REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EVRG.N - Q1 2021 Evergy Inc Earnings Call

EVENT DATE/TIME: MAY 06, 2021 / 1:00PM GMT

OVERVIEW:

Co. reported 1Q21 adjusted EPS of $0.55. Expects 2021 adjusted EPS to be $3.20-3.40.

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

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

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

Paul Patterson *Glenrock Associates LLC - Analyst*

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

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the First Quarter 2021 Evergy, Inc. Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Ms. Lori Wright, Vice President, Corporate Planning, Investor Relations and Treasurer. Ma'am, the floor is yours.

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

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

Today's discussion will include forward-looking information. Slide 2 and the disclosure in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations and include additional information on non-GAAP financial measures. The releases issued this morning, along with today's webcast slides and supplemental financial information for the quarter are available on the main page of our website at investors.evergy.com.

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

I will now call -- turn the call over to David.

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

Thank you, Lori, and good morning, everyone. I'll begin on Slide 5. Evergy delivered strong first quarter results and remains well positioned to meet our objectives for the year. Adjusted earnings per share for the quarter were $0.55 compared to $0.41 a year ago. As Kirk will describe in his remarks, the increase in adjusted earnings was driven by favorable weather, income tax benefits and higher other income.

With a solid start to the year, we are affirming our 2021 adjusted EPS guidance of $3.20 to $3.40 per share. We are also reaffirming our targeted long-term annual EPS growth of 68% from 2019 through 2024.

As we discussed during last quarter's call, in February, our region in the Southwest Power Pool experienced the most intense and sustained extreme weather event that we've seen in decades. The February extreme weather event resulted in significantly higher natural gas and purchased power costs net of wholesale revenues, which totaled approximately $340 million. We provide a breakdown of this total amount by utility jurisdiction in our 10-Q. Of note, this number remains subject to resettlement activity and further review by SPP.

We expect to be able to recover substantially all of these costs through multiple potential regulatory mechanisms. In selecting the path forward, we will work with regulators to implement solutions that smooth the impact for our customers.

In Kansas, the KCC already issued an accounting authority order or AAO, which allows for the creation of a regulatory asset to track these incremental costs associated with the weather event. We expect to have resolution to the path and time line for recovery later this year.

In Missouri, we have filed a notice that we intend to seek AAO treatment for the net fuel and purchase power costs incurred through the extreme weather event at Missouri West. We expect to make this AAO filing by midyear. Securitization legislation is under active review in Missouri, and if passed, will provide another potentially beneficial cost recovery approach that will enable both reducing and smoothing the impact of these costs for our customers. As in Kansas, we expect to have a clear sense for the recovery path in Missouri later this year.

As I mentioned during last quarter's call, we have a small power marketing business that historically has earned between $15 million and $30 million in gross margin annually. I also described how this group achieved unusually high gross margins during February's extreme weather event driven by purchases of firm transmission to ERCOT and a relatively small long position in ERCOT. In total, the pretax contribution net of costs from power marketing activity during the extreme weather event is approximately $0.41 per share this quarter. Given the nonrecurring nature of these results, we have removed this amount net of tax from our adjusted EPS. The margin contributions from the business for the periods outside of this weather event will remain in the adjusted numbers, consistent with our past practice in our original 2021 plan.

As is also noted on Slide 5, our nuclear station, Wolf Creek, is in the midst of its planned refueling outage. The plant has performed very well in recent years and has now completed its third consecutive breaker-to-breaker run between refuelings. A special thanks to the employees of Wolf Creek for their diligence and consistency in providing such reliable service to our customers.

Slide 6 provides an update on some of our key regulatory and legislative initiatives. While we don't have general rate case proceedings on the calendar in 2021, we have had an active start to the year in both areas. I'll start first on the regulatory front.

After months of working with stakeholders, we filed our Missouri Integrated Resource Plan or IRP last Friday. The IRP benefited from a collaborative stakeholder process as we evaluated scenarios leading up to this filing. I'll go through some of the high points of the IRP on the next slide.

Our Kansas IRP filing is due by July 1, although it is likely that we'll file a bit earlier. In parallel with the development of the IRPs, informational dockets have been underway in both Kansas and Missouri relating to our Sustainability Transformation Plan or STP. After conducting multiple workshops over the last 6 months to educate and inform our stakeholders about our strategic plan, these dockets are nearing their conclusion.

We appreciate the commissions in both states setting up these new and innovative processes to allow for feedback on our strategic plan. As we've consistently said since announcing the STP last year, the plan is designed to deliver significant cost savings, invest in infrastructure and advance the interest of all key stakeholders with an overall focus on ensuring reliability, affordability and sustainability. We're pleased the overall intervener feedback is consistent with how we've described the goals and objectives of our balanced strategic plan.

The expected final step in the Missouri procedural schedule is a workshop in early June. In addition, we'll file quarterly reports with the commission if there are any material changes to the STP. The first such filing would be due on June 1.

In Kansas, the STP workshop schedule for May 24 is the main remaining step in the schedule. In advance of the workshop, we'll file our response to comments filed in the Kansas STP docket.

I'll now switch over to our legislative priorities, which have primarily focused on securitization. As it represents a cost-effective option to handle the retirement of assets that are not fully depreciated, securitization is a potential tool that could provide value for customers and the company as we advance our generation fleet transition.

As we've noted, the passage of securitization in Kansas and Missouri is not necessary to enable the execution of our 5-year plan. However, we have been very pleased with the constructive dialogue that has taken place regarding securitization in this year's legislative sessions in both states. We greatly appreciate the collaboration from our key stakeholders.

On the Kansas side, House Bill 2072 was passed and became law in April 9, following Governor Kelly's signature. The bill generally has 3 parts. The first allows for extraordinary costs and for generation assets that are being retired any remaining undepreciated asset values to be considered for securitization.

The second part allows the utility to use the proceeds from the securitized bonds to reinvest into areas such as generation, transmission and distribution or customer programs that enhance the customer experience.

Lastly, the Kansas bill provides a predetermination process for taking generation assets out of service, similar to the process that has been in place in Kansas for building new generating assets.

In Missouri, consideration of the securitization bill is ongoing. Draft bills have passed with strong support in both the Missouri House and Senate, and we are now in the final phases of the reconciliation process. We are grateful for the engagement and support of legislators and key stakeholders in Missouri.

While there are many factors that impact the timing and ability to transition from coal generation, not the least of which is grid reliability, obviously, one of the most important questions is affordability. Securitization is potentially significant enabling tool through the cost-effective handling of extraordinary costs and undepreciated values. Retirement also allows for cost savings for customers due to reduced operating and fuel costs resulting from the shift from coal to renewables.

As structured securitization also provides a mechanism to collaborate with our regulators on the process of removing coal from rate base and replacing that rate base with renewables. While there are certainly procedural mechanics to work through, over time, we expect to fully utilize these tools to further advance our goal of keeping rates competitive. The first step will likely take place later this year, with the potential use of the predetermination process for the planned retirement of the Lawrence Energy Center and solar additions in Kansas in 2023.

Slide 7 lays out the highlights of our recent Missouri IRP filing. You've heard us talk about the balanced approach to the STP. Our strategic approach to the IRP reflects a similar balance. Our Integrated Resource Plan is focused on reliability, affordability and sustainability, delivering to power customers need at a competitive price and with a dramatically improved environmental profile. The IRP process involved the evaluation of more than 50 distinct resource plans through a multifaceted review process and extensive stakeholder feedback, resulting in the identification of a preferred plan. Evaluation criteria included the ongoing cost of existing generation, commodity price scenarios, the potential costs of environmental compliance and CO2 regulation and the cost of alternative resources among other factors.

The IRP review also took into consideration the evolving mission of our fossil generation plants. Due to market conditions and ongoing growth in renewables, plants that once provided baseload capacity are increasingly required to act more as a backup for wind and solar resources.

Just to cite a recent example: last week, the Southwest Power Pool set a new record by providing 85% of the total energy needs across the entire 17-state region from renewable resources, primarily wind. And this record won't last long as more than 78 gigawatts of new renewable energy are in the SPP generation queue.

Between now and our next IRP triennial filing in 2024, Evergy plans to retire the last 2 units at our Lawrence Energy Center, a nearly 500-megawatt coal facility, in late 2023. We also expect to add 700 megawatts of utility-scale solar, all of which is consistent with our STP. As a result of this retirement and these additions, ongoing depreciation of coal and reinvestment in our transmission and distribution system, we expect that coal as the share of rate base will drop to the low 20s by 2024.

Looking further out, we plan to add a total of 4,200 megawatts of renewables by 2032, including 500 megawatts of wind, both in 2025 and 2026. Those renewable investments are expected to enable the retirement of coal units at the Jeffrey Energy Center and our La Cygne plant, as shown on Slide 7.

As market conditions evolve, the mission of fossil plants will continue to change. In future years, our coal plants will run for fewer hours as their energy is increasingly displaced by lower-cost renewable resources. At the same time, the reliability challenges caused by the extreme weather of February 2021 demonstrated the value of keeping dispatchable generation with fuel on the ground as part of our plan as opposed to retiring them on a rapid time line.

The phased transition approach in the IRP provides Evergy with the ability to adjust planned additions and retirements based on evolving market technology and policy dynamics. Particularly for the period following the initial 3 years of the IRP, there's no doubt that the plan will continue to change and evolve as we monitor the key inputs that impact alternative resource plans.

In summary, the fleet transition outlined in the IRP is a win-win-win from reliability, affordability and sustainability perspective. Given the phased retirements to maintain reliability, the favorable economics, and sustainable options for our customers from the addition of renewables and the far-reaching environmental benefits of swapping fossil fuels for green resources.

Slide 8 lays out the long-term fleet transition plan and related emissions reduction trajectory. As a reminder, as of 2020, we reduced our carbon emissions by 51% from 2005 levels, and 1/3 of the power used by retail customers was generated from renewable resources. Factoring in our nuclear generation, our customers received more than half their energy from carbon-free resources last year. By 2030, we expect to reduce our carbon emissions by 70% relative to 2005 levels. We're also pleased to announce our goal to achieve net zero carbon emissions by 2020 -- 2045, which is dependent on enabling technology developments and support of energy policies and regulations. These updated CO2 emissions-reduction targets aligned with the goals set forth in our STP and advance our focus on delivering a sustainable energy future for our customers while maintaining reliability and affordability.

As reflected on the left-hand side of Slide 8, our fleet profile will dramatically change over the next 2 decades, significantly reducing our reliance on coal generation while increasing the share of emissions-free resources in equal proportion. Our favorable geographic location with ample wind and solar resources will allow us to do this cost effectively, further supported by the ongoing efficiency gains that are expected for the cost of building new renewables and storage.

Before I turn it over to Kirk, I'll wrap up on Slide 9. To summarize our investment thesis, our balanced strategic plan is focused on driving value and benefits for our customers, shareholders and the environment. We've had a strong start in 2021 and remain focused on executing our business plan across each of our utilities. We expect this continued execution will drive our targeted 6% to 8% compound annual EPS growth from 2019 through 2024. Over the longer term, we anticipate that infrastructure investment requirements in transmission and distribution, in tandem with our generation fleet transition, will enable ongoing growth and deliver sustained benefits for our customers.

The dedicated and experienced team we have in place, paired with our diverse qualified Board, gives us high confidence in our ability to execute and deliver against our high-performing targets. We look forward to discussing our forward plan and strategy in greater depth during our Investor Day in September.

I will now turn the call over to Kirk.

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

Thanks, David, and good morning, everyone. I'll start with the results for the quarter on Slide 11. We reported first quarter 2021 adjusted earnings of $0.55 per share compared to $0.41 per share in the first quarter of 2020. As David mentioned earlier, the unusually high margins achieved by our power marketing business during the winter weather event in February contributed approximately $0.41 per share of pretax GAAP earnings, and we have excluded the after-tax impact of this item from our adjusted EPS for the first quarter. Remaining adjusted items for the quarter were consistent with our expectations.

As shown in the chart from left to right, adjusted EPS was driven higher by a number of items as compared to the first quarter of 2020, including favorable weather with an 11% increase in heating degree days versus 2020; weather-normalized demand increase of 1.1% or approximately $0.02 per share, partially offset as expected by a slight increase in O&M driven by planned outages; approximately $6 million primarily from higher-equity AFUDC; and we realized higher income tax benefits due to increased amortization of excess deferred income taxes or EDIT; and the timing of tax credit recognition to maintain our projected annual effective tax rate.

This latter item, which represents approximately $0.04 per share, merely reflects a shift in intra-year timing. With higher earnings in the first quarter, we recognized more of our expected annual benefit from tax credits and will thereby recognize less of that benefit over the balance of the year.

As I mentioned, heating degree days were higher versus 2020. However, despite the extremely cold February weather, heating degree days for the full quarter were in line with historic levels due to a mild January and March, resulting in little impact from weather compared to normal. Thus, the weather impact shown here was largely a result of milder-than-normal weather in the first quarter of 2020.

Finally, as David mentioned, our various utility subsidiaries incurred higher-than-normal fuel and purchase power costs during the quarter. However, while Evergy incurred the cash impact of these costs during the quarter, substantially all of these costs were deferred. Pursuant to both the AAO order in Kansas and our pending AAO filing in Missouri, we'll be working with our regulators on constructive solutions to smooth the periodic effect of these extreme weather-related costs for our customers.

Turning to Slide 12, which gives an update on recent sales and customer trends. As I mentioned during the walk for the quarter, weather-normalized retail sales increased 1.1% for the first quarter compared to last year, signaling the continued resiliency we've seen in our service territory. And as the prior year first quarter was meaningfully less impacted by COVID, we expect a relative increase in demand to be more meaningful as we progress through the second quarter and continue to expect approximately 2% weather-normalized demand increase in 2021.

As shown on the bottom half of this slide, the 1.1% increase in overall weather-normalized demand resulted from a mix of: 3.2% increase in residential sales, which continue to be driven by the COVID stay-at-home effect; industrial sales, which increased 2.9% were primarily driven by a few large customers in Kansas that returned to normal load conditions after experiencing planned maintenance outage or COVID-related reduced demand in the first quarter of 2020.

The favorable residential and industrial sales were partially offset by a year-over-year decline in commercial sales of 1.5%. This COVID-driven trend of lower commercial sales will likely linger through the first half of the year, but we continue to expect slow gradual improvement as the fully vaccinated percentage of the population continues to increase and restrictions continue to be lifted.

On the right-hand side of the slide, you'll see that we experienced our 40th consecutive quarter of customer growth as total customers increased by 1% compared to the first quarter of 2020. National unemployment rates peaked last April, and we've seen a steady decline in those rates over the last 12 months. While Kansas and Missouri exhibited a similar trajectory, peak unemployment in Kansas City metro area was less severe versus the nation as a whole and unemployment claims dropped more sharply and fell further in 2021, landing at around 4.2% as of March. This compares favorably and remains below the national average of 6.2%.

Finally, turning to our 2021 outlook on Slide 13. Based on the solid first quarter results, combined with our outlook for the balance of the year, we are affirming our adjusted EPS guidance range for 2021, which represents a year-over-year EPS growth consistent with our long-term target of 6% to 8% from 2019 to 2024. Although we have excluded the impact of the power marketing margins realized during the winter weather event from adjusted EPS, this item is reflected in our 2021 GAAP EPS guidance, which has been revised upward consistent with the full year impact.

While substantially all the financial impact from this item is reflected in our first quarter results, we will recognize a small amount of associated expense in each successive quarter over the remainder of the year. We have included in the appendix to our materials this quarter as part of the

GAAP to non-GAAP 2021 EPS guidance reconciliation, a walk from our previous GAAP guidance to current GAAP guidance in addition to the reconciliation to adjusted EPS, highlighting the components of the impact of the power marketing margins.

With that, I'll turn it back to you, David.

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

I will open up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Julien Dumoulin.

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

This is Dariusz Lozny on for Julien. I just wanted to ask about your Missouri IRP. If you anticipate pushback from customer groups that have historically been focused on the trajectory of rates, and specifically 2-year plan of keeping coal plants open for longer while adding renewables sequentially, just curious how you think about balancing those impacts of obviously shifting to renewables but, at the same time, maintaining a customer build trajectory.

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

Thanks for the question. We do think that we're -- the IRP that we developed in Missouri reflects a balanced approach. And it's focused on, as you know, rates and also reliability as well as sustainability. So we've got a paced and phased approach adding renewables. The first retirement we're going to do is our Lawrence plant in Kansas, and our first solar addition will be -- it's planned to the Kansas side as well. And you'll see that we phase in over time.

We do expect that you will see ongoing reductions in the amount of energy produced from our coal fleet. That will result in lower fuel and O&M costs as it's energy produced -- renewables resources, obviously, is effectively 0 marginal cost. So we do think it strikes a good balance.

We have got a tremendous base of resources to pull from. So you'll note that we're adding wind. In '25 and '26, we're planning to. There's no better place to add wind in a more cost-effective place to have wind in our jurisdiction. So we think we do strike that balance.

One thing that we saw and our constituents saw as well through the winter weather events is that we need to make sure that we balance reliability. So we can further reduce the energy produced from coal, reduce costs in that way but help to maintain reliability with the phased report approach to retirements.

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

Great. And one more, just a housekeeping question, if I could. It looks like the 500 megawatts of wind that are in your IRP proposal are not in your CapEx slide in the latest presentation. Just curious, at what point in the IRP process do you anticipate gaining enough confidence in order to be able to add that CapEx in '25?

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

I'm sure that we'll talk about that as part of our Analyst Day in September, but it's part of the dialogue that we had. You saw that we included a range for '25, and that range was reflective of our baseline transmission/distribution infrastructure. But when we put out that plan, we hadn't yet completed the IRP exercise. It's obviously a dialogue that we have. The most certainty in any integrated resource plan is in that first 3-year implementation period.

We even had much discussion about the IRP that we filed 3 years ago, for example. I don't know if many of you all are that familiar with this detail. So we know it's dynamic. Nevertheless, it is our expectation that the renewables investments will continue, and we'll talk more about that in our Analyst Day.

But obviously, it's important to go through the process. We haven't yet filed the IRP. We still haven't filed the IRP in Kansas. So we want to make sure we respect the dialogue and the input that we received. And intervening information is important as we saw with the winter weather event.

So we'll say more about that at our Analyst Day. But as a technical matter, we did not include that in the range that we show for '25 in our year-end call.

Operator

Your next question comes from the line of Shar Pourreza.

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

So just a couple of quick ones. Obviously, the February storm and kind of the Biden administration's goals seem to have a real high interest in transmission. Just obviously given Evergy's position on a seam and really the proximity of some great wind resources, do you guys see additional opportunities for transmission spend in the near term? Or would you even consider partnering with others? And I'm thinking similar projects like the Greenbelt D.C. line. So how are you sort of thinking about that?

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

I think that the transmission dialogue is going to be an important one. We already have a partnership in place on the transmission side with AEP, and that's a partnership in which we participated for many years and will continue to. I think there will be incremental opportunities for transmission. And the SPP has a process that they go through.

So when it relates to rebuilding our lines, we obviously will drive that. And if there are lines where there's potential competitive opportunity that we need to participate in the process, which in our current set we would do in our -- through our partnership.

Greenbelt is a project that, as you know, has been around for -- gosh, I think it's at least a decade or longer. And it's recently been taken on by Invenergy, which is a very capable organization and has got tremendous experience. It's a merchant project, so a different kind of investment. You'd have to make sure that it would work from a rates perspective overall and would work from a regulators perspective. So something that we would continue to evaluate. But obviously, any project of that scale and scope and size, as different as it is, requires a lot of review. But it's -- Invenergy is very capable, and it could well be part of the mix going forward.

I think as we clarify federal policies and potential carbon regulation, that will help to inform what the path forward is going to be for transmission overall. And so we look forward to continuing to evaluate opportunities in that space.

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

Got it. In the early September Analyst Day that the right podium to maybe provide additional visibility?

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

Yes. Potentially. And we haven't set a specific time line. I don't think we're going to have the Analyst Day on Labor Day, but I -- we haven't set the date to September. Mid to late in the month, but we'll see.

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

Got it. Got it. And then, David, any sort of color you can share on how Bluescape's involvement is driving any change? And any line of sight to incremental impacts that you can maybe discuss from this relationship, i.e. maybe from the generation side and efficiently managing the assets versus prior to the relationship? So what's the incremental things you're seeing from that relationship, I guess?

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

So we -- thank you, Shar, for the question. I think we've got a very capable Board with a balanced set of experiences. So we added Senator Mary Landrieu and John Wilder as part of the changes that were implemented in February. And both of them bring, I think, a significant additional and complementary capabilities: Senator Landrieu with her national network and experience in Washington; and John Wilder, obviously, with his vast experience in the space. And both Kirk Andrews and I have personal experience with John in prior context. John is now chairing our Finance Committee.

I would characterize that John is helping us to implement our Sustainability Transformation Plan along with the other Board members and taking a systematic approach to setting high-performance targets in each of the areas of our business.

So you cited generation. But I think the discipline that John and the Board are seeking for us to show is on driving performance in each part of our business to make sure that we drive benefits for customers, for all our key stakeholders, that we're achieving efficiency gains, that we're achieving reliability improvements and we're driving benefits from our investments.

So I think it's a systematic disciplined approach that the Board is complementing. I think our team is bringing, but I think the Board is further complementing that effort. And we value John's input and experience as we do all our Board members, and I think it's been a very -- partnership is off to a great start.

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

Got it. And then just lastly for me. Obviously, we're all watching the FERC ROE reforms really closely. Maybe just if you could provide a FERC ROE sensitivity if we do see those adders get cut.

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

So you're talking about the 50 basis points that is under contemplation?

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

Correct.

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

Yes. Shar, we estimate that the impact of that is in the range of $0.02 to $0.03 per share in the '23-'24 time frame.

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

Great. That was it. Terrific. And congrats on the regulatory and legislative initiatives. It's terrific.

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

All right. Thank you, Shar. Thank you.

Operator

(Operator Instructions) Your next question comes from the line of Paul Patterson.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So just some quick questions, the -- just with Missouri and the securitization legislation. Is there any significant difference between these 2 competing -- well, I don't know about competing bills, but these 2 different bills, one in the House, one in the Senate, that is of any significance or -- from our perspective?

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

No. Paul, they're pretty close. I think it's just the typical process to go through to make sure all the words match, but there are not any material differences. So we're -- I think we're as well positioned as we could be. But in general, the provisions are very similar. And we expect that -- we're optimistic. Obviously, we've got to work through the process, but we're optimistic. And either way, we'll know within the next week, but we think we're well positioned.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Great. And then with respect to the -- you guys called out the -- in Kansas, the utilities discretion of reinvesting securitization proceeds. And I sort of think of funds being fungible. So I'm just sort of wondering how should we think about that? I mean is there some prudency predetermination? Or I guess why are you guys calling that out, I guess? I'm not completely clear as to what the concern was or just if you could elaborate a little bit more on that benefit.

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

So Paul, I think that's a good question, a good point. I think we were -- it's really more to say that there aren't restrictions as opposed to saying that, that will dictate how the funds are used. We're -- just know that it's not always the case of securitization that there's discretionary of funds. But to your point, broadly, all I was saying is that it's -- there are not restrictions that we do plan to use those proceeds, as you note, in the general purpose.

We do have the opportunity for predetermination on plants that we're seeking to retire, just as we do predetermination for new investments. We like that approach because that is a separate matter that allows us to get a read on things before taking action. But to your note, there's nothing special about the flexibility other than its allowed for us.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then just in terms of the size of -- the potential size of securitization that we're thinking about, I guess, during the sort of -- maybe during the STP process or whatever you mean, in the next few years or something, how should we think about what the potential -- do you guys have -- or maybe I don't know if you -- maybe you guys are -- haven't come up with one that you want to share, but do we have any idea that you could share with us about what the size of the securitization might be that can come out of this?

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

Sure. So we'll -- and obviously, if we do a predetermination filing, we have a very good sense for it in advance. But the planned retirement of the Lawrence plant in late '23 is about $350 million that would go through the -- we anticipate would go to the application for the securitization as part of that process. So it will be roughly that amount.

As I noted in my remarks, through the retirement, through the general transition of our rate base, given relative investment in T&D, we do expect that coal as a share rate base will get down to the low 20s by 2024.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. So just to understand that $350 is sort of what we're thinking about. The Lawrence plant -- other than the Lawrence plant, we're not thinking of anything else there being securitized, at least at this point?

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

Not during the 3-year implementation phase. As we know that we see, the retirements that are later in the 20s. And obviously, we'll continue to assess timing in the overall plan as market conditions evolve. But we would anticipate, if securitization is an option in both Missouri and Kansas, that would be used for the future retirements in the IRP as well.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then in terms of the STP, it looks like you guys got some sort of favorable remarks from staff and what have you, at least, talked about being a little bit of refinement or whatever suggestion. But what's not clear to me, I guess, in the STP process is, is there an eventual sign-off from the commission on that? I mean it's not a -- it's a little bit of a -- not a standard, I guess, proceeding, if you follow up, at least from my perspective. So you've -- when do you expect to have sort of this STP thing wrapped up, I guess, in Kansas?

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

So as you know, it's an innovative process, and we appreciate the opportunity that the commissions have provided for us to go through the plan and get -- and receive feedback. But they are informational. There's not a formal sign-up that will result from the proceedings.

In terms of the procedural calendar, the next step for us in Kansas will be we're going to file responsive comments. I think it's next week. And then we'll have a session on May 24. So it will be an interactive workshop and dialogue.

And that's currently the next remaining step in the process, but it could -- obviously, it could be adjusted. But it's informational, and we appreciate the comments. We think that the comments overall reflect that we have a balanced plan. And we've seen that reflected generally in the comments we saw in both Missouri and Kansas. In Missouri, we expect to have a similar sort of wrap-up workshop in early June.

Again, because they're informational dockets, the time line could evolve, but the current schedule has us wrapping in the late May or early June time frame.

Operator

Your next question comes from the line of Michael Sullivan.

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

Just a question on the IRP. Curious, to the extent you guys -- I mean you got a pretty good example of a stress test situation back in February. And was the conclusion there basically we could do without Lawrence but we pretty much needed everything else in terms of dispatchable resources and then that kind of factored into the decision to keep the rest of the plants around a little longer?

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

Mike, I think that it's fair to say that the review across STP is still an ongoing process, right? The -- I think that we and the entire system have a lot to learn, and the analysis is not yet done.

As a technical matter, we have a accredited capacity requirement that we need to meet. And we can -- with the retirement of Lawrence, we are within our buffer. So you're right in looking at it that way. And the more we retire, the more we're going to have to look at replacement capacity.

But I think it's also fair to say that the event reinforced that a lot of the rules and approaches are geared towards summer peaks and not necessarily towards winter peaks. So the IRP exercise is much a balanced one of thinking about, okay, if we are factoring in reliability along with affordability and sustainability, a measured approach to retirements is it makes the most sense because your additions of renewables, particularly wind, but also solar, which is -- is less effective in dealing with winter peaks, you need to factor that in as you're considering how you're going to be ensuring the reliability part of the equation.

So it did -- the winter weather event at least factored into the dialogue overall. But I think it's fair to say that it's going to be an ongoing evaluation and not just in our area. We'll be able to learn across our system and other systems as well.

But I think it is certainly fair to say that as we consider the event, we do believe the energy production from coal will continue to decline. And in that way, you will see ongoing benefits for customers, lower O&M and fuel costs. But there will be a reliability benefit of keeping them in the system until you've certainly got sufficient replacements to ensure reliability. So some of that thing is reflected in the plan.

But of course, we'll -- the IRP is most certain for the 3-year implementation period. And as market conditions and technology evolves, there's no doubt that we'll continue to look at it. But we think this plan reflects the right balance for now.

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

Okay. Yes. I was kind of -- you kind of answered it, but my other question was just going to be how soon could this be -- like can anything change as soon as the Analyst Day potentially? Or I would think that definitely before the next triennial IRP? Or just how do you think about the cadence of providing further updates on...

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

Yes. The -- on the IRP calendar, there's a -- so file Kansas effectively sooner than July 1 deadline, but there's still a Kansas filing, of course. Then you give an annual update before the triennial filings. So will the next IRP get it update will be in a year's time. Then there'll be a formal triennial update in 3 years.

But gosh, I think for everybody, if you look back last year or 2 years ago or 3 years ago, there's been a lot of changes to the IRPs because it's a pretty dynamic environment. So hard to predict the future.

I think you're right about the Analyst Day. I don't expect fundamental changes to the IRP per se. But in the next year, 2 years, 3 years, I'd be surprised, frankly, there are changes for everyone just because the landscape continues to change, as you know well.

Operator

Excuse me, presenters. There are no more phone questions. Mr. David Campbell, turn it back to you.

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

Great. Well, thanks, everyone, for your interest in Evergy. Stay safe, and have a great day. Thank you.

Operator

This concludes today's conference call. You may now disconnect.
