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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Q1 2023 Evergy Conference Call -- Earnings Conference Call.

(Operator Instructions)

Please be advised that today's conference call is being recorded. I would now like to turn the conference over to your speaker for today. Peter Flynn, you may go ahead.

Peter Flynn

Thank you, Lisa, and good morning, everyone. Welcome to Evergy's First Quarter 2023 Earnings Conference Call. Our webcast slides and supplemental financial information are available on our Investor Relations website at investors.evergy.com. Today's discussion will include forward-looking information. Slide 2 and the disclosures in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations. They also include additional information on our non-GAAP financial measures.

Joining us on today's call are David Campbell, President and Chief Executive Officer; and Kirk Andrews, Executive Vice President and Chief Financial Officer. David will cover our first quarter highlights, provide regulatory and legislative updates and discuss our ESG progress. Kirk will cover in more detail the first quarter results, retail sales trends and our financial outlook for the year. Other members of management are with us and will be available during the question-and-answer portion of the call.

I will now turn the call over to David.

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

Thanks, Pete, and good morning, everyone. I'll begin on Slide 5, and I'm pleased to report that Evergy had a solid first quarter as we delivered adjusted earnings of $0.59 per share compared to $0.56 per share a year ago. The increase was driven by weather-normalized sales growth, transmission margin and lower O&M expenses, partially offset by the impact of a mild winter, an increase in depreciation and amortization and higher interest expense. Kirk will discuss these earnings drivers in more detail in a few minutes.

In 2022, we achieved our historically best safety year, and I'm pleased to report that our OSHA recordables and days away and restricted time events are trending favorably relative to those '22 results through the first quarter of this year. These improvements are a testament to the work of the entire Evergy team. I'd like to thank my fellow employees for their unwavering commitment to safety. With the solid start to the year, we are reaffirming our 2023 adjusted EPS guidance range of $3.55 to $3.75 per share as well as our target long-term annual adjusted EPS growth target of 6% to 8% from 2021 to 2025.

On Slide 6 and 7, I'll discuss our recently filed Kansas rate reviews, beginning with Kansas Central on Slide 6. On April 25, we filed an application requesting a $204 million revenue increase, premised on a 10.25% return on equity, a 52% equity ratio and a projected $6 billion rate base as of the proposed June 30, 2023 true update. As shown on Slide 7, in Kansas Metro, we requested a $14 million revenue increase, premised on a 10.25% return on equity, a 52% equity ratio and a projected $2.6 million rate base as of the proposed June 30 true update. We believe these rate requests are straightforward and reflect the communications we've had with our Kansas regulators and stakeholders in workshops and other settings over the past few years.

The principal items include recovery and return on our grid modernization and infrastructure investments since our last rate reviews in 2018 as well as passing on to our customers the benefits of the substantial cost savings we've achieved since the merger that formed Evergy 5 years ago. Across our 2 Kansas jurisdictions, these cost savings reduced the combined revenue increase request by 37%. We are pleased that the hard work of the Evergy team resulted in cost savings that are significantly higher than projected during the merger approval process. These efforts have been a major contributor to successfully advancing our regional rate competitiveness.

Since the end of 2017, our rates in Kansas have remained virtually flat, while our regional peers have, on average, increased their rates by double digits and cumulative inflation has been over 20%. As a reminder, Kansas rate cases run on an 8-month schedule, so new rates will go into effect by year-end 2023. We'll provide an updated time line when a procedural schedule has been issued. We look forward to working with our regulators and stakeholders over the coming months to achieve a constructive outcome for our Kansas customers and communities.

Moving on to Slide 8. I'll provide an update on our other regulatory and legislative priorities. In Kansas, Governor Kelly signed House Bill 2225 into law in April and will become effective in 2024. The bill includes provision that matches the return on equity for our locally planned FERC transition projects to the return on equity established by the state for our other infrastructure investments.

This law applies specifically to current and future transmission projects that are not subject to notifications to construct from the Southwest Power Pool. HB 2225 keeps our transmission delivery charge rider mechanism, or TDC, unchanged and fully intact. This bill provides savings to customers and was a product of constructive dialogue with Kansas regulators, legislators and other stakeholders.

In Missouri, the order approving our request to securitize extraordinary costs from Winter Storm Uri is in the state of pellet process. We believe the commission's decision in support of securitization is well supported by the record. As a reminder, we will complete the securitization financing after the appeal plays out, but incremental carrying costs incurred prior to approval will ultimately be recovered when we issue the debt. We anticipate resolution later this year.

On the legislative side, we're tracking the progress of Senate Bill 275 in Missouri, which would create a state and local sales tax exemption for the production of electricity. If signed into law, these savings will be passed on to customers and our next Missouri rate case. And bill has passed out of the Senate and currently waits debate on the House floor. Other bills relating to the energy sector may also receive attention this month. For example, the build it enhances, state oversight of transmission and improve the consistency of transmission operations and planning. Referred to in shorthand as right of first refusal legislation continues to be an area of focus. The benefits of this legislation are reflected by similar laws that are in effect in the majority of states across our region. However, as the Missouri legislative session is scheduled to adjourn on May 12, timing is tight, and we expect that the discussion of ROFR and other energy-related bills may continue into next year.

As a final note on Slide 8, we remain on track to file our annual integrated resource plan updates in both Kansas and Missouri by mid-June. This year's IRP updates will include significant changes in assumptions, most notably updated cost estimates for new generation as well as substantial subsidies in the Federal Inflation Reduction Act for carbon-free resources.

Moving to Slide 9. I'll profile another element of our corporate strategy related to environmental, social and governance measures. We continue to enhance our ESG practices and disclosures and our efforts have been recognized and reflected in significant improvements and third-party ESG ratings for Evergy. For example, Slide 9 profiles the comprehensive progress that we've made in the ESG ratings provided by ISS and by S&P Global's corporate sustainability assessment.

From a disclosure perspective, 2022 marked the first year Evergy completed full CDP climate and water security questionnaires as well as the global reporting initiative report. We've also joined the Electric Power Research Institute's Climate Ready initiative, a research partnership aimed at developing a collective approach to identifying and managing physical climate risks.

Over time, we expect this effort to support the optimization of our grid investment priorities, utilizing a common framework around cost benefit analysis, risk mitigation and adaptation strategies.

Finally, we continue to integrate climate-related risks into our enterprise risk management system. This is the best practice, which will allow us to identify and mitigate the impact of current and future risks in our business enhancing our ability to provide safe, reliable and affordable power.

I'll conclude my remarks with Slide 10, which highlights the core tenets of our strategy: affordability, reliability and sustainability. On affordability front, advancing regional rate competitiveness is one of our primary objectives. Since 2017, we have reduced rates by 0.8% across our service territories, while regional rates have risen by double digits, and inflation rose 20% over the same time period. The impact of these efforts is reflected by ongoing wins in our region and economic development. And while we're pleased by our progress in improving regional rate competitiveness and keeping our rate trajectory far below the rate of inflation, affordability will always be an area of focus.

We target top-tier performance and reliability, customer service and generation through modernization of our transmission distribution lines, investing in smart grid technology and developing systems capabilities that meet customer needs and enable the increasingly active customer engagement with their electric service.

Reliability also encompasses operational excellence in our generation fleet, leveraging the skills and capabilities of our high-performing team and important assets like our Wolf Creek nuclear plant. Reliability is all the more important given the increasingly central role that electricity plays in so many aspects of daily life. We recognize the responsibility that comes with our role, and we embrace the challenge of delivering power at the cost and service level that our customers expect and demand.

With respect to sustainability, we continue to advance the transition of our generation fleet, a process that has been underway for 2 decades. Since 2005, we reduced carbon emissions by nearly half, while reducing sulfur dioxide and NOx emissions by 98% and 88%, respectively. Additionally, nearly half of the energy that we generated for our retail customers came from carbon-free resources in 2022. Our mission is to empower a better future, and our vision is to lead the responsible energy transition in our region, always with an eye on affordability and reliability as well as sustainability.

And with that, I will now turn the call over to Kirk.

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

Thanks, David, and good morning, everyone. Turning to Slide 12, I'll start with a review of our results for the quarter. For the first quarter of 2023, Evergy delivered adjusted earnings of $136 million or $0.59 per share, that's compared to $130 million or $0.56 per share in the first quarter of 2022. As shown on the slide from left to right, the year-over-year increase in first quarter adjusted EPS was driven by the following: first, mild winter weather resulted in an approximate 11% decrease in heating degree days compared to last year, driving an $0.08 decrease in EPS.

The strong weather-normalized demand of 2.1%, driven by the residential and commercial sectors contributed $0.04 per share. Higher transmission margins resulting from our ongoing investments to enhance our transmission infrastructure drove a $0.02 increase. A $36 million decrease in O&M drove a positive $0.12 variance year-over-year. This was partially the result of timing of O&M expenditures within 2023.

The net impact of higher depreciation and amortization was $0.07 for the quarter, which includes the offsetting impact of new retail rates. Proceeds from company-owned life insurance contributed $0.04 during the quarter. And the combination of higher interest expense and lower AFUDC drove a $0.13 decrease with interest expense representing $0.11 of that variance. The increase in interest expense reflects the lower rate environment in early 2022, and we expect rate-driven variances to decrease in magnitude as we move through the year, consistent with the assumptions in our guidance.

And finally, other items, both positive and negative, drove a net increase of $0.09, which was primarily driven by other income and income tax-related items.

Turning to Slide 13, I'll provide a brief update on our recent sales trends. On the left side of the slide, you'll see that total retail sales increased 2.1% over the first quarter of 2022 driven primarily by increases in both residential and commercial usage. The decrease in industrial demand is primarily attributable to 2 refining customers, one of which experienced a high demand a year ago, and the other offline this past quarter due to a planned outage. Excluding these 2 customers, however, remaining industrial weather-normalized demand increased. Demand growth continues to be supported by a strong local labor market with Kansas and Kansas City Metro by area unemployment rates of 2.7% and 2.9%, respectively, which remained below the national average of 3.6%.

I'll conclude my remarks with Slide 14. Our focus remains on continuing to demonstrate a strong track record of execution. As David mentioned earlier, based on solid first quarter results, combined with our outlook for the remainder of the year, we are reaffirming both our adjusted EPS guidance range for 2023 as well as our long-term compound annual EPS growth rate target of 6% to 8% from 2021 to 2025 based on the midpoint of our original 2021 EPS guidance of $3.30. We also remain committed to returning capital to our shareholders and target dividend growth in line with earnings growth with a dividend payout ratio of between 60% to 70%. In addition to allowing us to achieve these financial targets, executing on this investment plan advances our key objectives of ensuring affordability, reliability and sustainability over the long term.

And with that, we'll open the call up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

First question is coming from Shahriar Pourreza of Guggenheim.

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

Maybe we'll just start with the Persimmon Creek project. Obviously, you pivoted from Missouri to Kansas and included it in the latest cases there. Where is the pathway forward if you're unable to roll the project into rates there? Does it stay at the parent? And also any color on how to think about the earnings impact, if that were the case versus the $0.05 you originally had in plan?

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

So I'll start off and ask Kirk to supplement, we think the Persimmon Creek asset is a great asset, given the overall cost at its size. It's -- we think the best value is supported by integrated resource plan in terms of both capacity and energy needs. It's well situated from a transmission perspective, and we think it fits well with the needs that we're going to have in our Kansas jurisdiction, which continue to see ongoing growth in demand and across service territory with new customers like Panasonic. So we like the asset that fits in well. The IRP, we think it's a great resource for our customers.

So, as noted, it was included in our filing on April 25. It will go through the process. And so we'll -- along with our other infrastructure investments that we've included. The -- your question on EPS, given that it's rolling to the Kansas jurisdiction, which doesn't have the same piece of requirements. We won't see the earnings contribution in 2023 deliver a very similar profile in the following years. And again, we think it's a great asset.

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

Got it. Perfect. And then, Dave, I know you and Kirk have been working tirelessly with the KCC. I know obviously, the capital components of the case have been really well vetted through the SPP. As we kind of get the process started, I realize it's obviously very early innings, but is the settlement possible here? Or do you expect kind of a fully litigated case at this point?

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

So, Shahr, that's a question we get from many investors. As you can guess, since we filed it on April 25, probably a little speculative for me to be specific as to what will occur. We do think that we have a pretty straightforward rate case. The complexity only really comes from the fact that it's been 5 years since our last general rate case. But the elements are straightforward. We have any major generation retirements. We don't have complexities like some of the things that you can see after this longer time period. So we think the framing is there for a constructive set of dialogues and certainly will be our objective to drive towards settlement. Now that will be in the fall. So we're a ways away.

But as you noted, what's a real positive in this case is that we've had the opportunity to preview and go through our capital investment plans in a series of workshops over the last 3 years. Starting with the STP workshops as you noted in 2020 and continuing given to the capital workshop that we had in December. And those were multi hour workshops attended by all 3 commissioners the whole time.

And it included 4 projections on rates. And what we filed is in line with what we laid out in those proceeding. So we think that sets the groundwork for a constructive set of discussions. And of course, the process will play out as it will. We've got a very highly capable and knowledgeable staff at the KCC. So we look forward to interacting with them, with CURB and with other stakeholders through the process, and we certainly hope that we'll have a constructive dialogue that enables the settlement as we advance through the year. 8 months time line, as I mentioned. So the rates will go into effect in December, and a lot of the crescendo happens in the fall time frame.

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

Got it. Perfect. And then just real quick lastly for me. It's just the ROE tweak from the TDC bill that passed in Kansas. It seems like it could be a modest drag in '24 and maybe beyond. Is that the case? And how are you, I guess, thinking about potential offsets there? Appreciate it.

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

Yes. So it is a pretty modest impact, Shahr, in the range of roughly $0.04 or so. We think we can absolutely manage that in the context of our business given our size and our overall earnings' power. We think the ultimate resolution was reflected a constructive dialogue. The initial proposal that was issued was to remove the TDC mechanism or concerns by some of why you have a different mechanism in place and a lower level of state oversight. So we're able to get an accommodation that enhanced data oversight of transmission, great in equivalents and the return on equity for different types of infrastructure investments, but keeps the TDC mechanism in place. So we thought it was constructive or outcome overall and one that's very manageable and was a sensible approach as we headed into 2023 in a rate case here, and we're glad that we're able to work with parties to get to that outcome.

Operator

And our next question is going to be coming from Michael Sullivan of Wolfe Research.

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

I wanted to just ask on how things are tracking on the year just given the mild weather and then also seeming like the percent increase nickel that you had in guidance isn't going to be realized potentially until next year now where the offsets are coming from?

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

So I'll -- actually, Kirk, do you want to take that one? They've been hearing from me for a bit. Do you want to build it?

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

Sure, Michael. Look, it's early in the year, we had a strong start to the quarter. We've reevaluated and kind of reset our expectations for the year, including that impact of at least the debt delay, albeit relatively mild delay in terms of the realization of the earnings on percent accrete. We feel confident, we've got means at our disposal to offset that through a number of means. Obviously, we're pleased with the performance on O&M. Year-to-date, I mentioned earlier, some of that is relative to timing, but gives us a lot of flexibility throughout the year to pull levers to offset. So that's really what underpins our confidence in reaffirming that guidance for the year.

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

Yes, Michael, I'd just note that we had a very mild winter, you saw it across the Midwest and we're fortunate that we were able to offset that. We're pleased with the solid quarter. I know that all companies have to deal with the weather piece. But for us, we're able to offset it, and we're pleased with the solid quarter results as opposed to being -- that's something to manage over the course of the year. We -- the team did really nice job managing in the context of the quarter. So we feel good about the year and reaffirming our guidance range.

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

Okay. Great. And on the IRP, I know that's coming in a couple of weeks. Can we just get sort of a high-level preview there of maybe just how material changes we should be expecting in terms of new capacity need and some of the moving pieces on cost of renewables post IRA and inflation and all that?

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

So Michael, I won't get ahead of the results in terms of the total renewables build-out plans. What I'll note is that beneath the surface of the water, there's been a ton of churn just because the combination of -- we didn't include the kind of renewables incentives you've seen in the IRA because their last RFP update, that law was in effect. So that's a big change. At the same time, we have bids from our all-source request for proposal that we can integrate, the capital costs from that real-time market information in the IRP. That's -- most of those costs have trended higher. So there's some offsets there. So beneath the service, there are significant changes in assumptions on commodity costs. We went through a lot of volatility in natural gas prices in the back half of the year, maybe we're back to low gas forever, but I think we're probably back to is that, hey, there's potential volatility in natural gas.

So there are a lot of different factors, but when you sort of run them through the modeling process, which is still ongoing, it reinforces the value of renewables over time and a lot of it comes down to availability, particularly with supply chain challenges. So I would note that I think the robust support for renewables as being low-cost opportunity for customers in a long-term research plan, that absolutely remains then in the near term, it's about supply chain and what that impacts in terms of resources that are available sooner rather than later. Now some elements that will change in the future. There's a number of different EPA builds.

Our EPA rules that are in the mix right now, a couple of them have been issued. Others have been press reports around. So I would not expect this IRP to reflect the greenhouse gas post rule, for example. That hasn't been formally issued yet. We've seen a lot of reports on it. Those kind of rules only further reinforce, I expect the relative value of adding lower-cost resources of the system, I think it will also further reinforce the importance of capacity.

So one thing from last year that has changed is -- and there's the benefits of having capacity or even higher. We've also seen increases in demand. So a long-winded way, I'm not giving you new numbers, but the dynamics that support the value to customers of adding renewables, the system are there, maybe some further impetus to capacity resources and then some supply chain issues in the near-term work through. But we're excited about the prospects, and we'll -- obviously, I have a comprehensive update when that's -- when we issue the IRPs.

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

Okay. That's very helpful. Yes, the end to your response there was kind of where I wanted to follow up. I mean at the end of the day, in terms of where to expect pushback. Is this really just approving lowest cost-type thing as long as you can get the reliability where it needs to be? Is that kind of what stakeholders are going to be looking for most?

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

We look at the lowest overall cost in terms of net present value of the revenue requirement. So it's a -- we're looking at fundamentally what's going to deliver the most value for customers in light of the various incentives. It's a 20- to 30-year models. So it's complicated. Our 15- to 20-year model, so there's a lot of input, but that's what it comes down is what's going to deliver the best value to our customers while ensuring reliability.

Operator

(Operator Instructions)

The next question is coming from Durgesh Chopra of Evercore.

Durgesh Chopra - *Evercore ISI Institutional Equities, Research Division - MD and Head of Power & Utilities Research*

Straightforward and my questions have been answered. Maybe I was just curious and I can follow up with Pete, if you don't have the answer. David, in your prepared remarks, you mentioned that the cost savings exceeded the original kind of targets you had when the merger happened? Can you quantify what that looks like? If not, I'll just follow up with Pete.

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

Durgesh, it was a few hundred million dollars, but which we exceeded, several hundred million dollars overall. Now that's across the corporate enterprise. And it's a tremendous result that was achieved by our employees. So we can get you the exact number, several hundred million dollars in excess of what was initially predicted, if you look at the cumulative savings over the 5 years.

Operator

And the next question will be coming from Julian Smith of Bank of America.

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

It's Dariusz on for Julian. Just kind of a high-level one. Obviously, you've had several regulatory processes in Missouri and now you're heading into this critical Kansas rate case. Any learning/takeaways or maybe modifications to your approach that from the Missouri processes that you think are applicable as you head into the Kansas process?

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

You're going to have to make sure your name leads off. It keeps being Dariusz on behalf of Julian. Julian's got to share a little light. It's a great question. I think there are some distinguishing elements between Missouri and Kansas, but there's always things you can learn. Missouri, we had some more complicated legacy issues. We had the Sibley plant retirement that followed. We had the piece of legislation that had been enacted, but the case was under the legacy plant and service accounting rules, which had a cost cap that kind of a commodity price surge had impacts to Missouri West. So some pretty complicated legacy issues that were impacted.

No, we don't face in Kansas. In Missouri, we reached a constructive settlement on key economic issues in our Metro jurisdiction, which is a bigger of our 2 jurisdictions in Missouri. Sibley in the piece of legislation, the biggest impact of Missouri West. So the settlement that we reached in Metro is a good template for what we're going to be seeking in Kansas. And in Kansas, we have the benefit of even more extensive dialogue. There was STP workshops in both states, but the ones in Kansas were -- you probably listened to a number of them were quite in-depth and thorough and involved the commissioners, staff curve and other stakeholders.

So a rate case in Kansas is even more well situated in terms of a constructive -- developed, it's pretty straightforward in settlements. But we strive for trying to get to common ground and settlements where we can. And I think Missouri Metro is a good template for that. And the setup is also more amenable for it and that we have a little less complexity as in 5 years. But again, the range of things that we're bringing is a little more straightforward.

And as a reminder, in Kansas, transition not for the rate case, it's focused on our distribution investments, generation, customer systems, really a lot of our grid modernization and customer-facing investments. So we look forward to the dialogue. We think the case setup is one that will enable a good constructive dialogue with the key participants.

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

And apologies if you touched on this in the opening remarks, but I just noticed that there's a bit of a delta between resi and commercial sales and industrial on Q1. Can you maybe talk through any of the high-level drivers there?

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

Sure, Dariusz, it's Kirk. I've mentioned on the call, yes, we -- our industrial sales were a little bit down. It was largely a result of 2 refining customers, one of which had a pretty high-level comp last year with higher demand. So just kind of normalizing that a little bit. That's one effect of those 2 customers. The other one had a planned outage this quarter. But for those 2 customers in the industrial sector, our industrial demand was up year-over-year, excluding those 2 refining customers.

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

Overall, we're pleased with the ongoing demand trajectory, especially on the residential and commercial side and the industrial, as Kirk mentioned, we can actually isolate it down to 2 customers.

Operator

And our next question will be coming from Paul Patterson of Glenrock Associates.

Paul Patterson - *Glenrock Associates LLC - Analyst*

So I noticed that there was a labor capitalization benefit it seemed. Could you elaborate a little bit more on that and how -- what the impact will be sort of in its trajectory, if you follow what I'm saying, in other words, is there going to be more of a benefit going forward in the near term? And is there a flip around? Or just -- if you could just elaborate a little bit more on that.

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

Sure, Paul. And your -- I applaud your, as always, detailed review of materials. So we -- like all utilities, we have a rigorous process for reviewing our capitalization rates and making sure we're getting the right -- it's reflected in the underlying activities. We've had a lot of capital investment, and there's an appropriate amount that should be -- of labor that should be capitalized and a robust methodology that we know the utilities follow. So we're applying that. I think you saw in our -- for example, in our Wolf Creek plant, there was a little bit higher capitalization rate relating to activity that was underway.

Our overall trajectory in terms of O&M expenses and capital, we -- it's all part of our planning process. So it's reflected in where our plans are. So I wouldn't tee up that you're going to see a major change, what you'll see is ongoing implementation of the adherence to the rules that are in place in that regard. So it's reflected in our plans. And is underpinned by the rigorous application, the appropriate accounting processes. So -- but I think that what you noticed was in particularly driven by some projects that Wolf Creek, our nuclear plant.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Right. So I guess what I'm wondering is, is that -- so it sounds like it's associated with those projects. And then -- but going forward, does that -- so in other words, it's not a permanent change, I guess, if I'm gathering this correct. It's associated with the specific sort of project activity.

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

That's right, Paul. We -- it reflects the activities that are underway and the application of the relevant rules that are in place. We're looking at and making sure we're following the right approach. If you think about being in an industry like ours, that we're well benchmarked. We got a great support from our accounting team and our external auditors. So well-established approaches to take in that regard and best practices.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Absolutely. I guess I was just wondering just sort of mechanically, does -- what period does that get sort of -- does it -- what period is that amortized over? I guess, I'm sort of wondering, I mean, is it just over the life of the plan? Or is it something that -- is it sort of an account that gets amortized over sort -- just to sort of...

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

Really depends on what -- it depends on what they're working on, if it's related to an outage. It will be different -- in other words, and it gets down to every single project also probably won't be able to get through the 100 in this call, but it always relates to the work that's underway. And some are shorter, some are longer to put them, depends on the nature of the work.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Absolutely. Okay. That's great. And then just on the rate case. Percent to be allocated, I think, to the EKC as opposed to both utilities, I just was curious, is there a reason for that? Or is it just -- is it -- if I was correct in reading that, is there a reason why it wasn't allocated to both, I guess?

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

We think it's the best fit for Evergy Kansas Central. So it's really just where it lines up well with the integrated resource plan needs and overall mix and benefits. It's well placed for that customer base, too. So it fits well with EKCs, so that's what it's allocated is.

Paul Patterson - *Glenrock Associates LLC - Analyst*

Okay. And then finally, on the depreciation rate change. Was there -- I'm just wondering -- I mean I apologize. I read this a little while ago, but what was the driver again? Can you remind me about the request for a change in depreciation rates in the rate case? Is that -- is there a life issue there that's specific? Or is it just basically just updating the depreciation rate to follow?

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

I do follow. I think the -- so we need a depreciation studies that typically happens in rate cases, especially if there's been a relatively long gap. So this reflects depreciation studies that we've done, it's been 5 years since the last rate review. So a pretty standard process. You're bringing an outside expert, you review that work. And so it's a -- I don't necessarily encourage all investors to read through the depreciation studies, but you're welcome to. It's in our publicly filed testimony, but it's -- I mean, I'll get insight -- so it's a rigorous review. You need to go through as part of the rate case and making sure you're getting the right level of depreciation, the right reachable lives for your long-lived assets, and that's the driver.

Operator

Thank you. That concludes the Q&A session. I will turn the call over to David Campbell for closing remarks.

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

Lisa, it was efficient. It's like the first round of the NFL Draft, which I hope everyone enjoys in a great city of Kansas City. We appreciate all of you joining us this morning. Thank you for your interest in Evergy, and have a great day. That concludes the call.

Operator

Thank you, everyone, for joining in. Enjoy the rest of your day. Conference call has been concluded.
