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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q2 2019 Evergy Inc. Earnings Conference Call. (Operator Instructions) As a reminder, this call is being recorded.

I'd now like to turn the call over to Lori Wright. You may begin.

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

Thank you, Michelle. Good morning, everyone, and welcome to Evergy's second quarter call. Thank you for joining us this morning. Today's discussion will include forward-looking information. Slide 2 and the disclosure in our SEC filings containing list of some of the factors that could cause future results to differ materially from our expectations and include additional information on non-GAAP financial measures.

We issued our second quarter 2019 earnings release and 10-Q after market close yesterday. These items are available, along with today's webcast slides and supplemental financial information for the quarter on the main page of our website at evergyinc.com.

On the call today, we have Terry Bassham, 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.

As summarized on Slide 3, Terry will recap the quarter and provide a business update. Tony will update you on the details of our latest financial results.

With that, I'll hand the call 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 last night, we reported second quarter GAAP earnings of $0.57 per share compared to $0.56 per share earned in the second quarter of 2018. Adjusted earnings per share were $0.58 in second quarter of 2019 compared to adjusted $0.67 per share in the same period a year ago. On a period-over-period basis, these results were driven by a large unfavorable weather swing, offset by cost-reduction efforts, rate case outcomes and changes in shares outstanding.

Year-to-date, GAAP earnings per share were $0.96 compared to $1 in the same period last year. Adjusted EPS were $1.01 this year compared to $1 a year ago, largely driven by the same items I just mentioned.

I'm pleased with how our team has executed our plan and the corresponding results delivered midway through this year. This has allowed us to stay on pace with our plan and reaffirm our 2019 adjusted EPS guidance of $2.80 to $3.

In June, we celebrated the inaugural year of Evergy. This provided a natural time for us to reflect on a couple of our core objectives, merger savings and returning capital to our shareholders.

First, on merger savings. During integration planning, we identified cumulative net savings of more than $550 million through 2023. We're on target for our 2019 year-end goal of $110 million in annual net merger savings. We're making the most of our increased scale and buying power as a larger company. We've become more efficient by leveraging both company's operating experiences and implementing best-in-class techniques. We continue to deliver on our commitment of no involuntary layoffs as a result of the merger and stead capitalizing on cost reductions through attrition as folks retire or leave the company.

To put things in context, when we shook hands on the merger, there were over 6,300 budgeted positions between KCP&L, Westar and Wolf Creek. Today, Evergy and Wolf Creek combined have around 5,500 employees. Earlier this year, we kicked off a large IT system consolidation project that will help us achieve additional back office savings. Fortunately, both companies use the same platform, so while still a tall task to combine legacy systems, we are aligned on vendors.

We're also applying many of these same techniques at Wolf Creek, our nuclear facility. Wolf Creek has their own nuclear operating company and has operated as a stand-alone entity. Now that Evergy owns 94% of the facility, we're consolidating many of the support functions like HR, IT, supply chain, finance and accounting and are integrating these into our Evergy operations. This also allows us to take advantage of natural attrition at the nuclear facility as well. Again for context, current headcount at Wolf Creek is about 200 positions lower today as compared to when we shook hands on the merger. These are just a few examples of the items that are allowing us to meet our targets. Our team continues to look for incremental savings opportunities to provide additional benefit to both our customers and our shareholders.

Now turning to our focus on returning capital to shareholders. Through Evergy's first year, we've returned almost $2.7 billion of capital, comprised of about $500 million in the form of dividends and $2.2 billion through share repurchases. As of the end of June, we had completed just over 60% of our targeted share repurchase program. We're still focused on a dollar cost average strategy and we're expecting to complete the repurchases by mid-2020.

Now moving to Slide 6, I'll give you the latest on our regulatory and legislative proceedings. You may recall, Kansas Senate Bill 69, which called for a 2-part study of electric rates was passed and signed into law earlier this year. The bill required a 7-member legislative coordinating council, made up of 5 Republicans and 2 Democrats, to reach consensus on a third-party performance study. Legislative Council has selected a consultant to conduct the first part of the study, which will focus on the effectiveness of Kansas rate making practices as well as options to maintain reasonably competitive rates, while providing the best combination of price, quality and service.

Part one of the study is to be completed by early January. Council is now working through a separate RFP, specifically for the second half of the study, which ultimately will be due by next summer. Part two will focus on the rate impact of our energy matters like electric vehicle charging, microgrids, cyber and physical security. We're pleased that the study is moving forward and on track. From the beginning, we've been on record of stating we believe the results of a third-party study will yield very similar results to our rate study and the separate Kansas Corporation Staff study that were both presented to the legislature during the 2019 session.

Additionally, to continue to lower our customers' bills in Kansas by passing on to customers they agreed upon merger credits, we also have our Kansas base rate moratorium, which will help keep bills in check. We still believe the creation of Evergy was an excellent solution for customers and rate competitiveness. With that said, we'll continue to monitor activity in Kansas and work with all parties to find energy solutions that move Kansas forward to further increase the competitiveness of our rates.

Switching to Missouri and the Sibley Complaint bucket. In June, the Missouri Public Service Commission staff filed Rebuttal testimony, which marked the first public record of their opinion on this matter. Much of the staff testimony is around with arguments we've made from the beginning and the accounting authority audit does not make sense because the retirement of Sibley is not an extraordinary event. The hearings for this docket has started yesterday and are slated to be completed by the end of the week. Scheduled calls for briefs and trial briefs over the next few weeks, and then we'll wait for a commission order, which we expect to be sometime in October.

Now moving to Slide 7 to wrap up before I turn things over to Tony. The foundation of our near-term plan is unchanged, and our execution thus far has allowed us to reaffirm our 2019 earnings guidance. It also provides us with confidence in our expectations of compounded annual EPS growth of 5% to 7% through 2023, using the midpoint of our 2019 guidance as a base. Dividend growth commensurate with EPS growth. We believe this is an attractive shareholder return profile with limited regulatory risk given our commitment to no rate reviews over the next few years. The continued treasury rate below 2%, we believe this positions us favorably as compared to companies facing rate reviews in the next several years.

As we mentioned in our first quarter call, we're focused on preserving flexibility, while keeping customer bills low, delivering a safe, reliable product and targeting competitive shareholder returns. We're working to further optimize our long-term spending plan, which includes shifting some of the spending between jurisdictions. This allows us to target jurisdictions that have less lag and provide higher incentive and infrastructure investment.

Although we have not completed our work, our team has identified about a $150 million of CapEx that we will look to shift from Kansas to Missouri through the 2022 time frame. To be clear, this preliminary number maintains our current $6 billion CapEx projects -- projection, but reallocates a portion from one jurisdiction to another. This reflects our plan to allocate capital to its highest and best use. We approach the second half of the year, we continue to look for incremental opportunities over the next few years.

Lastly, let me mention one important thing on the topic of environmental social and governance, or ESG. We'll be updating our EEI, ESG templates soon to include 2018 guidance. This will be the first time our template will include consolidated Evergy data or as previously was reported separately by our KCP&L and Westar utility.

We'll also be filing our 2018 Sustainability Report where you can find details on our focused areas, such as reducing our impact on the environment, diversity and inclusion and growing philanthropy efforts and to help our communities move forward. Both reports will be located in the Sustainability section of our investor website in the coming weeks.

Now with that, I'll turn the call over to Tony.

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

Thanks, Terry, and good morning, everyone. I'll start with the results on Slide 9 of the presentation.

Last night, we reported second quarter 2019 GAAP earnings of $140 million or $0.57 per share compared to $102 million or $0.56 per share in Q2 of 2018. The increase in earnings is primarily due to the inclusion of KCP&L's and GMO's results for a full second quarter in 2019 compared to only a partial period of Evergy's second quarter 2018 results due to the early June closing of the merger last year.

Adjusted non-GAAP earnings were $140 million or $0.58 per share compared to $179 million or $0.67 per share in the same period a year ago. As detailed on the slide, adjusted EPS was driven primarily by less favorable weather and higher depreciation expense, partially offset by the impact of new retail rates, lower O&M and accretion from fewer shares outstanding.

Gross margins were down $75 million, due primarily to lower sales because of cooler weather offset by new retail rate, net of the 2018 provision for rate refund reflecting the lower corporate tax rate.

O&M, net of merger-related costs, was a healthy $52 million lower, driven by cost-reduction efforts across our utilities, while depreciation expense was $23 million higher, primarily from new depreciation rates that are reflected on our retail prices and higher plant balances.

For the quarter, pro forma residential and commercial sales were down 21% and 7%, respectively, reflecting a cooler and wetter spring. During the second quarter last year, we experienced significantly favorable weather and this quarter was cooler than normal, which caused us of lobbying $0.25 when compared to last year and about $0.04 when compared to normal. Pro forma industrial sales were up just under 1% compared to the same period last year.

Now on Slide 10, I'll touch base on year-to-date results. For the year, GAAP earnings were $239 million or $0.96 per share compared to $162 million or $1 per share for the same period last year. Again, GAAP not including KCP&L and GMO results prior to June of 2018 is a primary driver of the earnings variance. Adjusted earnings were $251 million or $1.01 per share compared to year-to-date 2018 adjusted earnings of $271 million or $1 per share.

As you can see on the slide, primary drivers compared to last year include unfavorable weather and higher depreciation expense, offset by new retail rates, O&M reductions and accretion from fewer shares outstanding. For the year, gross margins were down $55 million, O&M was $84 million lower and depreciation is around $52 million higher.

Like second quarter sales and due largely to the weather swing, pro forma year-to-date residential and commercial sales were down about 8.7% and 3%, respectively. We estimate weather cost as $0.21 when compared to last year and it was probably a benefit of $0.01 or $0.02 when compared to normal. Pro forma industrial sales are down 1.4% compared to the same period last year, driven primarily by a large customer in the chemical sector that saw decreased demand at their plant earlier this year.

Now turning to the economy. Unemployment rate in our service area remains 30 to 40 basis points below the national average, signaling a steady economy in the areas we serve. In June, the USDA announced the selection of Kansas City to the home offices of its Economic Research Service and National Institute of Food and Agriculture. They look to ramp up operation this fall. It will bring about 600 new jobs to the area. This site selection reinforces the Kansas City region as a hub for all things to agriculture and answer the significant concentration of the animal health industry. Additionally, you may have seen in the news where a company is looking at the potential locating a large data center in our service territory in Missouri. Over the years, we worked hard to put in place the right economic development tariffs, coupled with access to the abundant affordable wind resources found in our backyard. We believe we offer an attractive value proposition when it comes to clean affordable energy, coupled with a modest cost of living standard.

Moving on to Slide 11, let me touch on our latest financing activities. In June, we had $300 million of first mortgage bonds that matured. We issued commercial paper to pay off those bonds and would like to reissue that $300 million later this year. Also in June, we borrowed a second $500 million tranche of the $1 billion term loan that we put in place in March. We expect to issue around $1.5 billion of long-term holding company debt later this year to pay down the term loan and buyback more shares. This financing activity will allow us to continue making progress on our $60 million share repurchase target.

As of the end of June, we purchased over 36 million shares or 60% of our total $60 million target and we still have an ASR yet to close. The ultimate number and timing of share repurchase depends on market factors and the financial outlook of the company.

Now wrapping up on Slide 12. In summary, as Terry said, we're happy with the progress 1 year after the merger close. We reaffirmed our 2019 adjusted EPS guidance of $2.80 to $3 per share. We're expecting year-over-year EPS growth in the second half to be driven primarily by cost-reduction efforts, accretion from lower shares and lower income tax expense consistent with the tax rate published in our earnings drivers earlier this year.

With that, I will turn the call back over to Terry.

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

I think we're ready for question.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Greg Gordon of Evercore ISI.

Gregory Harmon Gordon - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Power & Utilities Research*

So it looks like the business plan you've laid out on the Q4 call with regard to your -- how you achieve your earnings growth aspirations, while providing the benefits of the merger to your customers, seems like it's on -- pretty much on track. But can you talk a little bit more about, on the margin, why you're making this small allocation shift from Kansas to Missouri in terms of the capital allocation?

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

Yes, Greg, it's part of an ongoing process for us to continue to look at jurisdictions where opportunities exist. It may be down in the others. And look for additional opportunities and the latter years of our 5-year plan, we've talked about that we continue to work on. In particular, Missouri has a PISA opportunity where we can invest additional dollars without creating additional lag during this period without rate cases, a mechanism that Kansas doesn't have. So it's an obvious first step in that process and we're going to continue to look for additional opportunities, both from that perspective and from just the long-term growth. Does that make sense?

Gregory Harmon Gordon - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Power & Utilities Research*

Great. And in terms of the synergy uptake, you say that you're on track to hit your numbers, but can you talk about -- you talked about some pretty robust statistics, vis-à-vis headcount just from normal attrition. As you look at the overall opportunity for cost optimization, which obviously flows one way or another to customers through lower rates over time. Do you see the synergy targets are sort of being the end of the line? Or do you see an opportunity over the long term to continue to optimize the cost structure of the business, perhaps when the rate moratorium period ends by deploying capital into lower cost generation resources like winds and solar and moving to a greener portfolio that then this tannage is actually as or better or more economic than some of the pre-existing infrastructure that you may have when you look out 5 years?

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

Yes, let me hit a couple of those points. The first is we feel really good and maybe one of the benefits of spending a 2-year period on the approval process is that we feel really good about our execution on the synergy savings. And I think as we reflected in the results for the first half of the year, not only are we executing as expected, but we're finding some additional ones against some scale opportunities as we do some synergy work and expansion on our RFP processes that we have been very happy with. So we've seen some flexibility there on the upside, just from the synergy side and we'll continue to work on that. Long term, no, we don't expect that to stop. We would expect to continue to find opportunities that we were either hopeful or plan to evaluate, but didn't have a number attached to. And I will also complement our teams throughout the company for working together hard to find those very things that maybe from scale, maybe just finding the right way to do something between the 2 companies and that right way maybe either way we did it before in those companies, but drives efficiency both in headcount and opportunity. I mentioned I think in my comments that we've got a new customer information system we're working on. We expect that to drive additional efficiencies over time. And then finally, to your point on future opportunities, yes, we continue to see our -- as Tony mentioned, our geographic location to Western

Kansas as the strategic advantage to us as we all try to be look to be more green and satisfy our customers' desire for a more green results, which are also very cost-efficient at this point.

Operator

Our next question comes from Ali Agha of SunTrust.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

My first question, Terry, in your own comments, you alluded to the fact that you're also looking at, and in your planning process, opportunities for incremental CapEx. Can you give us some rough sense of, on a cumulative basis, how much that could be? And when would you plan to update us on that?

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

Well, probably, the most appropriate thing to say at this point because we haven't finished our work is if you just calculated a cap on what PISA would allow, it could be just shy of $1 billion. Again, before we come out with a plan related to that, we would want to talk about timing and process and project to be very definitive. We said before that that would be our plan all along. So, yes, you could see a number up to that amount that would make sense and still fit within the PISA and other requirements under Missouri. We would expect over the course, probably the next 6 months, to be able to talk about what our later year plans would be and our overall PISA plans would be.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

Okay. And then secondly, once all of these studies are done in Kansas even the Phase 2 one is done, any sense on where the legislature wants to go with that? Or would that be the end of it and so on? What's -- what are you hearing or what's your read there?

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

Well, I think an independent review, and again, we've said the data speaks for itself, and I think both the commission staff and we providing our initial reports that were very similar reflected that we would see confirmation from an independent party that shows kind of where we stand and an explanation of how we got here. So first of all, the reflection of where we sit from a competitive standpoint is reflective of a lot of spend that both companies had to make over a 10-year period, but the merger provides exactly the strategy to attack that issue over the next 4, 5 years as we don't have to increase rates. And in fact, we'll lower our cost. And so as we get that in, then I think the second phase is targeted at the other things that are happening in our industry, like, electric vehicle charging and other things like that, that we welcome an opportunity to have those conversations. So I think it's a good educational process. I think having an independent party of work to provide the legislature with a view of not only their commissioners, but their utility and the consultant that will allow us to have a good conversation around what would be the kinds of policy issues in Kansas we look forward to addressing.

Ali Agha - *SunTrust Robinson Humphrey, Inc., Research Division - MD*

One last question. Can you remind us how much COLI income, if any, have you booked in the first half? And conceptually, would you consider excluding COLI earnings from your adjusted numbers going forward?

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

Ali, this is Tony. I believe the COLI numbers for the quarter were about $2.5 million and year-to-date were around $9 million. Now as far as the second part of your question, when we issue our drivers, our earnings drivers, we will list out separately what kind of the assumptions are for COLI, and we'll leave it up to the investment community whether or not they want to keep the numbers in or keep -- or take them out. And as we said all along, these are just timing differences.

Operator

Our next question comes from Michael Lapides of Goldman Sachs.

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

I actually have a couple here. First of all, when thinking about O&M savings from the merger, and I'm kind of looking back at Slide 19, are you saying that you think you could get upside as soon as maybe next year, meaning upside to the $145 million target? Or is it more upside that comes in the back end of the plan, meaning upside of the $160 million run rate in kind of the out-year of '22?

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

Michael, this is Tony. Well, this is something that we're continually reviewing and looking at. Now specifically to your question, they answers are possibly yes on both, right? Because we're trying to look at ways to get better, ways to be more efficient. Terry mentioned the billing system and the back office system and accounting, we're also looking at RPA and Big Data. We use Big Data help us on turbine vibration, on substations, et cetera. So we're obviously trying to beat those numbers that we have laid out on the page.

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

Got it. Tony, and then in Missouri, when I think about your EPS guidance growth rate, the multi-year, what are you assuming in the next couple of years you do in terms of PISA filings? Meaning, I'm trying to think about how much capital you're likely to invest in Missouri? If I look at your CapEx slide on Page 18 or the segment-by-segment CapEx, I think, you guys give in the 10-Ks. How should we think about how much of that CapEx is actually PISA eligible? And what's in the EPS growth rate in terms of how much kind of the revenue increases or the deferrals tied to PISA?

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

So the Missouri CapEx and I'll just -- I'm looking at Slide 18 as well, Michael, it's probably 75% would be eligible for the PISA election and that would be our intent obviously. And to the extent that it's deferring some regulatory drag, that is built into our assumptions and our drivers in the out years that's getting our EPS CAGR.

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

Got it. And am I remembering how the rule works or how the law works that you do defer the D&A, but you continue to book the AFUDC?

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

So you get to defer, I think, 85% of the depreciation and the interest expense, if I remember right. If that answers your question?

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

Yes. Okay. And well, I'm sorry, Tony, how do you treat the equity component of AFUDC? Do you stop booking once in service?

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

So the equity component will get -- brought into earnings at the time of your next rate case over a 20-year period.

Operator

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

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

I just wanted to follow quickly up on the last set of questions here on PISA eligibility and just how that lines up against your stay up. Can you remind us a little bit more with respect to how you think about how soon you could start deploying capital given the fact that, as you say, it's only maybe 5% deferral of depreciation and interest expense? I mean to the extent to which that affords an opportunity, how early could you start spending given the fact that your stay out is through '22?

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

Well, we're spending today.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Well, sorry. Yes, incrementally rather is the way I should clarify.

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

Well, as Terry said, we're going through the process. Over the next 6 months, we'll be able to update folks on where we stand and where we end up on that process.

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

Yes, remember that we've elected, so we're in. And so as Tony said, we could be spending today on things that qualify, but in terms of reallocating, we're working on our long-term plan and our plan for next year, in particular. And so we could begin making changes along that line.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. But to clarify, with the fact that you have a stay out impede your ability to accelerate through this mechanism? Means it matters to a certain extent, but just trying to...

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

No. Yes, remember, technically, we don't have a stay out in Missouri. Remember that the way Missouri worked and Kansas were different. And so we expect to stay out given our earnings and savings projections, but the way the PISA works, we're not affected by that. Our actually driver for the next rate case in Missouri would be fuel and then kind of right after that PISA true up. So it's a little different in Missouri. And no, none of that would keep us from moving forward PISA investment greater than we talked about already.

Julien Patrick Dumoulin-Smith - *BofA Merrill Lynch, Research Division - Director and Head of the US Power, Utilities & Alternative Energy Equity Research*

Got it. Okay. And if I can turn back to another question of that just to clarify a little bit further here just even on the first part of the study. I mean, when you say effectiveness of Kansas rate making practices, just -- can you clarify a little bit more of what exact -- what parts of ratemaking practices would be deemed to be evaluated for "effectiveness?" Just trying to understand where the scope of this effort more than anything else? I think, Ali might have been asking something similar, but if you can elaborate?

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

Well, I think you probably have as much specificity as there exist. I think there is some concern by some parties that our rates are -- have risen faster than the national average and even though they're at the national average or higher than they would like. And as a result, when you look at things, the effectiveness what they're really looking at is what cause them to be that. And so being able to explain how we got there and where are we at is what our studies did and what, I think, the first step in the independent study will do. And then the second half will be how effective other things and that could range to should we have more EV charging throughout the state? And if so, how should that be done and provided for, we've not done a lot of electric vehicle charging stations in Kansas because of kind of our processes there. So it could range. I think, originally the focus is cost, which, again, I think we've talked about how the merger helps address that. And secondly, there could be other particular folks interested in particular policies that have or have not been adopted in Kansas in the past. That's probably about as much as we've got now in terms of where that could hit.

Operator

Our next question comes from Charles Fishman of Morningstar Research.

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

Terry, this year's combined ESG disclosure before EEI, do you envision that as something -- based on what I've see other utilities do, either through their ESG or through of course IRPs. Do you see that as possibly an opening for some accelerated coal plant retirements? And would that provide you another step towards further saving O&M savings beyond just the merger savings you've outlined and look like you're going to hit?

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

Well, our ESG filing first of all should reflect, again, the format and template that EEI has worked together, so that investors can kind of see a similar accounting, if you will, and a similar positioning of those efforts. And it will reflect our current retirements and our current wind activities, which show that over -- up to and over 50% of our energy comes from nuclear and wind totaling over 50% of our total kilowatt hour sales or energy. And that's a very positive message. As far as moving forward, we're now at a position where we've got our larger, more efficient units and capacity obviously becomes an issue and we want to be sure we're cautious about those kind of things. But it would help inform investors and help inform our commission so that those kind of conversations can continue going forward. But we always have to remember to provide custody to our customers is an important part of the remainder of our portfolio.

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

Well, I realize your renewable percentage over in the Kansas side is very high. And, I guess, what I was anticipating is maybe you would use this as an opportunity to maybe push that on the Missouri jurisdiction. Is that a possibility?

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

Yes, well, remember, although located in Western Kansas, we jurisdictionally allocate all our generation based on usage, customers, those kind of metrics. So from a percentage perspective, they're basically the same. There are some unique assets, but they're pretty small. And our wind, in particular, is allocated over the jurisdiction. So it's very similar actually.

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

Okay. That's the way the ESG presentation will be done where consolidating both jurisdictions.

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

Yes.

Operator

Our next question comes from Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So I'm afraid I'm going to have to ask again about the CapEx, I apologize for being a little confused here. When you're talking about the incremental opportunity, are you talking about the incremental opportunity in total CapEx spending? Or in terms of shifting CapEx from Kansas into Missouri into the PISA kind of thing? If you could just -- I'd like to apologize, if you could just clarify that a little bit for me?

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

Yes, that's okay. It's both. So first, the $150 million we mentioned specifically is a reallocation. And so it would not change our total $6 billion estimate that we provided. So that's number one. Number two, what we've talked about is that we're working on future plans that we'll be talking about later in the year or early next year around what our additional spend might be. And so that's not included in the current plans and we've not given specific guidance of any sort as to what that amount might be. So that's the difference. The $150 million does not relate to an increase in total spend. We have future expectations of providing guidance that would discuss any additional spend later in the year, early next year.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. Great. And then you mentioned sort of the education process for lack of better term in Kansas with respect to how ratemaking sort of works, if you follow me or how utility invest and what have you done. I'm just wondering when we look at the PISA and obviously, that's an opportunity and what have you. How confident are you that the policymakers actually sort of understand what the -- that's the -- that actually will cost? In other words, is there any concerns that you might see a situation, which sort of has developed in Kansas where there is sort of a question mark how do we get here, maybe replicating itself potentially in the jurisdiction like Missouri? I just asked that because legislators don't often necessarily know the details of necessarily what they're approving and we do have a useful mechanism here. But I'm just sort of wondering if there is any -- anything that you guys are looking out going forward in terms of may be a similar situation or the avoidance of a similar situation that is occurring in Kansas happening in Missouri. Do you follow me?

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

I do. What I would say is common sense to say it, but every state, every legislature, they have their focus based on what's happening in that jurisdiction. And clearly, Missouri has been focused on infrastructure spend and jobs and the opportunity to improve our infrastructure. And that was the basis for PISA. It was the basis for other things across the state as well. But, in particular, with our electric utilities, it was a focus on spending for infrastructure improvement. Kansas has been instead more focused in this last discussion and it's a pretty recent discussion. We had not had this discussion before on the level of rates. And so they come from a different position, I would say. And that's why we believe using and accessing the PISA opportunity, which the state of Missouri clearly would like us to do, to spend more on infrastructure of Missouri is an opportunity to reallocate dollars because in Kansas, they're more concerned in holding total costs down. So it serves both purposes from that perspective. Could the discussion in either state begin to happen in the other state? Sure. But that's not the focus of the states at this point and we're confident in our ability to discuss each in the relative jurisdiction.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Awesome. Okay, great answer. And then the other thing just a set of quick sort of housekeeping question. I was looking through the 10-Q and everything. I just had a little difficulty finding this. What's the organics weather adjusted sales growth numbers that you've had for the first half? Organic, in other words, obviously, the merger has changed a few things. But you thought what I'm saying in the respect of jurisdictions, how should we think about what weather adjusted sales growth has been year-to-date?

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

Paul, what we've said is we're targeting total sales growth roughly flat to 50 basis points.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Right.

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

In that zip code.

Paul Patterson - *Glenrock Associates LLC - Analyst*

And how has it been for the first -- how has that come in? How has -- how the actual has been weather adjusted?

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

It has been largely in line with our expectations. Things are growing and gaining busters, but we're not seeing any contraction as well.

Operator

Our next question comes from Gregg Orrill of UBS.

Gregg Gillander Orrill - *UBS Investment Bank, Research Division - Executive Director & Equity Research Analyst of Utilities*

Just a follow up on the PISA spending. Do you have any sense at this point how it might impact your growth -- EPS growth guidance?

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

Well, obviously, we -- our plan would be that it would improve it to the extent that we did that, but we don't have a range yet because we haven't finished our work on the total dollar amounts, but certainly that would give us some opportunity for additional growth in spend and EPS that we currently don't have in the plan.

Operator

Our next question comes from Kevin Fallon of Citadel.

Kevin Fallon

Just back on the PISA CapEx. Again, is the incremental opportunity that total $1 billion? Or is it that $1 billion less the $150 million that you've already reallocated?

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

The $1 billion is really a total number. So it includes that $150 million reallocation that's the way it worked.

Kevin Fallon

Okay. And if you ultimately started to do the incremental $850 million, would you need any additional equity financing for it?

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

That's not currently the plan.

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

That currently isn't the plan. We have to look at the financing projections and the model and see what our credit metrics look like.

Kevin Fallon

And if the legislation's written to allow you to do the incremental $850 million, what is that would keep you from going up to the cap?

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

Just overall ability to get it done. You got to have projects, but we believe we have that ability and, obviously, we're impacting customers' rates. So we'd be watching how that affected us well, but other than good business judgment around those 2 things, nothing, that's really what the cap is there for.

Kevin Fallon

Just to confirm, the current CapEx plan as it is right now through the forecast period put you at the midpoint of the earnings guidance range?

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

We haven't said where the CapEx plan places us within the guidance range, if that...

Kevin Fallon

Okay. Exactly.

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

You're talking about long term or both?

Kevin Fallon

Okay. All right.

Operator

Our next question is a follow up from Michael Lapides of Goldman Sachs.

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

That's hilarious. Easy question for you, Tony. How -- of the $110 million of merger synergies for 2019, how much have you realized year-to-date? What's O&M/G&A year-to-date?

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

Well, I know year-over-year variances like year-to-date were $84 million better than we were last year and $52 million for the quarter. We're ahead of our targets for the synergies. I just don't know the exact number. So it wasn't an easy question, but I struck out.

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

Yes. I'd say obviously the total number is not ratable. So -- but I would say that at midpoint, given all we know, we're, as Tony said, ahead of plan.

Operator

Our next question comes from Andrew Levi of ExodusPoint.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Just some follow-up questions. Just on the $850 million of incremental CapEx, when would that spend begin to happen, is that the next year, '21, '22?

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

Again, we don't have a plan for that yet. There is nothing to prohibit us from beginning construction and spend as the projects are available and we could start those as appropriate. So obviously, we would map out the plan around our annual plans and budgets and what kind of projects and how long they took to execute on. So -- but there is no time limitation on how quickly we could get started, if we had those plans in place.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

And I'm sorry, maybe I missed it earlier, that $850 million will be spent over what time frame, like how many years?

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

We don't really have a time line, except for there is a true up of PISA that's a 4-year true up, fourth year true up. So we're talking about a context of over a time period, but when and how it would be seen, again, we haven't developed or published.

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

Some may be parameters, Andy, would be all else being equal, we will be filing rate case of Missouri for new rates effective in the first part of 2023, so you backup from that, we file and call up early '22 and you would update a test year kind of the June time frame of 2022. So that would kind of be ideal, but doesn't mean we would stop necessarily. It depends on the projects, it depends on the runway and lead time and all that, but those are just some things you should consider.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Or is there another parameter where kind of your maximum spend on a year based on how the PISA is written?

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

So I believe it's a 3% CAGR.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

So what would that be CapEx wise?

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

Well, it's the billion-dollar number that we've thrown out.

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

Yes, we gave you the total number.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Well, I'm saying on an annual basis.

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

Yes, it depends on the projects, it depends on the amounts, but there is a 3% cap.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. And then just the last question, if you were to start spending next year and it's a follow up of somebody else's question. Let's just assume you start spending next year and in '21 and then you bought back 36 million shares and then you have this accelerated purchase of another $500 million so that gets you to kind of like, I don't know, $46 million, unless you've done math. But instead of, I guess, the issue of equity, you could just buy back your shares and that kind of would firm this. Does that makes more sense first buying back shares and then issuing shares if you needed to, assuming you need to.

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

So those are really the things that we'll obviously be looking at, Andy, right as we're going through the planning horizon, working with our operations and the financial modeling team.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. And I assume we'll get an updated EEI if that's the kind of the way you think about it?

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

Well, obviously updated EEI is what we have and obviously be working on plans for 2021 around that time, but we traditionally would give earnings guidance and those kind of things in the first of the year.

Andrew Levi - *ExodusPoint Capital Management, LP - Portfolio Manager*

Okay. And then the last thing is it's kind of based on what you had said before, I guess, politically you feel much more comfortable about raising CapEx obviously you have more cost savings too, maybe that helps as far as customer bills, I guess, you feel better politically about kind of what's going on to be able to do that. Is that correct?

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

Yes, again, in Missouri, they specifically put this mechanism in place to encourage us, if you allow us to spend additional and feel comfortable with our ability to recover, same mechanisms, not in place in Kansas and in fact the discussions are on current level of rates and concerns around those. So those are 2 different places with 2 different focuses as we speak.

Operator

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

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

All right. Thank you very much. Thank you for joining us and hope everybody has a good rest of the summer. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. And you may all disconnect. Everyone, have a great day.