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PRESENTATION

Operator

Thank you for standing by, and welcome to the Q3 2020 Evergy, Inc. Earnings Conference Call. (Operator Instructions)

I'll now turn the call over to your host, the Vice President, Corporate Planning, Investor Relations and Treasurer, Lori Wright. Ma'am, you may begin.

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

Thank you, Jesse. 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 contain a list of some 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 Terry Bassham, Evergy's President and Chief Executive Officer; and Tony Somma, Executive Vice President and Chief Financial Officer. 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 Terry.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Thanks, Lori, and good morning, everybody. I'll begin my comments on Slide 5. So today, we reported third quarter GAAP earnings of $1.60 per share compared to $1.56 per share earned in the third quarter of 2019. Adjustes earnings per share were $1.73 in the third quarter of 2020 compared to a $1.57 in the same period a year ago.

Third quarter results were driven by significant cost reductions, an increase in weather normalize demand and fewer shares outstanding, partially offset by unfavorable weather. Year-to-date, GAAP earnings per share were $2.49 and in line with $2.49 in the same period last year.

Adjusted EPS were $2.82 this year compared to $2.55 a year ago. Throughout the year, we've managed cost to withstand a number of headwinds, including the impact of the global pandemic, unfavorable weather and less than planned COLI proceeds. Our solid execution has resulted in our ability to deliver a great quarter and gives us confidence in the outlook for the year. Reflecting our strong performance, we are narrowing our 2020 adjusted EPS guidance range to $2.95 to $3.10 by raising the low end.

Additionally, dividends are an important part of our total return story. You can see from our press release, the Board increased the dividend 6%, which underscores their confidence and our execution of the sustainability transformation plan or what we refer to as STP. Again, this is a great quarter, and I commend our team for the outstanding execution in these tough times. In addition to the over 3,000 dedicated employees and our frontline operations, power plants and other areas, we continue to have over 2,000 employees working remotely and will continue to do so into 2021. I'm proud of the resiliency and adaptability our team has displayed in dealing with the challenges brought forth by this pandemic.

Before I update you on our STP process, let me touch on the CEO search process. After announcing my retirement in August, our Board formed a CEO search committee to find the right leader to execute our STP. The Search committee is currently interviewing quality internal and external candidates and just know that the process is ongoing, and we still expect to have someone named by the end of the year.

Now turning to Slide 6. As we have discussed before, the strategic review and operations committee and our entire Board evaluated our new higher performance STP against other strategic alternatives available. The results were unequivocally and unanimously clear that our high-performance STP was the most valuable plan. It enhances value through infrastructure investment, cost reductions, while balancing the interest of customers, shareholders and communities. Our STP is focused on 3 core objectives: maximizing long-term value for our shareholders; serving the best interest of our customers, employees and communities; and continuing to advance our progress as a forward-thinking, sustainable energy company. Consistent with these objectives, our team has already began execution on these priorities set out in the STP.

Our operations planning team is a clear line of sight into our incremental 2021 grid modernization plans, which include new projects that will develop a more flexible grid to enhance customer reliability. Our increased focus on substation and grid communication upgrades will overhaul aged equipment with modern technology and controls that will benefit our customers and communities for years to come. We've also invested considerable time and effort into robust stakeholder engagement to ensure our constituents fully understand the STP. Some of this engagement has taken place within the structured IRP process. We've also been working with stakeholders outside of the IRP framework by developing a schedule for STP workshops to educate and gather feedback from our regulatory commissioners and our important stakeholders.

Additionally, we have been identifying metrics that we plan to use to track our success executing the STP. There are relevant indicators around cost reductions, including both nonfuel and fuel as well as tracking infrastructure investments by category that we will periodically update you on throughout the year. We will use these potentially other metrics as we pursue highly strategic, value-focused approach to display a transparent track record of execution, accountability and results.

Now looking at Slide 7. Part of the vision within the STP is advocating for enabling energy policies that promote reliable and clean energy within our states. While the legislative sessions won't kick off until after the first of the year, that hasn't slowed us down from engaging with interested parties on potential legislation. Through this dialogue, our confidence has grown in the clear desire across a diverse stakeholder base to enact long-term energy policies that will move Kansas and Missouri forward. While there are many solutions to deal with, remaining net investment in fossil plants being considered for retirement, securitization is one that can be more economical for customers. As a result, securitization is a topic that has come up in both states, and will be discussed in the 2021 one sessions. Robust stakeholder engagement process around our upcoming IRPs is also well underway. While these discussions are not public, the feedback we've been receiving has been constructed. We'll continue to meet with the parties in these dockets over the coming months to discuss modeling scenarios and get feedback on preferred plans. We will file the Missouri IRP by April 1 of next year. And the Kansas IRP by July 1 of next year.

I'll now move to the regulatory front, beginning with an update on the KCC docket related to concerns about our agreement with Elliott Management. The commission ordered this docket be closed, affirming that we had met all of our obligations in that docket, and any remaining issues be handled in the KCC's STP docket. Kansa's STP review docket parties met throughout October to discuss schedule proposals, and we expect the filing soon to propose a jointly developed procedural schedule to the commission. It's likely the docket will extend into the middle of next year to allow how for full stakeholder feedback.

Turning to Missouri. In October, the MPSC staff requested commission and the commission granted, an extension for their STP report to January 29, 2021. This allows staff more time to study our plan and receive any updates or further develop details that could be meaningful to the report. As a reminder, we don't expect the commission to take specific action regarding STP in either of those dockets. Main purpose is to gather other information on and review our STP and ensure our continued resolve in meeting previous merger commitments while providing a forum and repository for stakeholder feedback.

Lastly, let me touch on our COVID-19 accounting authority order request. In Kansas, the commission approved our request to track expenses and lost revenue associated with COVID 19. In Missouri, we reached a nonunanimous settlement with the MPSC staff and many other intervenors last month, which request the commission issue an order that authorizes us to track and defer incremental costs caused by the pandemic. Hearings on the matter are scheduled for mid-November, and we expect the commission order in January. We realize this has been a hard time for our customers and communities. Last month, we wrapped up our hometown economic recovery program, which awarded grants totaling $800,000 to nonprofit agencies. The goal of this program is to help our communities build back their local economies by retaining and attracting new business, developing workforces and supporting small businesses. This was all part of our largest to date focused charity investment which we announced in May and committed $2.2 million from our foundation to help agencies, customers and communities respond to and recover from the COVID-19 pandemic.

Let me wrap up on Slide 8 before handing it over to Tony. Our STP creates a compelling value proposition for shareholders and is predicated upon a proven track record of achieving cost reductions and executing on infrastructure investment, both of which provide tremendous value to customers while keeping rates affordable. Our capital plan is traditional, straightforward infrastructure investment strategy that is diverse across our service territories without large project risk. Combination of our competitive targeted 6% to 8% EPS CAGR through 2024, and an attractive dividend growth profile offers a compelling value proposition. The STP focuses on not only grid modernization, but also accelerating the transition of our generation portfolio. Resulting in greener, more reliable, affordable energy for our customers and line of sight to continued earnings mix growth and value creation for Evergy's shareholders.

While we already provide carbon-free energy equivalent to around 50% of our retail energy demand, our remaining coal fleet provides a significant opportunity to further decarbonize and enhance our environmental profile. The policy enablers we're pushing -- pursuing would allow us to leverage the remaining plant value of our coal fleet to reduce capital cost and upon retirement, eliminate fuel and maintenance expense. This will allows us to add modern generation capacity with renewable investment over time. These circumstances, when paired with our prime geographic location, your attractive wind and solar potential make us uniquely positioned to execute a decarbonization strategy that would create significant cost savings for customers. We have an exciting opportunity in front of us. And that is a true win-win scenario to keep rates competitive while growing sustainable rate base that will be value-enhancing for our customers, communities and shareholders.

Our execution has produced another strong quarter and great results year to date. We're very excited about the momentum of our plan and the long-term prospects to deliver significant value to customers and attractive returns for our shareholders. I'll now turn the call over to Tony.

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

Thanks, Terry, and good morning, everyone. I'll start with Slide 10. We reported third quarter 2020 GAAP earnings of $1.60 per share compared to $1.56 per share in the third quarter of 2019. Adjusted non-GAAP earnings increased $0.16 to $1.73 per share compared to $1.57 per share in the same period a year ago. As shown in the chart on Slide 10, EPS was driven higher, primarily due to lower O&M expense and fewer shares outstanding, partially offset by lower gross margin, driven by unfavorable weather. For the $0.10 of other margin, we estimate about half of that is due to increase in weather-normalized demand with positive residential demand being partially offset by lower commercial and industrial demand. Additionally, there's another $0.02 from our energy efficiency programs. The $0.04 of other for the quarter is primarily due to the timing of when income tax benefits for tax credits and other tax items are recognized. Turning to weather, compared to last year normal, we estimate weather-reduced earnings by $0.17 and $0.08, respectively.

Now on Slide 11, I'll touch on year-to-date results. Year-to-date GAAP earnings were $567 million or $2.49 per share compared to $606 million or $2.49 per share for the same period last year. Adjusted earnings were $642 million or $2.82 per share compared to year-to-date 2019 adjusted earnings of $621 million or $2.55 per share. Primary drivers compared to last year include our significant cost reduction efforts and fewer shares outstanding, partially offset by lower sales, primarily due to unfavorable weather, higher depreciation expense and an increase in interest expense. In the third quarter, we reduced our adjusted O&M by $41 million and year-to-date by $103 million. Some of the cost savings we experienced year-to-date relate to the prudent deferral of planned outages from early in the year to the fourth quarter as we monitor the impacts of the pandemic. Additionally, we sent some of our employees and contractors to help other utilities to deal with storms, which has resulted in being a little behind in our tree trimming and line maintenance versus our plan. We will do some catch-up work on these items in the fourth quarter. And as a result, while we plan to hit our 2020 O&M target spend levels, we also expect less favorability in O&M in the fourth quarter compared to last year. We continue to see the industrial logic of our merger coming to fruition and by the end of this year, we expect to surpass $300 million of cumulative net merger savings. Efficiencies are being realized across the business units through attrition, voluntary exit programs, leveraging the size and scale of our business and implementing technology solutions. Turning to weather. We estimate weather year-to-date through the third quarter has been $0.18 unfavorable compared to last year and around $0.08 unfavorable when compared to normal.

On Slide 12, let me update you on trends we're seeing with COVID-19 sales impacts. As we stated in our second quarter call, commercial and industrial sales declined significantly during April when businesses were shut down and improved in May and June as the economy opened. At the time, we were expecting a slow and steady recovery through the remainder of the year. And fortunately, that's exactly what we've experienced throughout the summer. We're still seeing commercial and industrial sales -- we're still seeing lower commercial industrial sales, but there was an encouraging trend throughout the quarter as we continue to experience elevated residential sales that modestly offset C&I degradation. It's hard to see how this trend will play out for the remainder of the year. With many schools implementing a hybrid approach and folks continue to work from home, absent a wide spread shutdown of businesses, we could continue to see residential sales help offset the lower C&I sales. Even though we've seen waves of the virus, our state and local economies have been fairly resilient thus far.

For the third quarter, our estimated weather-normalized total retail sales were up about 1% compared to the same period last year. Residential sales were up roughly 7%, while commercial and industrial sales both declined about 3%. We remain optimistic to realize there are still many unknowns with the coronavirus, particularly whether there will be further impact during the overlap of the flu season.

Wrapping up with an outlook for the remainder of this year and into next year. As you can see on Slide 13, we've updated some of our earnings drivers in addition to narrowing our EPS guidance range by raising the low end. Absent large setback of COVID-19, we're expecting to continue to see a slow and steady recovery through the end of the year. As I mentioned previously, we expect to incur some of the costs that were deferred from earlier this year and with that in mind, we expect cost savings to be less of a driver for the fourth quarter, and we've narrowed our annual adjusted O&M target to 8% to 10% lower than 2019. Our guidance includes $20 million of COLI proceeds. And it's worth pointing out that we had only received $4 million through the end of October. Our forecasted annual effective tax rate remains at 13% to 15%. I will note that our effective tax rate in the fourth quarter of 2019 was extremely low due to the amortization of excess deferred income taxes and a return to a rate closer to our 2020 guidance range is something to consider for this year.

Moving to Slide 14 with 2021 considerations and preliminary drivers. After resurgence of COVID-19, we expect weather-normalized sales growth in 2021 compared to 2020. And we'll continue to monitor the lingering impacts of COVID-19 through the winter months and form more specific annual guidance for 2021.

We have significantly reduced nonfuel O&M over the last 2 years, and we expect to maintain momentum as we begin implementing the STP-identified savings. Our original merger savings plans were outlined through 2022 as we layered on incremental savings opportunities through our STP work, we identified and extended these efforts through 2024. As part of the STP, our team has created charters to detail these savings opportunities, and we are viewing 2021 as a year to implement newly identified STP savings initiatives. We are confident in our ability to remain on plan for cost reductions in 2021 to reaffirm our long-term target of reducing nonfuel O&M by $210 million from 2019 through 2024.

We expect capital deployment increases by around $150 million with all the year-over-year growth coming from transmission and distribution segment. We plan to spend over $400 million more in T&D, while our investment in the generation, general and other segments will be reduced by around $280 million. The identified additional FERC investment will be reflected in our 2021 formula rate update which we currently estimate will increase transmission revenue requirement by around $30 million. Obviously, as expected with a larger capital plan in 2021, we expect to see higher depreciation expense of around $30 million to $35 million, even when considering the favorable depreciation treatment for PISA qualified projects in Missouri. Now COLI programs are difficult to predict. We expect to include a place hold over 2021 that is in line with our current 2020 guidance.

Lastly, we're forecasting an effective tax rate in 11% to 13% range. The effective tax rate will be driven from lower -- from the lower state income tax exemption for electric utilities in Kansas starting in 2021, which will be offset with lower retail revenues as the savings is passed through to customers. We remain confident in our target of long-term 6% to 8% EPS CAGR. And as we've mentioned previously, in the early years, including 2021, earnings are expected to be towards the bottom end of our range. We are very confident in our ability to deploy capital, finance that capital and stay on track with for the long-term cost reduction targets. The pandemic does create some lingering uncertainty with sales. So we continue to monitor trends and plan to issue formal EPS guidance and updated drivers on our year-end call in February.

I'll now turn the call back to Terry.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

All right. Thank you, Tony. And with that, I'll turn it over to Jesse, and we're ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) First question is from the line of Shar Pourreza.

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

So just 2 quick questions here. Just on the timing of the IRP and sort of the STP dockets. Curious, like how do you sort of formulate these IRPs mid next year if the STP dockets are continuing into next year? So are you going to have enough feedback there to file these IRPS? So how do you sort of bridge the timing between the STP conclusions and the IRPs? I have to imagine what you find from the STP process will provide a guidepost for the IRPs. So just curious how do we bridge the timing gaps there?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Well, actually, I would kind of think about it the other way around. The STP is an overlay and will include the IRP findings. And so the IRP is a very specific process with intervenors who -- participating in depth, and those will help us to add to, if you will, the long-term future of our generation profile. The STP, as you know, is highly focused on the front end of the plan with T&D and other investment, which is very traditional and not as involved in the IRP process. That make sense?

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

It does.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

The IRP is in general, a long-term generation planning process.

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

Got it. And sorry, Terry, what was the timing on the Missouri outcome for the process for the STP?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

It's filed in April, April 1 of next year and Kansas in July.

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

Got it. And then just lastly, any updates on sort of the Elliott information sharing agreement? Has that lapsed? Where is that sort of an event?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes. The agreement terminated by its own terms earlier this week, and we're no longer under any agreements with Elliott since its termination.

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

Was -- is there anything you can update us that came about from that agreement? Or -- because you're still searching for the CEO, right? Whether it's internal or external. So what actually came out of that agreement?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Well, obviously, the agreement as a whole was the basis for our entire process that it created the STP, the kind of the back-end extension, if you will, was for the opportunity to participate under the information sharing part of that during that time period. Again, the period is run, the agreement has run and there's not (inaudible) in place.

Operator

Next question is from the line of Julien Dumoulin-Smith.

Dariusz Lozny - *BofA Merrill Lynch, Research Division - Research Analyst*

It's Dariusz Lozny on for Julien here. Just wanted to ask briefly about O&M reductions. You guys, as you mentioned in your remarks, reduced the high end of the 2020 cuts from 11% to 10%. How should we think about that in the context of 2021? Obviously, you've got the longer range reduction based in there through 2024. But should we think of maybe the the longer range target as more front-end loaded given that presumably there may be some savings from '20 that go into '21?

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

This is Tony. We're still going through the -- finish up our planning process for 2021, which is why we didn't really give specific driver on O&M just yet. I think what we've shown in 2020 in prior years, this sets the table quite well for 2021 and years beyond for our ability to push towards that number of $210 million lower nonfuel O&M starting from 2019.

We did discuss a little bit, I think, about the overlap between what was traditionally or originally the merger savings and which now the STOP provides us with additional O&M savings that we're just starting to chart and ramp up. So there's kind of an overlap of that process in '21 happen as well.

Dariusz Lozny - *BofA Merrill Lynch, Research Division - Research Analyst*

Great. And just one more, if I may. And shifting gears a little bit to the prospect of securitization, which you also mentioned in your remarks. Is there anything in either Kansas or Missouri that we should be looking out for as far as milestones in a lame duck session potentially in calendar '20? Or is that entirely a '21 item?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

No. Well, I would say, in terms of seeing or hearing things, it would be a '21 item.

A lot of work is going on. A lot of conversations are going on. There'll be a lot of things that are happening between the interested parties, leading up to the beginning of the year, but they wouldn't be that visible. It will basically be a '21 item from, I think, what you're talking about perspective.

Operator

Next question is from the line of Paul Patterson.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So first of all, on the STP, I know you guys are having discuss options and stuff, what would you say are the biggest concerns or topics that are sort of -- that are in front of center people's minds that you're encountering with respect to the STP?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

I think the top concern is always going to be the effect on rates, the effect on customers. So we believe the STP balances that, provides for the ability to use traditional investment to improve reliability and bring in technology without large increases to rates. But certainly, that will always be their focus is can we execute? And will it ultimately have an impact on cost, which we think we're able to show, has been considered upfront and tied in quite nicely.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then with respect to the cost, could you maybe remind me what the expected rate trajectory that you guys have with respect to just rates in general that you have in Kansas and Missouri. What is the -- if I recall, it was kind of 2% or something. Am I correct?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes, CAGR of about 2%. That's right.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then I guess the second one is sort of a procedural question or sort of a -- there's sort of an unusual thing going on in Kansas with the STP and this effort to get Elliott as a required party by the industrial customers, I guess, some other people sort of agree with that. And I understand where you guys are completely coming from procedurally, I understand sort of the arguments I've read. And I could completely understand why you guys don't think that's a great idea, the presidential issue, et cetera. Where I'm a little bit confused though would be -- because this is kind of new, at least I can't recall this sort of coming up before ever. What would be the practical -- or would there be a practical impact or something? In other words, if this were -- if the kick -- I assume it hasn't been ruled on yet, at least, I haven't seen anything. I guess my question is, if, in fact, the kick proposal or motion was accepted, what would it practically mean on the ground? Would it just be sort of a procedural headache? Or would it be -- or is there anything more that we should think about with respect to its potential ramifications?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes. I would say if you first -- yes, you've read our brief, you understand this is not appropriate. And don't believe it should be approved. Practically, if it were -- and I couldn't tell you everything that might come from it. But practically, what I would tell you is it shouldn't have a large effect either. As you read our brief, you would understand that we came to an agreement with a shareholder around how to evaluate issues. But in the end, the fiduciary duties and the work around the STP and the final decisions were all ours, and we made those. We were happy that when we announced the STP that Elliott was supported. But to suggest that they've somehow taken some level of responsibility for our fiduciary duty, which seems to be the -- the argument is just simply not true. And if they granted some kind of ability to evaluate that, that's exactly what they'll find. So it's not appropriate. But even if they rule, they wouldn't find anything other than what we've been saying, which is we work with the shareholder holder to evaluate opportunities. But the Board and management of this company made the decisions around how to move forward, and we're confident in their outcomes. And that was our job. And we've done it and done it well, I believe.

Operator

(Operator Instructions)

Next question is from Michael Lapides.

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

Congrats on a great quarter and a lot of progress and change underway this year. Just to tell as I'm thinking about the legislative requests or some of the things you're going to see -- I mean, obviously, you guys talk a lot about securitization. But how should we think about other potential (inaudible) that could influence or revise, I guess, the rate making process in either Kansas or Missouri to help produce lag.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

I've got Chuck Caisley, who's our Chief Customer Officer and leads that area -- why don't I have him talk a few minutes about those options. Chuck?

Charles A. Caisley - *Evergy, Inc. - Senior VP of Marketing & Public Affairs and Chief Customer Officer*

So what I would tell you is, obviously, securitization helps us look at retiring the fossil assets that we have. But as important as securitization I think, is making sure that anything we do does minimize any lag that might be created. And so specifically, we're looking at aspects that would or provisions within legislation that would allow us to have some certainty around the reinvestment of the proceeds as well as smoothing the timing of gaining the proceeds from the securitized assets as well as the reinvestment. So it wouldn't be subject to a situation where you take something out of rate base, but then it's a year or 2 until you're able to realize the benefit of the reinvestment. And then finally, I think it's just important to remember that in Missouri we have to maintain and be able to maintain our finance and service accounting, or PISA authorization.

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

Got it. But is there anything you can do to help -- I mean, think about both jurisdictions, both jurisdictions still have historical test years, PISA helps, but PISA has caps and pieces, not cash. Is there anything you could do that's more or it's limited in the amount of cash rate increases? Is there anything you can do legislatively and seek to move from a largely historical test year format for generation and distribution investment in both states? So something that's more -- either has trackers or has the full multiyear forward-looking component to it?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes. I mean I think there are multiple potential possibilities, as you suggest there. I think that the real trick will be to find the right combination that is passable in both legislatures. And with respect to securitization, those issues are known, fairly well understood and have significant coalitions built around them. I think when you start talking about what some parties may consider fundamentally altering the historical structure of the regulatory process, you could get into some more pushback, and we're really interested in moving this legislation -- legislative package forward. But again, there are multiple things that have been discussed in the past from performance-based rates to decoupling and things like that, that -- and then various riders and trackers that can be looked at.

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

Got it. And then one last 2020 kind of guidance question there and this is probably for Tony. You've recognized very little COLI so far, but you maintained the $20 million of COLI in your 2020 guidance, where it's what, November 5 right now. That -- this is a little difficult to ask, I guess, is there something that you've seen that gives you conviction in that $20 million being realized? Or is that just kind of your normal annual placeholder from that?

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

Michael, I think it's just kind of a normal annual placeholder, and there's obviously a couple of things we looked at when we looked at our guidance this year and particularly having 3 really good quarters behind us. And looking at what we've been able to achieve on our cost savings. And we were just pointing that out as that could be a potential headwind, but we have levers, obviously, that we feel comfortable with to narrow the range now at $2.95 to $3.10.

Operator

Next question is from Durgesh Chopra.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - Associate*

Just going back to the -- just going back to the STP. So as I understand it, right, and I think you said this in your prepared remarks, no sort of official approval from the 2 states so how should we -- like what should we be watching for in terms of milestones here, Terry and Tony, between now and your rate cases and sort of towards the latter of your 5-year plan to keep track of things and to sort of ensure that things are moving along from a regulatory perspective?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Well, okay. You said regulatory perspective at the end. So again, we'll be talking to you about our process and execution on the STP, because, again, remember, these dockets are for information, there's no request for approvals, there's no large projects that require approvals. So we'll be updating you on our execution on the capital and the O&M, et cetera. From a regulatory perspective, I think the big ones are that, obviously, we'll have an IRP in the spring that April, Missouri will be the first (inaudible) STP, it'll be working over-the-top of that. There is, I think, January -- late January date now for the Missouri staff to file a report. So that's -- that will be worth watching. But again, the report out should be commentary, if you will, or views of the STP, but not a ruling far anything or against anything. So again, as we've said before, this is not typical, maybe, but it does give us the ability to work with parties and have some insight into our plan into the work we're doing. So we think gives us a lot of opportunity to do some groundwork ahead of time so that regulators see exactly what we're doing and get buy-in from that perspective. And if there are some concerns, we'll hear that. But again, I think we feel good about the process that's been discussed and the integration between that and the IRP, I think, will work very nice.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - Associate*

Got it. So it's mid- to late next year is when we would hear -- when we would see some commentary from the 2 state commissions?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Probably more like midyear. Yes, probably late summer after the IRP, both states have been filed.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - Associate*

Excellent. And then just a quick follow-up on securitization. Just can you confirm that in your current 5-year plan, right, obviously, that is a huge long-term opportunity. But in the current 5-year plan, there's like maybe 1 or 2 projects that sort of you would require securitization for? And what are those plants that you would require securitization for?

Kevin E. Bryant - *Evergy, Inc. - Executive VP & COO*

Durgesh, this is Kevin. So within the STP, we had -- we've assumed one generic plant retirement of about 500 megawatts. So you can compare that to some of the sizes of the plants within our current mix. But again, it's in the out years of the plan. It's generic. We want to make sure we keep it clean, so we can go through our IRP process. And and again, it would be one of our smaller units. So the impact from a securitization perspective is pretty modest. We really think about securitization as the potential to accelerate more retirements into the 5-year window. So a pretty modest impact on the STP, but doesn't decrease our intensity of pursuing the enabling policy change, as Chuck mentioned.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

And remember, we've talked about that our work on even a longer-term T&D perspective, if that got delayed a year or was something that wasn't as timely, we've got the ability to backfill that CapEx plan with additional work that we already have a vision toward. So it should keep us in a position of having a consistent growth rate that we've talked about through the full 5 years.

Operator

Next question is from the line of Steven Fleishman.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Analyst*

So just -- I guess, first question is just from -- with legislation and focus. I'm curious if there were any changes that occurred politically with the elections in your states this week just to kind of give a framework for that or everything pretty much the same?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes. Nothing material that would affect our discussions. Governor in Missouri was reelected or elected, I guess, for the first time, Governor Parsons, and remember the governor in Kansas was not up for reelection. Other elections went consistent with what we would expect and nothing really surprising.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Analyst*

Okay. And then going back to the question on the Elliott agreement -- standstill agreement ending. Have they indicated at all what their intentions are from here in terms of just ownership of the stock or any strategic stuff?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

No. And we talk with shareholders all the time, and we'll continue to be in communication with Elliott from to time, I'm sure, but no, nothing specific.

Operator

Next question is from the line of Kevin Fallon.

Kevin Fallon

I just wanted to follow-on on the STP. That -- is effectively the process here that there is no formal approval or anything like that at the end. It's just kind of like foreshadowing on how the future rate cases are going to go? Or is there a potential to maybe settle something or get some higher level of like prudency determined?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

So -- yes, I mean, if we had not been in a very public discussion around the Elliott agreement, then I would suspect, just like back in February -- year-end call, when we announced a shift in additional capital at the conclusion of our stock buyback program, we didn't have a docket. We didn't have a process, and our announcement didn't require approvals. That's no different here. But obviously, as a result of all that, we sit in a process where we have the ability, both through the IRP and the STP, to get inputs and then IRP requires a filing. To your point, there won't be a prudency (inaudible) or a prudency finding in the STP. We don't have any large projects that would require that kind of pre-approval. What we do think, though, to your point is that we will be able to see people's views of the plan as a whole and kind of how that works in the context, again, of cost to our customers. And we think that's a benefit. But we wouldn't see -- we don't believe any kind of pre-approval or prudency determination on the plan given the way it's structured.

Kevin Fallon

That's very helpful. And just a clarification. The review process that the Board underwent as part of the Elliott process earlier, does that mean that you guys have formally ruled out M&A as a future path to pursue and that the strategic -- or the FTP is the -- not just the preferred, it is the way that you're going to go forward and M&A is off the table? Or is it less definitive than that?

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Well, our Board of Directors and our company will always do our fiduciary duty with regard to any proposal or any process that would provide shareholder value greater than our current plan. Having said that, we went through a very deliberate, very exhaustive process back in the summer that's just a few months old, and we're very much committed to our STP, and we're working to execute on that as we speak.

Kevin Fallon

Okay. That's very clear. And then just last on kind of an accounting question. It looked like there was a big step-up in other revenues in the quarter, which I just wasn't sure what drove that?

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

This is Tony. Some of that was due to the energy efficiency initiatives that we get compensated for. And then as well as we've had some increased weather-normalized demand. I think that I talked about in the script.

Kevin Fallon

Okay.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Yes, it's [MEA]. MEA is the proper acronym in Missouri.

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

[MEA] is the acronym, yes.

Kevin Fallon

And there's some offset to that in the O&M line? Or is that all just margin to the bottom line?

Anthony D. Somma - *Evergy, Inc. - Executive VP & CFO*

On [MEA], there is offset on the O&M, but there are some performance incentives and throughput incentives that do not have a cost associated with them.

Operator

(Operator Instructions) No further questions on queue. Mr. Bassham, you may proceed.

Terry D. Bassham - *Evergy, Inc. - President, CEO & Director*

Thank you. Well, thank you, everybody, and obviously, look forward to talking to many of you next week at EEI Financial, even though not in person. We look forward to conversation. So thank you much. See me have you next week.

Operator

And that concludes today's conference. Thank you all for participating. You may now disconnect.