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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the quarter two 2026 Evergy Inc earnings conference call. (Operator Instructions)

Please be advised that today's conference is being recorded. I would like to now hand the conference over to your first speaker today, Senior Director of Insurance and Investor Relations, Peter Flynn. Please go ahead.

Pete Flynn - *Evergy, Inc. - Director, Investor Relations*

Thank you, Courtney, and good morning, everyone. Welcome to Evergy's second quarter 2026 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, Chairman and Chief Executive Officer; and Bryan Buckler, Executive Vice President and Chief Financial Officer. David will cover second quarter highlights, economic development, our planned resource additions and our regulatory agenda. Bryan will cover our second quarter results, retail sales trends and our financial outlook. Other members of management are with us and will be available during the Q&A portion of the call.

I'll now turn the call over to David.

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Thanks, Pete, and good morning, everyone. I'll begin on slide 5. This morning, we are pleased to report second quarter adjusted earnings of $0.88 per share compared to $0.82 per share a year ago. Our results were driven primarily by the recovery of regulated investments, load growth and revenues from our large load customers, partially offset by higher operations and maintenance and depreciation expense. Our solid results through June put us on target for the midpoint of full year 2026 adjusted EPS guidance of $4.14 to $4.34 per share. Bryan will cover our results in more detail.

Safety is a core value within our organization, and I'm also pleased to report that our 2026 safety performance is trending favorably to target. This result reflects the commitment of our employees and the effectiveness of our efforts to drive continuous improvement through training, accountability and operational discipline. We are encouraged by our progress, and it's imperative that we remain disciplined going forward with the goal of sending every employee home safely every day.

I also want to recognize our employees for their relentless efforts to keep the lights on during a very active Q2 storm season. In early June, we experienced back-to-back severe storms that generated straight-line winds of up to 115 miles per hour and multiple tornadoes that caused extensive damage across our service territory, ranging from Central and Southeastern Kansas through the Kansas City metro area. Despite these challenging conditions, our team safely restored power to more than 300,000 customers over the course of the week following the storms.

We are proud of the extraordinary efforts of our transmission and distribution teams, contractors, call center representatives and customer service and communications teams and their hard work, commitment to safety and focus on serving our customers throughout the restoration process. Their dedication reflects the very best of our company. In fact, we had a major storm go through part of our territory today and they're hard at work again this morning restoring power.

In terms of reliability, we have demonstrated solid performance through the first half of the year. Our added duration and frequency metrics are tracking well relative to target, demonstrating the benefits of our continued grid investments and the efforts of our transmission and distribution teams. I'd also like to recognize our generation team for the strong operational performance of the nuclear fossil and renewable fleet during the first 6 months of the year.

In addition to our confidence in hitting our 2026 earnings guidance, our long-term fundamentals as a company continue to strengthen. That starts with the outstanding work that our employees do every day to deliver safe reliable power. Building off of that foundation, our customer and economic development prospects continue to be exceptionally strong, as I'll speak to momentarily. When we put it all together, we have high confidence in our plan, and we are reaffirming our long-term adjusted EPS growth target of 6% to 8% plus through 2030 off of the 2026 midpoint of $4.24. We expect adjusted EPS growth to exceed 8% annually beginning in 2028 and through 2030.

Slide 6 summarizes our data center announcements to date. In aggregate, we have executed ESAs for 5 data center projects under our LLPS tariffs, securing the strong protections that the tariff requires for current customers. These 5 ESAs include steady-state peak load of approximately 2.5 gigawatts, when including the 500 megawatts of steady-state peak load from non-LLPS large customers, such as Panasonic and smaller data centers, the total reaches 3 gigawatts.

We continue to make progress towards agreements on expansion projects and are highly confident that we'll execute at least one more ESA in 2026. We anticipate providing more details on our third quarter call in November. Momentum with our customer pipeline and discussions on new projects is outstanding, and we expect that to continue into 2027.

As a reminder, any additional ESAs would represent further upside and/or extension to the remarkable load growth and business expansion created by the 3 gigawatts of large customer saves already signed. These economic development wins solidify Kansas and Missouri as premier destinations for data center customers and will empower growth, enable investment and help drive prosperity for our region.

Slide 7 summarizes the progress we've made in converting our large customer pipeline and just signed agreements and provides an update on activity further down the queue. Starting in the top row, the 3 gigawatts include the 5 announced ESAs and large customers that have already commenced operations. This Tier 1 demand enables a transformative growth opportunity for Evergy, supporting our expected 7% to 8% annual retail load growth through 2030. This total consists of projects already in operation, progressing towards a steady state of 1.3 gigawatts as well as 1.7 gigawatts of additional projects that have executed ESAs, contractually requiring minimum monthly bill provisions spanning 16 to 17 years, whether or not the capacity is fully utilized.

Regionally, these will deliver significant benefits, including supporting a leading-edge digital economy, creating jobs and significantly expanding the local tax base, while enabling us to spread systems costs, over a broader load profile to main affordability for all customers.

In the next category, we highlight approximately 2.0 to 2.5 gigawatts of expansion opportunities, up from the 1 to 1.5 gigawatts we disclosed last quarter. These expansion opportunities are at or adjacent to our existing customer sites.

Further agreements -- or excuse me, future agreements related to these opportunities would require amending load ramps and existing ESAs or new ESAs and we are working on the transmission and generation solutions to enable them. And to be clear, our 5-year financial plan does not incorporate any impact from these potential expansion projects, which would create upside in the near term and well into the 2030s depending on individual product timing.

Additionally, we are in advanced discussions with multiple new customers in our Tier 2 category, representing approximately 1 or 2 gigawatts. These customers have acquired land or land rights, signed letters of agreement and we are actively reviewing transmission and generation capacity solutions. The opportunity from these customers is primarily beyond 2030.

Taken collectively, the Tier 1 expansions and Tier 2 customer opportunities reflect strong momentum with multiple additional projects that would further extend our exceptional earnings and load growth well into the next decade. The remaining pipeline totaling well over 10 additional gigawatts highlights a robust activity and sustained interest in our region. Serving this load will require working in tandem with our customers to identify creative solutions with our customers who stand ready to move forward as capacity opens, allowing us to prioritize the best fit projects as the que evolves.

Slide 8 provides an overview of our expected resource addition that will support this load growth. First, resource additions reflected in the table are consistent with our February 2026 CapEx plan of $21.6 billion over the next 5 years. Informed by our 2026 IRP preferred plan in Kansas and Missouri, we now expect approximately $1 billion of incremental capital driven by the generation resources needed to serve the customer agreements we have secured.

In total, the preferred plans through 2032 include more than 5 gigawatts of new additions with approximately 3.9 gigawatts of natural gas, nearly 800 megawatts of solar and 450 megawatts of battery storage. This resource mix reflects an all-of-the-above approach that supports reliability, affordability and long-term customer needs while positioning Evergy to serve significant economic development across Kansas and Missouri.

Of note, additional load beyond the 3 gigawatts signed to date is expected to require incremental generation resource needs and incremental CapEx as a result. The 2026 IRP planning process involved identifying the most cost-effective plan that reliably serves our customers across uncertain future scenarios. These natural gas additions, combined with solar and battery storage, are planned in a manner that will allow Evergy to take advantage of best-in-class efficiency and technology and support economic development in our service territory while at the same time helping to advance our strategic objectives of affordability and reliability.

Moving to Slide 9, I'll provide a brief update on our regulatory priorities in Kansas and Missouri. On the Kansas side, we have filed notice for an upcoming predetermination application which is planned to include 3 generation assets, a new natural gas plant, a solar farm and a battery storage facility. These new additions are consistent with the 2026 IRP preferred plan. We look forward to sharing more specifics when the application is filed later this year.

Pivoting to Missouri, we continue to work through our pending Missouri metro rate cap. The procedural schedule calls for rebuttal testimony by August 11, and server bottle and true-up direct testimony on September 10, settlement conferences commencing September 23 and hearings beginning October 5. We look forward to working collaboratively with our regulators and our stakeholders to achieve a constructive outcome for our metro customers.

Similar to Kansas and Missouri, we have filed notice for an upcoming Certificate of Convenience and Necessity Request or CCN, related to a new natural gas plant, a solar farm and a battery storage facility. We will share more details once the applications are filed.

Separately, we are having -- we have a pending CCN request for the planned Mullen Creek number 2 facility, a 440-megawatt simple cycle gas turbine located in Nodaway County, Missouri. STAT report is due September 15, followed by a settlement conference on September 22, with hearings beginning October 19. I'll conclude my remarks on Slide 10, which highlights the core tenets of our strategy.

We remain committed to keeping customer rates affordable while making the investments necessary to support reliability, economic development and long-term growth. We have delivered significant improvements in regional rate competitiveness since our company was formed in 2018 and are today, averages average residential customer rates are below national and below Midwest averages.

Consistent with this ongoing focus, we signed on to the White House's rate payer protection pledge last week. Our large low tariff framework is well aligned with the principles in the pledge and is designed to ensure that new large customers pay their fair share of the infrastructure and generation costs required to serve them while at the same time helping to protect affordability for existing customers. This ensures alignment across stakeholders so that we can turn generational investment and growth opportunities into demonstrable benefits for all in our region.

While our capital investment plan is higher than historical levels, it is supported by unprecedented load growth. New large load customers contribute premium revenues that helped cover the cost of serving them and the investments required to support growth, while increasing energy sales allow us to spread system costs across a larger base. We expect to see customer rate increases over the next several years being in line with or below inflation for the significant majority of our residential customers.

Missouri West is our smallest utility today, with the lowest rates in our system and some of the lowest rates in the nation, partly because the utility is in need of infrastructure investment, in particular, new dispatchable baseload generation. As a result, as new generation plants come online to serve Missouri West, these customers may see rate increases above inflation over the next 5 years.

We still anticipate their rates will remain regionally competitive and these investments will reduce the reliance on our market provided energy making rates more stable for our Missouri West customers. Longer term, as the full benefits from large customers are realized, we are confident that we can manage residential rates to a level consistent with inflation and all Evergy customers will benefit from these infrastructure investments for decades to come.

As outlined in our capital plan, we will continue to invest in grid modernization to ensure reliability as well as grid resiliency, strong customer service, and generation availability. Our primary sustainability goal is to execute a cost-effective, all of the above generation strategy, as reflected by our planned investments in natural gas, solar and battery storage to support our Kansas and Missouri customers. We look forward to continuing to advance a mix of resources over the coming years to support growth and prosperity in our states.

I will now turn the call over to Bryan.

Bryan Buckler - *Evergy Inc - Executive Vice President, Chief Financial Officer*

Thank you, David. Thank you, Pete, and good morning, everyone. Let's begin on slide 12 with a review of our results. For the second quarter of 2026, Evergy delivered adjusted earnings of $209 million or $0.88 per share compared to $191 million or $0.82 per share in the second quarter of 2025.

As shown on the slide from left to right, the year-over-year drivers are as follows: First, margin from load growth resulted in a $0.10 per share increase for the quarter. We recorded higher revenues this year from the March 2026 start of operations of a large data center and from Panasonic's ramp of operations. Combined, these 2 customers had an approximate $0.04 benefit to EPS compared to the prior year quarter.

Overall, weather-normalized demand grew 1.8%, primarily driven by commercial and industrial demand. We also had a warmer start to the summer, resulting in an increase in cooling degree days compared to prior year, with weather essentially normal in the second quarter compared to the mild weather in Q2 2025.

Next, recovery of and return on regulated investments, driven by new retail rates in our Kansas Central jurisdiction and FERC regulated investments contributed $0.10 of EPS. Offsetting these favorable drivers the combination of higher O&M and increased depreciation and interest expense net of AFUDC drove an $0.08 decrease in EPS.

And finally, other items netted a decrease of $0.06, inclusive of $0.02 of dilution from convertible bonds. It has been a very solid start to the year, and we are in good shape to meet the midpoint of our 2026 EPS guidance range of $4.14 and to $4.34. To assist investors and analysts with the modeling, we are providing third quarter adjusted EPS guidance of 50% to 53% as measured against the $4.24 midpoint of our 2026 adjusted EPS guidance range.

Turning to slide 13. I'll provide more detail on our sales trends. On a year-to-date basis, weather-normalized demand has grown 3.3% and remains on track with our full year expectations. This is driven primarily by higher commercial and industrial usage. Commercial demand grew 4%, reflecting the initial ramp-up and higher usage associated with data center projects. Industrial demand grew 6.2%, buoyed by Panasonic's continued ramp. At a macro level, the robust customer demand in our service areas is supported by a solid labor market as Missouri, Kansas, Kansas City metro area unemployment rates remain below the national average with a healthy increase in residential customer and migration.

We are fortunate to be able to serve in these Kansas and Missouri communities. Few regions in the United States are as well positioned to benefit from the accelerating national investment cycle and power infrastructure and data centers at the Kansas City metropolitan area. The region's deep concentration of EPC firms and highly skilled engineering talent creates a competitive advantage that should drive sustained economic development, employment growth and increased electricity demand in both Kansas and Missouri for years to come.

Moving to slide 14. We highlight our large low demand growth profile. As indicated on the chart, the large load customer rents are already underway and are expected to continue building in aggregate through 2030 and beyond supporting our retail load growth CAGR of approximately 7% to 8% through 2030. This reflects the impact of Digital Realty, the fifth ESA customer announced on our first quarter call. This chart illustrates a powerful period of growth anchored by long-term contracts and clear parameters on monthly billings, providing significant visibility into our earnings growth and cash flow streams for the ESA LLPS contract firms that generally span 16 to 17 years.

In addition, we continue to make strong progress with several other large customers. While not reflected in the chart, we continue to execute at least -- we expect to execute at least one additional ESA in 2026 and keep this strong momentum going in 2027. The associated load and capacity that would be served under these potential incremental ESAs would represent further upside to load growth in the near term, and importantly, it has the potential to extend our exceptional load growth well into the 2030s. As David described, we will continue working in a measured and disciplined manner through our substantial pipeline of prospective customers to build on the success we have achieved to date.

Let's close on slide 15 by recapping our strong growth outlook. First, based on ESAs already signed, we currently project load growth of 7% to 8% through 2030. As I just mentioned, we are working with several customers on potential projects at existing and new sites that could have significant positive impacts of lower growth well into the 2030s.

Secondly, the foundational earnings power of the company will be fortified by our $21.6 billion capital investment plan. Based on our filed 2026 IRPs, we see incremental investment of approximately $1 billion to that forecast. With further upside potential as we signed more of large load customer ESAs, we plan to update our capital plan during the fourth quarter call in February.

As I mentioned on our first quarter earnings call, this $1 billion increase in generation investments is projected to raise our rate base CAGR through 2030 to approximately 12% compared to our previous disclosure of 11.5%. Additionally, ESAs are expected to require further capacity resources and related investment. As our capital investment plan grows, we will utilize a prudent mix of debt and equity financing to support our strong investment-grade credit rating and FFO to debt that we currently project to be in the range of 14% to 15% from 2026 to 2028 with further strength in the outer years.

On the equity front, we continue to make progress utilizing our ATM program having priced approximately $425 million through forward sales agreements as of June 30 that will be settled later in 2026. This represents more than half our expected $700 million to $900 million of equity we expect to issue during the year. As we look to the remainder of the year, our remaining equity needs are addressable through our ATM program, and we currently have no plans for a block issuance.

Turning to our EPS outlook. We are reaffirming the midpoint of our 2026 adjusted EPS guidance at $4.24. Beginning in 2028 and through 2030, we expect annual earnings growth to exceed 8%. As we have discussed on prior calls, we continue to forecast an approximate 250-basis point delta between rate base growth and EPS growth, which is now compared against a 12% rate base CAGR discussed earlier.

In summary, continued execution on our large customer opportunities is further strengthening our financial outlook, supporting long-term growth while delivering meaningful affordability benefits for our customers. I speak for the entire leadership team in saying that we are excited about the future at Evergy and are deeply committed to successfully executing on our business plan and delivering consistent results for our customers, communities, employees and shareholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Steve D'Ambrisi, RBC Capital Markets.

Stephen D'Ambrisi - *RBC Capital Markets - Analyst*

Just had a quick one. Obviously, there's a lot of moving pieces here, and I appreciate that you laid out the incremental capital from the IRP as well as kind of what could be further upside. But can you just -- if we take a step back and think about potentially what could be signed from the Tier 1 bucket in this year that you've talked about having an additional signing? And just what type of generation requirements would be needed and capital requirements we need, where we think rate base growth could go? Obviously, you took it from 11.5% to 12% with this upside $1 billion. But just trying to understand kind of where growth is going here.

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Sure, Steve. I'll take a whack at and Bryan, feel free to supplement it. We've laid out -- we've got a really exciting set of discussions that are underway with our Tier 1 -- in the Tier 1 and Tier 2 categories that we lay out on the slides. There's 2 to 2.5 gigawatts of expansion opportunities that are at or adjacent to existing sites. So we're really excited about those because we know the customers.

We've got a good sense for what the needs are from a transmission and distribution infrastructure perspective. So very excited about those. And we're also excited about the Tier 2 advanced discussions as well. So there's meaningful expansion opportunity around the 3 gigawatts that we described.

Now in terms of timing, what we've laid out is we expect to sign at least one additional ESA this year. We didn't specify what the timing is, but you can -- we have five signed ESAs, amount of load on those ESAs is about 2.5 gigawatts. That gives you a sense of rough sense it how big these typically are. They're not all the exact same size. That gives you a rough sense.

To serve incremental load, we do expect that there are going to be additional resource requirements, primarily generation-related. We're seeing cost trends that are in line with what you're seeing for other utilities. So the capital investment that would follow is pretty meaningful. So it would drive, we expect incremental CapEx.

Most of the customers that we've worked with to date and the discussions that are underway today. They're looking for being provided firm power from our resources. Our LLPS tariff allows us to make sure that we're charging them for their fair share and that they're paying a premium rate. We can accommodate folks for example, signed PPAs in the marketplace or bring generation, but most of our customers have been looking to us to provide firm power out of system resources so that we expected that to be the general trend line.

So we see meaningful upside, again, we said expect at least one additional ESA this year, but we expect the momentum from these discussions to continue into 2027. So we haven't quantified the exact amount -- we expect signing this other than saying we do expect we have high confidence signing on additional say, this year, and we do think it will drive incremental capital requirements.

And if you look at our -- how the capital is ramped over time as we've added investments, that gives a good sense for what the potential knock-on effects would be, how it really summarizes our confidence in the pipeline and the really high interest in our customers in our territory, and that's under that LLPS framework to make sure that they were charging them an appropriate rate.

Stephen D'Ambrisi - *RBC Capital Markets - Analyst*

That's very helpful, David. And then just I have a follow-up to not to get ahead of myself and ask for more disclosures early. But clearly, as you sign options to the pipeline and just that ends up adding capital to the Beyond 2030 plan. Any thoughts on providing a longer-term look you've seen some of your peers give capital plans or illustrative growth rates into the middle of the next decade just to highlight the confidence in the duration of the growth profile?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

I think that that's a fair point, Steve. We certainly want to lay out what our expectations are or even from the material that we have in the ESAs we've signed. You'll see that we give a ramp of those ESAs over time. When you get out to 2030, the total amount of the peak load we expect is between 2.05 and 2.2 gigawatts, that obviously is indicative of 750 to nearly a gigawatt of incremental road ramp beyond 2030. While the expansion opportunities have some potential impact in the 5-year window, both the expansion opportunities in the Tier 2 have a ramp that's well into the 2030s and the resource needs will be in that time frame as well. So we know that that visibility is going to be important.

What I'd express today is -- and as you've heard us describe, we believe that this momentum in our pipeline, if we're able to convert as we expect to have at least one ESA, and we don't expect to stop there. That has upside potential both over the near term and well into the 2030s. But we know that you all will be looking for more specificity on that, and we'll certainly plan on giving that level of specificity as we capitalize on the momentum in our pipeline.

Operator

Andrew Kadavy, Wells Fargo.

Andrew Kadavy - *Wells Fargo Securities - Analyst*

Actually, it's Andrew Kadavy on for Shar. I was wondering, could you maybe characterize the customer profile for the pending 2026 CSA? Is it another half or scaler?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

You see the mix of customers we have today. We've got two ESAs with Google, one with Meta, one with Digital Realty, which is a very large data center developer, one with Bell, which is an enterprise with a lot of experience in this arena. I think it's -- we won't get ahead of saying what customer signing. We've got high interest from all of our customers and expansion opportunities. I think if you consider what our Tier 1 expansions and Tier 2 profile looks like, it's probably a mix that's reasonably consistent with the mix we've had today. So high-quality, hyperscaler counterparties or data center developers who are experienced in this space.

And we have visibility that they're obviously aligned with hyperscale customers on their own. That's confidential. We won't share it, but visibility in the customers they are serving. So I think you can view the profile that we've disclosed today to the customers that we've signed up and that going forward, it will be a similar kind of profile.

Andrew Kadavy - *Wells Fargo Securities - Analyst*

And then on the political side, can you comment on kind of the data center moratorium campaign issue for the Kansas governor's race? Is the noise there affecting your commercial discussions with potential customers?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

So there's a lot there. Let me comment on elections and local sensitivity of data centers broadly because I do think that how you approach data centers is important for every local jurisdiction. But first, I'll just comment only on election.

Data centers compared to certainly some other states were not as prominent in the primaries in the Kansas side. There are no major statewide races in Missouri this year. Only the state auditors up for re-election on the Kansas side, there is a gubernatorial election current governor's term limited and not standing re-election on the Republican side, Tim Masters the Senate President, on the primary. He's an experienced legislative leader as Senate President, who's been supportive of economic development and infrastructure investment, needs certainly going to be attentive to the rate payer protection pledge understands the LLPS tariff and making sure that large customers pay their fair share, but it's been a constructive. He's demonstrated support for economic development and structured investments. Cindy Holscher, on the Democratic primary, She's a state center from Johnson County, and we've worked with her in the past.

In the past in Kansas, we've been able to advance constructive measures relating to structure investment with support from leaders in both parties, and we're confident that we'll continue our focus. So it has not been nearly the prominent issue as in some of those states. But what I'd emphasize is that -- as you think about citing data centers, it's really similar to all major projects. You have to move forward in the right spots. It's not going to work everywhere. Some places won't be well suited for data centers, but for some others, with the right kind of land set up, with the right kind of infrastructure setup, with the appetite for the economic development, the jobs, the expansion of tax base, it can move forward. So we have some places that are well suited.

So we are working with high-quality developers, hyperscale customers who know how critical it is to develop facilities in areas where the communities are receptive, and we'll be working with them to move it forward. So we're confident in that issue. It's obviously a sensitivity point that gets a lot of commentary in the market today. But I would describe that if you've been in this business, if you've been in the utility business, the transmission line siting and facility siting, you always have to be sensitive to it. And we're certainly very focused on that as our the customers who are at the top of our queue.

Operator

Paul Patterson, Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

All right. So just most of my questions was actually asked, but just -- if you could you go over the rate increase impacts. You guys went a little quickly, and I apologize, but you mentioned that you guys expect to go, I think, in the rate of inflation or lower. Is that a floating number? Or is that basically based on a specific idea about what inflation will be?

And then secondly, with respect to -- you mentioned that there was a difference in one jurisdiction. And if you could just go over that again, I apologize, but if you could clarify that for me. I appreciate it.

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

It's obviously a very important topic. We've been focused on affordability. It's been at the forefront of our discussions really since the merger in 2018 that formed Evergy. And we're proud of the trajectory that put us on. So we've been focused on the topic and to be able to demonstrate real benefits and regional rate competitiveness and getting our rates below Midwest and national averages over the past several years and we've proven that to our customers.

The comments that I laid out are based on our modeling of what we expect rate impacts to be and the impact of the LLPS tariff, which is set up to make sure that the large customers pay their fair share. So what I described was we expect that rate increases for residential customers will be in line with or below inflation for the majority of our residential customers.

Now where inflation is, we all track the Fed. I know that inflation currently is a little north of 3%, which is a little bit's point. The Fed is helping -- as its target of 2% over time. So we certainly hope that the inflation will get more to that 2% range. But right now, inflation is trending in the 2% to 3%. We're not modeling it at some level. higher than that.

The jurisdiction that I spoke to was Missouri West. So Missouri West has the lowest rates in our system today, some of the lowest rates in the nation. And part of the reason for that is it has relatively less infrastructure. So our customers have benefited from that in Missouri West for many years, but we're in a position where there are a couple of factors that relate to that.

One is that they're more exposed to market energy prices, so when there's volatility in a winter storm firm or a winter storm Yuri, there's more volatility in the fuel costs that get -- that can lead to some variability in Missouri West rates. The second factor is as capacity becomes tighter, we need to make investments in Missouri West, so that they're well situated to be able to meet their needs. So we do expect over the coming years the Missouri West residential rates will be over inflation over time, we expect those to stabilize. We certainly expect that they'll remain competitive within our system and within our region, and will lead Missouri West customers we think in a much better place with resources that will benefit them for decades to come.

On the affordability front and data centers, one thing I'd emphasize, we are in only one rate case currently. That's in Missouri Metro. In our Missouri Metro rate case, as part of our initial filing, we actually reduced the revenue requirement we would otherwise have requested by $25 million, about a 15% decrease in our requested revenue requirement because of data centers. This is in advance of even generation investments having an impact in Missouri West. So it's a demonstrable impact of the -- how these large customers, how the LLPS tariff can drive knock-on benefits for all of our other customers.

We actually expect that $25 million amount or that 15% reduction. That amount is -- that relative reduction is going to even increase further as we get to the true update because that large customer continues to ramp. In other words, the beneficial impact of that data center will be even more consequential in terms of it's helping our customers. So this $40 million rate is one that we model carefully. We think about systematically and we'll continue to do so going forward because we know -- we really think actually this opportunity with large load is unique in how it not only will drive prosperity in terms of tax base and construction and a digital economy but helping to drive affordability benefits for all our customers. So I know it's a long answer, but obviously a very important topic and one that we'll continue to focus on.

Paul Patterson - *Glenrock Associates - Analyst*

Awesome. Just on the metro rate case. do you think there's a potential for a settlement or anything now that testimony has been filed? And I guess we thought all testimonies coming up pretty soon, but I'm just wondering, is there any -- what are your thoughts about that?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

We've been able to successfully settle our last couple of Missouri rate cases, asset, many other utilities date, including (inaudible). I went over the procedural schedule. So these -- the rate case in Missouri tends to follow a specific schedule, including for a settlement conference. So that -- we'll have a few more rounds of testimony filings in that settlement conference is scheduled in the late September time frame.

So we look forward to working with staff, with other stakeholders and working towards the constructive resolution. It's pretty straightforward rate case in the sense that it's largely infrastructure investment and then a unique feature that is actually with a positive benefit from our data center customer.

Operator

Anthony Crowdell, Mizuho.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

David, Bryan, just two quick questions. I guess, one, you give us the -- I don't know the right term is maybe the 250-basis point maybe, if I call it, financing lag between rate base and earnings growth. I guess, does that fluctuate? Or is that pretty consistent? Is it dependent upon maybe rate outcomes or capital getting into rate base? Just how, I guess, linear or stable is the 250 basis points?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Well, that's a great question. We will obviously give an annual view of guidance over time as we get closer to each year. What we've described as we expect in our 6% to 8% plus long-term earnings growth target that we expect earnings growth greater than 8% annually starting in 2028, and we're starting from '27 to '28. We'll see that increase afterwards.

There's some impacts that come from when plants are online and the trajectory of the load profiles of our large customers. We've given a sense for when the plant schedules are and also what the annual contractual terms under our ESAs. So there's a -- it's a steady progression as you see in those charts, but there's inevitably some impacts that come from the rate case will typically follow when some of these large generation projects come online.

In terms of that general rule of thumb, the 250-basis point difference between our average annual rate base growth and earnings growth, we view that as pretty steady. What's effective here is that while you have some lag from your investments to when they're reflected in earnings power as well as impacts from financing over time. You're also having load growth over time. So given that the load growth is increasing pretty steadily, we do see that as a pretty stable relationship over the trajectory.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

Great. And then just lastly, you're one of the few utilities that I think most of the coverage I have, there's kind of like a utility type jurisdictions of kind of like a have and have nots, where there's an aggregation of some of the large load to maybe one of their service territories, but the other one maybe is not as desirable. You guys seem to be doing very well with the large low tariffs in both Missouri and Kansas. And

I'm just curious when you talk to your customers, what are some of the positive attributes that make them choose Kansas or make them choose Missouri? Just -- why is load maybe lean more towards one state or the other?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Well, I think you captured it accurately that both states are viewed very attractive as very attractive by our large customers. So individual customers will come down to where do they have the land prospects, where do they -- where have they found the most specific opportunity, but the general setup in both states is viewed as constructive and positive.

And the tariffs are pretty similar between the two. So it was first approved on the Kansas side subsequently approved on the Missouri side, they're pretty similar provisions so that LLPS tariff that sets a premium rate to make sure they pay their fair share, pretty consistent terms. So the ability to have that predictability, attractiveness of our region. If you've ever been to Kansas City, the state line just goes to the middle of the city in many ways.

So the attributes that make our region attractive are similar between the two states. There are some differences, of course. But the fundamentals are such that our customers like both states, that's reflected in the project that we've signed. Initially, (inaudible) little ahead, but Kansas got the LLPS tariff approved. And right now, what I describe is it comes down to where you're finding local communities that meet those criteria that I described earlier, where it makes sense for that local community, and we see this in both states and certainly our customers do as well.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

And I guess for you guys, it really wherever the cheap move, it's going to be in your service territory, right?

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Our service territory is -- I think it's fair to say, overlaps heavily with Chief Nation. We've got some munis and co-ops across our territories, so that can have some impact. But yes, we -- whether either side of the state line, you're going to see some rapidly parts in our service territory, yes, we're pretty consistent.

Operator

This concludes the question-and-answer session. I'd like to now turn it back to the President and CEO, Mr. David Campbell.

David Campbell - *Evergy, Inc. - Chairman of the Board, President, Chief Executive Officer*

Vision today, thank you very much, everyone, for your interest in Evergy. With that, we will conclude today's call. Thank you.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.
