a securitization filing shortly thereafter, assuming you get a favorable order in that predetermination docket?

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

Yes. So that proceeding includes asking for securitization relating to the retirement of the coal facilities at Lawrence since the retirement of Lawrence Unit 4 as well as the shared coal handling facilities is relatively modest in size, but we would expect to see securitization relating to that assuming that proceeding goes as planned.

Operator

Our next question comes from Michael Sullivan of Wolfe Research.

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

Kirk, I just wanted to follow up on some of the comments you made a little bit ago on the Biden Build Back Better Plan. If maybe you just want to give a little more color on what some of the changes there could mean for you guys in terms of the wind RFP, the PPA buy-ins and then maybe also Direct Pay. Yes, just how we should be thinking about some of the puts and takes there?

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

Sure, Michael. So starting on the wind side, obviously, the prospects of an extension and kind of returning to full power, if you will, on the production tax credit side, that's just -- that is certainly a net positive, both in the context, as I mentioned before, from an affordability standpoint, which we're very focused on. The magnitude of those tax credits and the reliability over a longer period of time, being more robust. I think that's just added benefit in terms of meeting our objectives around affordability.

It also speaks to greater flexibility in terms of the cadence and pace and mix of renewable investment. And as you recall, we sort of pull forward some of our wind investments to take advantage or at least to an account for the existing expiry of the production tax credits, obviously, an extension thereof and an increase thereof would give us greater flexibility where that's concerned. And I think the knock-on effect there, as we mentioned, certainly, the buy-in of PPAs is one thing. But combining those PPAs with repowerings, and those repowerings are going to be certainly dependent upon taking advantage of those production tax credits.

So that gives us a greater tailwind on the latter portion of that two-pronged strategy about that PPA buy-in, combining of repowerings. The last piece of it, I would say, is on the solar side, where the investment tax credit is concerned, certainly the prospects of Direct Pay, for example, which is a more efficient way to deal with that ITC, which we have to deal with, all in one lump sum, also a benefit on the solar side to us, again, from the affordability standpoint and how that's reflected in rates.

So a lot of details to come. There are certain requirements there around that, that we need to see more details on in terms of things like wage fairness and domestic content. But we feel optimistic that both on the solar and wind side, that certainly creates a tailwind for us, both in terms of flexibility and affordability for our customers as we make good on our renewables objectives.

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

Great. Super helpful. And just a follow-up there. Any thoughts on potential cash flow or balance sheet impact from things like Direct Pay?

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

To some extent, yes. I think in terms of the Direct Pay aspect of things, I mentioned before, obviously, as we reach the middle of the decade, we gain a greater appetite for cash taxes. And obviously, the ITC is an offset to that. To the extent to which it becomes Direct Pay, then that isn't as directly impact on our cash flows. But an increase in the magnitude of the PTCs can help offset. It's just another form through which we can take advantage of that tax appetite. So net-net, again, I'd say that's certainly a positive. Maybe it's just a different mix of how we take advantage of our increasing tax appetite once we reach the middle of the decade and thereafter.

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

Great. And just the last one, kind of small, but on the power marketing benefit that you guys are realizing in '21 that's in the new guide that, that's separate from Uri and just any more color on that?

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

Sure. Yes, that's correct. Good question. As you recall, we did have some power marketing margins that we earned during the winter weather event. Those remain and have been excluded from our adjusted EPS. The upside of the outperformance, as I termed it, is in addition to or above and beyond that item that we had excluded from our adjusted earnings. So we had certain expectations going into the year, and the power marketing business has just exceeded those expectations, again, above and beyond the excluded item there.

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

Still a small proportion of our total business. But I think our -- if you look across power marketing Evergy Ventures, Transource, Prairie Wind, altogether, it's even in the revised guidance with a stronger performance, a little under 5% or less than 5% of the earnings.

Operator

Our next question comes from Michael Lapides of Goldman Sachs.

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

Kind of a high level one about the repairing opportunity. Can you remind us how many megawatts of wind you have under PPA currently? And how many of those are contracts that are, call it, 10 years old or older?

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

Sure, Michael, it's Kirk. It's about 3.8 gigawatts in total on -- in terms of our PPA portfolio. And as we had laid out, I think, on the Investor Day in one of our slides, we kind of showed the roll-off. And we're very focused on the subset of that portion in terms of contracts. Those contracts really don't begin expiring until just after the middle of the decade. But our focus here is on the expiry of the PTCs. We've got a little more than 1.2 gigawatts of that or almost 1.3 gigawatts of that, 3.8 gigawatts was PTCs rather, production tax credits, are expiring between now and the middle of the decade. As those PPA or PTCs expire, we think that's probably the most meaningful subset of those 3.8 gigawatts PPAs, that we're focused on in the near term around repowering and buying opportunities. Because our counterparties have obviously taken full advantage at that point of all of the PTCs. And I think that's probably the targets that we're looking at, if that helps.

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

Got it. And if you do a buy in a couple of things. First of all, that's not embedded in your CapEx guidance, so in your rate base guidance. That would be upside to that. And then the second question. Lots of those projects have project debt. How would you -- would you just basically take out the project debt or assume -- or most of those on -- have project debt that was an amortizing loan, so you're kind of near the tail end of that debt. I'm just curious about kind of taking a project off the books of a nonregulated developer and put it into a utilities rate base?

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

Yes, good question. I think we probably would not look to transfer, obviously, the project debt because it's relatively fully amortized. It would probably be a full buy-in. And so we purchased this on an unlevered basis. And obviously, some of those proceeds would go to -- take out the existing project debt. So they think about it as a pure rate base investment on the PPA buy-in side.

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

And Michael, your first part of your question, you are correct. None of this is in our current CapEx guidance. The PPA buying and repowering, we're able to get those negotiated. Those would be upside or in addition to our current guidance.

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

Our next question comes from Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Just I apologize, but if we could just go over the investment income and the expectations for 2022. When looking at Slide 14, I assume that the investment income -- let me ask you this. So what do you -- and I apologize for not just completely getting this. But in 2021, what is the expected investment income in total? I see it's $0.12 so far to date. But with the SPAC and everything else that you're talking about, where is it going to sort of come in, in 2021?

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

Sure. In 2021, on the power marketing side, we've probably got about $0.05 of total impact from investment income that comes from a couple of sources. Some of that is, we, like a lot of other utilities, invest in other funds, Energy Impact Partners is one of those. So some of that is the mark. Some of that is, as I mentioned before, earlier in the year, on a direct investment side, we actually had an actual monetization of that, and that's probably the disproportionate share of that through the first half of the year is that monetization event. So it's a combination of those 2 things. Obviously, that contributed to exceeding our expectations on the upside, obviously.

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

And I'll just clarify. Kirk is absolutely right. He prefaced that and said power marketing, but that's the Evergy Ventures investment arm.

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

Evergy Ventures. Yes. Evergy Ventures, the investment arm. Thanks, David. And then if you look forward into 2022 and beyond, as I mentioned before, that $0.05 is outperformance. On an ongoing basis, certainly in our '22 guidance, it's more like a $0.01 or $0.02 on the Evergy Ventures contribution.

Operator

Our next question comes from Travis Miller of Morningstar. (Operator Instructions) At this time, I'd like to turn the call back over to David Campbell for closing remarks. Sir?

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

Great. Thank you very much. We appreciate all of you joining us this morning. We look forward to seeing many of you in person next week at EEI. Signing off.

Operator

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