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OVERVIEW:
EVRG reported full year 2020 GAAP EPS of $2.72 and adjusted EPS of $3.10. 4Q20 GAAP EPS was $0.22 and adjusted non-GAAP EPS was $0.28. Co. expects 2021 GAAP EPS to be $3.14-3.34 and adjusted EPS to be $3.20-3.40.
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Evergy, Inc. - President, CEO & Director

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Fourth Quarter 2020 Evergy, Inc. Earnings Conference Call. Please be advised that today’s call is being recorded. (Operator Instructions)

I would now like to hand the call over to Lori Wright. Please go ahead.

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

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

Today's discussion will include forward-looking information. Slide 2 and the disclosure in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations and include additional information on non-GAAP financial measures. The release was 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. Other members of management are with us and will be available during the question-and-answer portion of the call.

I will now turn the call over to David.

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

Thanks, Lori, and good morning, everyone. It is my pleasure to join you on my first earnings call as Evergy's CEO. This is an exciting time for our company. We delivered strong financial performance in 2020 and have a tremendous opportunity to maintain our momentum and the company’s Sustainability Transformation Plan, or STP.

Before I jump into our results, let me touch on some observations in my new role. As you know, I joined on January 4, just under 2 months ago. Acclimating to a new company is quite different in this COVID environment. Even though I am not able to meet as many people in person as I would like, I've still enjoyed engaging with the teams remotely to get up to speed and have enjoyed hosting various introductory meetings with
important stakeholders, including our regulators in Kansas and Missouri, and many of you listening in today. I look forward to building deeper relationships as we move forward.

When I first began discussions with the Board about joining the company, I spent time examining the STP and the objectives it aims to achieve. I was attracted by these many value-creating opportunities and a strong fit with my skills and industry experience. As CEO, I’ve been able to gain more visibility into the plan, and I believe these value opportunities for both our customers and our shareholders are just beginning to be appreciated by The Street. Ultimately, my role is to optimize the plan and accelerate the pace of execution as possible and appropriate. As we advance down the path, I’m confident that Evergy can become one of the best, highest-performing all-electric utilities.

An important part of our journey will be our fleet transformation opportunities. Customers and communities want reliable, affordable and sustainable energy. Our geographic footprint is ideally suited for wind and well positioned for solar, which allow for a path to transform relatively high-cost fossil fuel into modern, low-cost renewables, all while ensuring reliability. We view this position as a competitive advantage, one that provides a true win-win-win as we think about shareholders, customers and the environment. Our current plan, which is comprised mainly of straightforward, highly executable efficiency improvements and utility investment lays the foundation by preparing the grid and enabling this compelling fleet transformation thesis over the next decade and beyond.

I’ve had the opportunity to make my first hire. Kirk Andrews joined us on Monday of this week as our Executive Vice President and Chief Financial Officer. You’ll hear from Kirk for the first time in a bit. His track record of leadership and execution as the CFO, his relationships and credibility with the capital markets and his wealth of knowledge and experience will be a tremendous value for our team. Kirk has been on the Evergy Board for the past year and played an integral part in the formation of our STP. I’m thrilled to have him as a member of the executive team.

Today, we’re also announcing further support for our company as a result of agreements with Bluescape Energy Partners and Elliott Management. John Wilder, who has an outstanding reputation for impact and driving value, will join our Board as the Chair of the Finance Committee. In addition, Senator Mary Landrieu, former 3-term U.S. senator for Louisiana and Chair of the Senate Energy Committee, will join our Board and bring a distinctive knowledge and experience in energy and national policy issues. Both will help us to execute the STP and enhance our ability to drive industry-leading performance across our business. Bluescape and Elliott have also committed to standstill another customary provision. I’ll circle back to those agreements later -- those agreements that we’ve signed today and to our new Board members at the conclusion of my remarks.

Turning now to Slide 5. This morning, we reported full year GAAP earnings of $2.72 per share compared to $2.79 per share earned in 2019. Adjusted earnings per share were $3.10 in 2020, compared to $2.89 per share in the prior year. The ability to overcome the unprecedented challenges of 2020 and deliver at the top end of our adjusted EPS guidance range of $2.95 to $3.10 per share is a testament to the disciplined execution of our team.

Overall, 2020 was a strong year. We achieved 7% year-over-year adjusted EPS growth. We adjust -- we reduced adjusted O&M by over $120 million or 10% in 2020 compared to 2019. So for the 2 full calendar years since creating Evergy, we have reduced adjusted O&M over $250 million, nearly 20%, delivering the cost-reduction opportunity that our team envisioned and well ahead of our merger commitments.

Consistent with our guidance, we raised our dividend 6% to an indicated annual rate of $2.14 per share. We invested more than $1.5 billion to enhance reliability, customer service, create jobs and invest in our communities. We implemented pandemic response plans, resulting over 2,000 employees working from home while those in critical operations functions changed their way of doing business and added extra preventative measures to ensure the continued delivery of safe and reliable power. We waived customer late fees and added payment options to help customers relieve some of the strain caused by the pandemic.

We launched our Hometown Economic Recovery Program, which donated over $2 million from our foundation to help local, nonprofits, customers and communities, respond to and recover from the COVID-19 pandemic.

Turn to Slide 6. As you all know, we recently experienced an extreme sustained cold weather event, the worst our region has seen in decades. As a result, our regional transmission organization, the Southwest Power Pool, had to take the unprecedented step of instituting a Level 3 emergency -- energy emergency alert. This required SPP participants to execute emergency load shedding power interruptions, which impacted some of our
customers. Fortunately, most of these customers weren’t without power for more than a few hours at the longest. We greatly appreciate our customers’ patience as we work through these horrendous conditions to coordinate these interruptions in order to prevent a larger or widespread event. As you can see in the pictures on the slides, our employees experienced those conditions firsthand and worked tirelessly to keep the plants and the grid up and running. I can’t thank my colleagues enough for their dedication and commitment in braving the elements to keep the lights on for our customers.

With respect to the financial impacts of the extreme weather event from roughly February 13 to February 19, that valuation is still ongoing. Overall, we were pleased with the performance of our generation fleet. Natural gas availability, in particular, was a challenge, and prices reached historic highs. Purchased power costs are expected to be higher as well based on initial settlement information from SPP received this week. In aggregate, across our jurisdictions, we estimate that our cost to procure natural gas and purchase power through the event were approximately $300 million. The purchased power portion of this number is expected to rise as it does not yet include Friday, February 19. More broadly, the purchase power costs will also be subject to ongoing review as part of the settlement process at SPP over the next 30 to 45 days.

As a general matter, we expect to be able to recover the excess costs associated with the event. The recovery is likely to occur over time to smoothe the impact to customers. Kansas has already passed an order authorizing the creation of a regulatory asset for incremental costs that we and other utilities incurred during the extreme weather event.

With respect to unregulated activities, we have a small power marketing business that historically has earned between $15 million and $30 million annually or less than 1% of our gross margin in a given year. After costs, this typically equates from approximately $0.03 to up to $0.07 of earnings per share. Activities typically include energy management services, optimizing transmission positions and small trading positions in a book with a closely monitored and limited bar. The expertise and knowledge developed by the group adds value to our asset management activities in SPP.

During the extreme weather event, purchases of firm transmission and a long position in ERCOT were the primary drivers of what is expected to be unusually high gross margin from this group. Given that settlements are still underway, financial analysis is ongoing. Overall, the potential impacts are expected to be positive and generate significantly higher results potentially in the range of 3x higher relative to the high end of what we earn from power marketing in a typical year. We’ll report on this matter as part of our Q1 call.

Slide 7 highlights key elements of our investment thesis. This morning, we initiated our 2021 earnings guidance with GAAP EPS of $3.14 to $3.34 per share and our adjusted EPS guidance at $3.20 per share to $3.40 per share. This range does not include the expected positive impacts from power marketing activities during the week of extreme weather. The $3.30 midpoint for our adjusted guidance implies a 7% compound annual growth rate from our 2019 adjusted EPS of $2.89. This is in line with the long-term EPS growth target of 6% to 8% from 2019 through 2024 that we reaffirmed this morning, reflecting the consistent progress that we’ve made in the initial implementation phase of the STP. Our EPS growth target plus current dividend yield of approximately 4% results in a compelling total shareholder return profile of 10% to 12%, competitive with other top-performing utilities.

For the STP to be successful, we need to deliver benefits for all of our key stakeholders. The plan was formulated with precisely that objective in mind, as summarized on Slide 8. Our cost-reduction efforts to date have meaningfully benefited customers. Evergy’s electric rates across Kansas and Missouri have declined since 2018, while most of our neighboring states have experienced increases over the same time period. The plan adds to this momentum through targeted capital investments that enable long-term and sustainable cost reductions as well as substantial fuel and purchased power savings. These lower operating costs will be reflected in our upcoming rate cases. The infrastructure investment will also enhance customer experience through better customer tools and systems while improving reliability by focusing on grid automation, digital communication and data analytics capabilities that we don’t have today. It will also contribute to local economic development efforts by creating jobs to implement grid and renewable generation projects. More broadly, a stronger, smarter grid and greener energy will help the overall competitiveness of our region.

Slide 9 lays out the capital expenditure plan from 2020 through 2025, including adjustments made as part of this year’s planning process. The total amount of projected spend from 2021 to 2024 is unchanged. Though there have been some relatively minor phasing and other changes, for example, the total renewable spend remains at roughly $700 million, that we are phasing the spend to match up with the publication of the IRPs and our renewable strategy work this year. In aggregate, these changes have no impact on our view of the company’s 2024 earnings power.
Lastly, we added our estimates for 2025 in a range of $1.85 billion to $2.1 billion, reflecting the robust pipeline of projects that we see for the balance of the decade through 2030. We plan to discuss 2025 in greater depth as part of our Investor Day later this year.

Slide 10 profiles what is an increasing area of focus for our company, advancing a continuous improvement culture and achieving high performance for key metrics across our business. As mentioned earlier, we significantly reduced our nonfuel operating and maintenance expenses from 2018 to 2020, and we’re targeting another 8% reduction by 2024, resulting in an overall reduction of 25% relative to the 2018 baseline. Our reliability performance is measured by SAIDI and SAIFI, also improved in 2020 in each case by around 5%. I’m pleased to report that our safety performance in 2020 was some of the best in our company’s history, for example, achieving a 50% improvement in the OSHA incident rate relative to 2019. These results are a testament to the continued dedication and commitment of our employees, even in the face of the harsh pandemic conditions. We’re proud of this strong performance, but we know that we have ongoing room to improve. We’ll stay laser-focused on safety, execution and the fundamentals of business performance.

Slide 11 lays out the significant progress we’ve made on our carbon-reduction efforts. We’ve achieved a 51% reduction from 2005 levels, which is far ahead of many of our peer utilities. That statistic is often overlooked, as is the fact that approximately 55% of the energy that we deliver to our customers is carbon-free, which also compares favorably to peers. The STP includes steps to enable the ongoing transition of our generation fleet and progress towards our long-term CO2 emissions reduction target. We expect to have attractive investment opportunities in new renewables generation that diversifies our portfolio and does so cost effectively, taking advantage of the ongoing efficiency gains in the cost of building new solar, wind and storage projects.

Along with investment in economic new renewables, we will also pursue constructive legislation that could facilitate our longer-term fleet transformation. To that end, we’ve heard some questions around the role of legislation plays in our plan. The securitization bills that we introduce in Kansas and Missouri this year are not necessary to achieve the plan nor are they critical to pass this year. Our 5-year financial forecast does not hinge on the passage of securitization. While the numbers that we present assume the retirement of coal plants by 2024, that actually contributes to a reduction in rate base of roughly $350 million.

Stepping back, securitization is a potential tool that can provide value for customers and the company over time, but it’s much more meaningful for our longer-term fleet transformation prospects, which are more likely in the second half of this decade and beyond. That said, it can take time for legislative solutions to be passed, so now is the time to move the conversation forward.

In parallel, our current integrated resource plans, or IRPs, are well underway with current filing dates of April 1 in Missouri and by July 1 in Kansas. We are likely to seek a short deferral in Missouri in light of the extreme weather event of this month. We’ve executed the stakeholder engagement process of our IRPs in both states and appreciate the input received from all of our constituents. While the IRP reflects a 20-year plan, really a set of potential 20-year scenarios, we expect it will provide a helpful roadmap for our future fleet transition, advancing the goals of reliability, affordability and sustainability. Later this year, we also expect to update our interim and long-term carbon-reduction targets, either in conjunction with the IRP filings or as part of our Investor Day.

We’re going to stay current with the dynamics in Washington and how they might impact our generation transition plans. The extension of the renewable tax credits in December, enhancing the competitiveness of wind relative to when we did our initial work on STP is a good example. These elements will be important as we advance forward with the renewables development strategy in STP. We believe that we will be able to frame a compelling proposition for participating directly in the build-out and ownership of renewables. Kirk’s responsibilities include the leadership of our renewables development efforts, and he will play a central role in ensuring that we are well positioned to do this competitively as well Chief Operating Officer, Kevin Bryant, and the broader team.

Before I turn it over to Kirk, I’ll cover Slide 12 and discuss the agreements we announced this morning with Bluescape and Elliott. As I mentioned, when I joined Evergy in January, I did so with a firm belief that the STP is the right path forward for our company and our stakeholders. Considerable analysis went into developing this plan, and meaningful progress is being made on it. We have a strong team across the organization to help ensure we capture the many benefits this plan creates. The addition of John Wilder and Senator Mary Landrieu to the Board brings valuable experience to help the Board to oversee the STP and enhance our ability to achieve top quartile and industry-leading performance across the company. John
is a proven leader. His track record speaks for itself, while Mary brings a wealth of public policy knowledge in areas of critical importance for our company. I look forward to working with the Board to implement the plan and ensure that we deliver on its objectives.

As you've seen, Bluescape will also be investing approximately $115 million in Evergy, and we’ll have the option to purchase additional shares over the next 3 years. This investment represents a clear vote of confidence in Evergy, our team and the value we can achieve through the STP.

In closing, our plan is focused on driving value and benefits for all of our stakeholders. The 2020 results and 2021 guidance that we announced today shows strong initial momentum, and we are reaffirming the 6% to 8% annual growth trajectory through 2024. Over the longer term, we see equally promising opportunities to invest in infrastructure and transform our generation fleet, harnessing the renewables potential in our region. Our all-electric utility franchise will also benefit from the tailwinds of electrification across the economy. We look forward to spending more time with you on our investment thesis and strategy at our Investor Day in the third quarter.

2020 was an unprecedented year with unprecedented challenges, and our team kept their eye on the ball to deliver strong results. We look forward to building on that track record through relentless execution of the STP in the years ahead.

I will now turn the call over to Kirk.

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

Thanks, David, and good morning, everyone. Having just begun my new role here as Evergy’s CFO a few days ago, I’m pleased to have the opportunity to speak with all of you so soon into my tenure. Having served on the company’s Board as well as on the committee which oversaw the creation of our Sustainability Transformation Plan, I was already well aware of the compelling value-creating opportunity the STP represents for Evergy and its stakeholders. As I’ve known and respected David for many years, I was even more compelled by the company’s potential under his leadership. So when he and I began our conversations about my potentially coming in as CFO, the opportunity represented an extremely compelling and natural next step for me. I’m very excited to be a part of Evergy’s bright future in my new role, and I’m really looking forward to being part of the outstanding team here that will help our company realize its great potential.

On that note, I’m very pleased to share more details about our strong outlook for 2021. But before I do, let me begin the financial review on Slide 14 with a review of the fourth quarter results. This morning, we reported fourth quarter 2020 GAAP earnings of $0.22 per share compared to $0.28 per share in the fourth quarter of 2019. Adjusted non-GAAP earnings were $0.28 per share compared to $0.32 per share in the same period a year ago. As shown in the chart, EPS was driven lower due to reduced gross margin as a result of 2 factors: unfavorable weather; and lower weather-normalized demand, primarily from the continued impact of the COVID-19 pandemic. Income tax credits were also lower, while depreciation expense was higher due to increased infrastructure investment. Collectively, these items were partially offset, primarily by lower O&M expense as we accelerated our cost-reduction efforts.

Now on Slide 15, I’ll touch on full year results. For 2020, GAAP earnings were $2.72 per share compared to $2.79 per share in 2019. Adjusted earnings in 2020 were $3.10 per share compared to 2019 adjusted earnings of $2.89 per share. Our greater than 7% increase in adjusted EPS was largely driven by an over 10% reduction in nonfuel O&M as we were able to accelerate some of our cost-savings initiatives from the STP to realize those benefits sooner. O&M was also lower due to reduced employee costs stemming from the pandemic, which helped mitigate the gross margin impact of reduced weather-normalized demand due to COVID-19. Lower O&M and reduced share count were partially offset by lower sales, primarily due to unfavorable weather and lowering commercial and industrial sales from pandemic impacts, higher depreciation expense and an increase in interest expense. As I mentioned, we lowered -- realized lower gross margin due to lower sales volumes versus 2019 due to 2 factors, which are shown in the first 2 bars on the left of the chart.

First, on weather. We estimate milder weather cost us $0.19 per share when compared to 2019 when weather actually drove higher-than-normal demand. In 2020, weather cost is only about $0.10 when compared to normal. The second demand driver was the pandemic effect, and we estimate full year weather-normalized retail sales were driven roughly 2% lower, leading to $0.07 per share, primarily due to COVID-19 compared to the prior year. The decrease of over $120 million in O&M versus 2019 is a true testament to the continuous improvement culture and our intense focus on building on our success and realizing merger savings by turning that discipline to capturing STP benefits more quickly. Our team continues to
push the envelope on opportunities to streamline, automate, digitize and enhance our processes and performance execution. This commitment to continuous improvement in cost, reliability and customer service will continue to drive tremendous value for all our stakeholders.

Turning now to Slide 16. We’re extremely proud of our success on these key financial objectives in 2020. As David mentioned earlier, we delivered adjusted EPS of $3.10, which was at the top end of our guidance range, representing a 7% increase from the prior year, placing us squarely in line with our long-term EPS growth range of 6% to 8%. We also increased the dividend by 6% last November and maintained our payout in the middle of our 60% to 70% payout range.

We delivered year-over-year reduction in adjusted O&M of 10%, which again was at the top end of our target range for O&M reduction. This was partially a result of pulling forward some of our 2021 savings initiatives. As you may recall, during 2020, we raised the bar on our target O&M reduction from what was originally 5.8%, and we’re proud to have achieved the upper end of that higher target range. As a result, we were able to hit the 2021 stride of total O&M a full year sooner than our original STP target.

Finally, our credit metrics remain strong, and we maintain CFO-to-debt in the mid-teens at the holding company and the upper teens at the utilities, both of which are above current credit rating threshold. We continue to maintain this balance sheet strength as we execute the STP without relying on additional equity.

Finally, turning to Slide 17, I’d like to provide a bit more detail on our new 2021 guidance, including earnings drivers versus 2020. As David mentioned earlier, our 2021 adjusted EPS guidance announced this morning is $3.20 to $3.40 per share. The chart provides a walk highlighting the key drivers versus 2020 based on the midpoint of that range or $3.30 per share, which implies a year-over-year earnings growth consistent with our long-term growth target of 6% to 8%.

Turning to key drivers versus 2020, and starting on the demand side. Our midpoint guidance is weather-normalized, implying a reversal of the $0.10 per share impact of milder-than-normal weather in 2020. Beyond this, we are expecting continued gradual rebound in sales and expect weather-normalized sales growth of around 2% in 2021. This rebound versus 2020 is due to 2 factors: first, we brought on a large, low-margin industrial customer in the Missouri West jurisdiction that ramped up throughout last year. A full year of the new load contributes to our improved sales outlook in 2021.

Second, although we don’t expect a return to pre-COVID sales levels until the back half of the year, we do expect continued high residential demand. Commercial industrial load, while still lower than normal, continues to pick up, which, when combined with the ongoing higher residential demand, leads to higher -- a more favorable mix, if you will, despite the lingering COVID effects through the first half of the year. This, when combined with more normal demand conditions as COVID abates through the second half of the year also helps drive higher expected weather-normalized demand versus 2020. After significantly reducing nonfuel O&M over the last 2 years and pulling forward opportunities last year, we expect O&M to remain relatively flat in 2021 as we've already realized our previous 2021 total O&M objective a year earlier.

We do see some upside levers that can be pulled if we experience lingering COVID impacts on sales. Importantly, we remain confident in our ability to achieve our long-term target of reducing nonfuel O&M by $210 million from 2019 through 2024, and we'll continue to seize upon opportunities to capture these savings while remaining ever focused on never compromising reliability and superior customer service.

Our planned FERC investments are reflected in our 2021 formula rate updates, which we currently estimate will increase transmission revenue by around $30 million. As expected with a larger capital plan in 2021, we also plan to see higher depreciation expense of around $30 million, even when considering the favorable depreciation treatment for PISA-qualified projects in Missouri. And finally, we've included $20 million of COLI proceeds for 2021, which would be about $10 million more than that we received in 2020.

We're very confident in our ability to effectively deploy the capital outlined within our STP while remaining on track with our cost-reduction targets to meet our long-term financial objectives. We're pleased to have delivered strong growth in 2020, and we are well positioned to do the same in 2021. Our compound annual earnings growth target plus our dividend yield provide a compelling total shareholder return potential that we believe compares very favorably with our peers. And I'm very excited to be joining such a strong team during such a transformative and exciting time for our company.
With that, I'll turn it back to David.

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

We'll now welcome questions.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Our first question comes from Shar Pourreza with Guggenheim Partners.

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

So just a couple of questions here. First, just on the Board appointments and Bluescape, Elliott agreement. I know John mentioned in the press release, just to quote, "refine and implement the STP for the benefit of all Evergy stakeholders." Can you just elaborate on what was meant by refine? Does that -- David, kind of relate to your prepared remarks around potentially accelerating the pace of execution, where appropriate?

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

So Shar, I'm glad you asked the question. The STP is our plan. We think the Board appointments today will really just help us to execute that plan and implement the program. I think, with any 5-year plan, you're always looking for opportunities to enhance and drive performance. But if the STP is our plan, they're really joining to help us execute the plan. Kirk, K.B. and I -- Kevin, Brian and I and the whole team will be looking for ways to shape and implement that plan over time. And we've had discussions in some of our meetings on -- are there going to be opportunities for further cost savings or driving that over time. I think the company has done a tremendous job as shown in 2020 before our arrival of being on a great trajectory of cost reductions. I'm sure we'll continue to focus on that, but we'd just emphasize that the Board appointments are to help us to implement and execute the STP, which is our plan. And we're very excited about that plan.

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

Got it. And then just the exercise option for additional share purchases by Bluescape over the next 3 years, is there any constraints or limits on how much can be purchased over that time frame at sort of that agreed upon price, which I guess is 20% higher than the current valuation levels?

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

Yes. The total size of the warrant grant is just under $4 million, so it could be up to that amount. They're not transferable for exercise, and it's just under $65 a share, a 3-year term. And so that's the overall setup for it.

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

Yes. And the mechanism -- Shar, it's Kirt -- allows to net settle that on the basis of the intrinsic value implied by the option at that time. So it's not -- from a dilution stand, because I know you always focus on that, it's not the full $3.95 million. So we've got that mechanism in our disposal.
Shahriar Pourreza - Guggenheim Securities, LLC, Research Division - MD and Head of North American Power

Okay. Perfect. That’s what I was trying to get at. And then just lastly for me, David, is the current sort of these winter storm fallouts change the conversations around securitization in Missouri? And do you think it’s going to sort of impact your ability to get legislation done this year? I mean, it seems like some of the legislators were focused on it in hearings last week, but it also sounds like, from your prepared remarks, you may be backing away from prior language of needing the securitization by ’22 to keep the plant on pace.

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

No. I think we think securitization is an important tool. We think that this extreme weather event is something they’re all going to -- the whole industry is going to need to step back and think about what it means. But we still think this is an important tool. It may reflect that for some of our units. Is a seasonal operation option or a more limited option going to be important, especially as we think about winter peaks and the winter season. We even think about how might that even fold into some of our legislative efforts over time. So I actually think that this event, if anything, helps to spur interest in the overall topic. So we found good engagement on securitization and the different pros and cons of it as part of the greater awareness of the whole issue as a result of the event.

So I don’t mean to imply at all that we’re backing away from securitization efforts. We think it’s an important legislative effort. We’re just trying to highlight that, as with -- we don’t develop a plan that’s dependent on new legislation. It’s a tool that can help. And we actually think the dialogue is even more constructive as a result of the difficult events that we’ve seen this month.

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

Got it. And then David, Kirk, congratulations on these appointments. And I’m sure you guys aren’t going to miss answering any more CDR questions in Texas. So congrats, guys.

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

Thanks, Shar.

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

Thanks, Shar.

Operator

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

Dariusz Lozny - BofA Securities, Research Division - Research Analyst

It’s Dariusz Lozny on for Julien here. Just wanted to ask about your 6% to 8% long-term EPS guidance target. I see you guys are delivering on that in 2021. I was just wondering, now that you’ve given a look in terms of your 2025 CapEx, how should we think about that 6% to 8% going forward, perhaps moving beyond the 2024 time frame?
David A. Campbell - Evergy, Inc. - President, CEO & Director

So we affirm the growth rate range target for 2019 to 2024. So we -- and there are some questions that I first started around and the management team coming in and trying to reset or rebate the plan. No. The management team is here to help execute the plan. And we benefit in Kirk's case that he was around on the Board to help develop the plan, too. So we do -- we are reaffirming 6% to 8% through 2024.

We introduced 2025 CapEx, but we're not yet speaking to the longer-term range. We're planning to cover that at the Investor Day. We expect to do that in the third quarter following our IRP filing. So expect to hear more about 2025 and going out another year at that time. But right now, we just want to make sure that everyone hears it clearly from us that we're reaffirming that 6% to 8% target through '24, and we look forward to having an in-depth conversation with everyone at our Investor Day in the third quarter.

Dariusz Lozny - BofA Securities, Research Division - Research Analyst

Okay. Great. One more, if I can, and this is on Slide 9 of your presentation. And apologies if I missed this, but your 2025 CapEx, it looks like there's some latitude to go beyond the $1.85 billion to $2.1 billion. Can you just confirm what that delta represents, please?

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

Sure. And so 5 years out, and we've talked about this, I think, in some of our discussions last quarter. We have a very robust pipeline of projects through the balance of the decade. And that's really to signify that, as we get closer to '25, if it makes sense, of course, we'll firm up that number over time. We've got a strong backlog, so we could see that number being higher. But of course, we'll look at that in the overall balance of considerations.

But we could certainly see that CapEx number trending towards the high end or the midpoint of that range. And it just reflects we've got that strong pipeline. And it's also shown -- this is something again that we'll be going through in our Investor Day. But what I've been pleased to see is that we've got a great set of projects ahead of us in the next 4 years. But then the balance of the decade, we've got a very robust pipeline as well.

Dariusz Lozny - BofA Securities, Research Division - Research Analyst

Okay. Great. That's all for me.

Operator

Our next question comes from Michael Lapides with Goldman Sachs.

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

Congratulations to both of you. Welcome to the new role in an exciting time. I have a little bit of a policy question, public policy question. And David, I'm curious. I know you're in your first rounds of meeting all the key stakeholders in both states. But just curious, given what's happened in the events over the last 2 weeks. Do you think there will be incremental concern about shifting even more and more away from solid fuel-type generation sources to more intermittent sources, for reliability purposes, I know environmental purposes and, clearly, costs are key -- and clearly, coal is on the wrong side of the ledger on both environmental and cost.

But I just wonder if we're in for somewhat of a paradigm shift. Does it mean fewer coal retirements? Does it mean more batteries, a bigger mix of gas? How do you think from a policy perspective folks in Kansas and Missouri are going to look at what's happened both there, but also south of them and think about kind of what the system should look like long term for reliability?
David A. Campbell - Evergy, Inc. - President, CEO & Director

So Michael, that’s a great question. Obviously, I’m new to Kansas and Missouri, so I look forward to engaging that dialogue with our key stakeholders here. I think we’re all going to learn from the event and, in particular, what the overall planning for reliability needs to look like for winter because the renewables profile matches up extremely well with summer peaks. High correlation with solar generally with the on-peak times, good ability to charge batteries. Wind tends to run at night or other times. The winter can be more of a challenge as we think about it. So as I think about that question, and it’s going to be a dialogue again with our stakeholders, I know for me I thought about, well, a big chunk of what you described is, can we replace energy production from fossil and from coal, which is higher cost and higher emissions, and replace a fair bit of that energy with ongoing renewables? But are we going to maybe need to think about seasonal operations or other factors, especially in peak months, where you’re still reducing the energy production from fossil and from coal pretty significantly, so you’re still getting a displacement, but you’re not losing the reliability benefit.

Now those plants were not designed to be peakers, so they’re not peakers. But at the same time, all coal units across the country have significantly increased their flexibility. I think, certainly, seen that in my past experience. And having those kind of units available for peak months, winter and summer, may be a more prominent part of the mix. So you may see -- again, this is -- we’re all going to have this dialogue and evaluate over time. We shouldn’t react in a long-term business like ours to 1 week.

But I think we may well see where there’s maybe less emphasis on retirement and more emphasis on variabilizing cost and keeping existing units that provide very critical support at critical times in the system. So that’s where I think the discussion might go. But what’s going to be important for us is that we participate in that dialogue, we listen. And I look forward to engaging with our key stakeholders in Kansas and Missouri on that. Because I think we all saw that, when you have sustained outages in the winter, and we’re very lucky that our outage is while unprecedented were relatively brief. It’s not much harder than the summer when you have those outages because it’s so cold. That’s very detrimental to health. And it’s that much harder to restart things when they’re off-line when it’s that cold. So much to learn.

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

I have one follow-on on that. When you look around at the coal fleet, meaning your coal fleet, and you look at facilities where given access to gas or existing or potential, are there coal units that instead of retiring you might consider just converting into a higher heat rate peaker? We’ve seen a bunch of that in other parts of the country. I just didn’t know if that was a low-cost alternative that also might provide emissions benefits.

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

That’s an insightful question, Mike. We have looked at that, and we’ll continue to. There are a couple of facilities where that could be an option, and then there are probably the balance majority where the pipeline infrastructure is simply not there, so it require a fair bit more than just converting, but I think that will need to be part of the discussion.

Now as we all know, with the wind and weather event, what happened is having that inventory in a fuel pile, a coal pile was pretty helpful and gas can be pretty hard to come by, so the -- that I think is going to need conversion to a more of a gas peaking kind of unit where possible. I think it should be part of the mix. But I think we’ll also want to think about -- because it is generally the case, and the winter peaks, in particular, the gas availability can become challenged or more expensive. But we have looked at that as an option in a couple of spots. But for many of our places, you need more extensive infrastructure build-out. It might preclude it being possible.

Operator

Our next question comes from Paul Patterson with Glenrock Associates.
Paul Patterson - Glenrock Associates LLC - Analyst

On the power marketing, I know you guys aren't putting it as part of your guidance, but it sounds like it was a positive. And I was wondering if you could maybe give a flavor as to what you're seeing there and why you're excluding it?

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

Sure. So as I mentioned, that's a real small part of our business. It's been in the business for a long time as part of the legacy Westar company. And we found it would be helpful to have because the regulated utility we still operate in a market. So having a group with commercial functions and insight in the market does help and add value to our asset management activities that are part of our core business, but it's historically been pretty small.

And it generally takes long positions and transmission positions and relatively limited trading positions. What was unusual about this event is that they had -- they still only have a relatively small number of positions and transition based, but they were long in ERCOT. So with prices being so high for so long in ERCOT is why even a quite small business with only a couple few small positions generated margins in excess of what's typical. The reason why we've excluded the -- kind of the excess performance during the week is that we don't expect it to recur at that size. This is going to continue, we think, to be a very small part of our business. So we're not going to -- it'll be reflected technically in our adjusted EPS, but we're going to describe what it is, make it very clear. And our guidance of $3.30 that we put out was -- did not include the expected positive impacts from the week's event. So it's a positive, but it's not something that this business we expect will continue to be quite modest size. So it's -- it did happen, and it's a reflection of the sustained event that occurred in Texas.

Paul Patterson - Glenrock Associates LLC - Analyst

Okay. And no, I don't think if it is a big driver, but it's historically -- but just so -- sort of curious as to -- and I apologize. I got just a little bit late. How big it might have been if you guys...

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

Well, typically, the business is -- so typically, the business is about $15 million to $30 million of gross margin annually. So after costs, it's been anywhere from approximately $0.03 to up to $0.07 a share, so small.

Paul Patterson - Glenrock Associates LLC - Analyst

And this quarter, what was it? I mean, it's not this quarter, but for 2020 for the...

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

Yes. So we haven't quantified it yet because the settlement process is still ongoing. What we estimate is that the results could be up to 3x higher than the high end of what we might earn in a typical year.

Paul Patterson - Glenrock Associates LLC - Analyst

Okay. Awesome. Okay. Well, that's good news. And everything else was answered.

Operator

Our next question comes from Charles Fishman with Morningstar.
Charles J. Fishman - Morningstar Inc., Research Division - Equity Analyst

I'm specifically looking at Slide 21, transmission investment over the next 5 years, '21 to '25. And it's going a little over $3 billion. And then I'm going back on in the investor slide back in January. The previous 5-year, '20 to '24, was $1.9 billion. Am I comparing apples to apples? In other words, on '21, is that all FERC jurisdiction transmission investment that's we're building?

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

No. It's not all FERC jurisdictional. That's our total transmission. I think you might be doing apples and oranges.

Charles J. Fishman - Morningstar Inc., Research Division - Equity Analyst

Okay. That's what I thought because it's really jumping, $1.9 billion to $3 billion, and I thought -- I mean, I know that's been strong, but that looks like a little too much.

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

Yes. And we've added '25. But obviously, that -- the difference between '20 and '25 million is not accounting for the difference in year 2. So well, maybe -- if you've got us to the slide that you're comparing to, with a bunch of follow-up with our team, and we can cover that because I'm not sure which slide you're looking at, but we can definitely work that with you off-line because the plan has had some phasing shifts and some recategorization. But in general, '20 to '24, there weren't major changes, some phasing on renewables in particular, and then we just added '25. But we have to go through that with you off-line.

Charles J. Fishman - Morningstar Inc., Research Division - Equity Analyst

But the fact that rate base and look at the right side of Slide 21, for rate base going from 12% to 17%. Still, that's a big focus of your investment over the next 5 years.

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

Yes. And that is -- that was the case. That has been the case in the STP and we will continue.

Charles J. Fishman - Morningstar Inc., Research Division - Equity Analyst

Okay. Great. And on that -- let me signal on that transmission. Is there a specific project you're depending on? Or is it just a lot of little stuff? And certainly, I would think the events over the last couple of weeks are going to make that -- the hurdle of getting -- any that requires approval a little bit easier.

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

So our plan is not dependent on any single or even several large projects. It's the sum total of a lot of different projects, which I think is good in terms of diversification. I do think that the importance of transmission was clarified and magnified by the events of last week because you can have localized issues. You can have plants go down. You can have wind not blowing in some places and maybe blowing in others. The resilience of the transmission system and the importance of the transmission system, I think, was absolutely reflected in the events of this past month. But we're not -- our plan is not dependent on any big, large projects that are a significant percentage of the overall total.
Charles J. Fishman - Morningstar Inc., Research Division - Equity Analyst

Okay. You're certainly making the STP look more compelling, and it's good presentation.

Operator

There are no further questions. I'd like to turn the call back over to David Campbell for any closing remarks.

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

So again, my first call as CEO, I'm very excited to be part of the team here, very strong team. I want to compliment their efforts during the extreme weather and their efforts to serve our customers and keep the lights on. And thank you all for your interest in Evergy, and have a great day. Stay safe. Thank you.

Operator

Ladies and gentlemen, this does conclude the conference. You may now disconnect. Everyone, have a great day.