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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Second Quarter 2018 Evergy, Inc. Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's presentation, Ms. Lori Wright. Ma'am, please begin.

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

Thank you, Howard. Good morning, everyone, and welcome to Evergy's Second Quarter Call. This is also our inaugural Evergy earnings call. It's an exciting time for us, and we thank you for joining us this morning.

Today's discussion will include forward-looking information on 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.

We issued our second quarter 2018 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 our management team are with us and will be available during the question-and-answer portion of today's call.

As summarized on Slide 3, Terry will provide a business update on our new company, including our regulatory and legislative priorities. Tony will then offer detail on our financial results and provide an update on our share repurchase plans.

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 start my comments on Slide 5.

But first, let me start off by saying it's great to be joining today as the new Evergy. Our name and brand are a blend of the words ever and energy, conveying our proud history as a reliable source of energy for our communities we serve and our vision to continue far into the future.

We've served customers in Kansas and Missouri for more than a century. Together, we're more efficient allowing us to continue providing excellent customer service, maintaining competitive rates and provide attractive total shareholder returns.

We are -- we were persistent in finding a way to make this merger happen because we were extremely confident in the value of this combination. We appreciate that you also recognize this value, and thank you for your patience and confidence throughout this unique path.

Now on to the business update. Last night, we reported second quarter GAAP EPS of $0.56 and pro forma EPS of $0.90, which exclude nonrecurring merger-related expenses. The ability to deliver solid financial results amongst merger distraction is a testament to our team. Our employees remained focused, never took their eye off the ball running our business. With the transaction behind us, we're putting into motion our merger integration plans and executing on the next regulatory priorities. We run into no surprises since closing and remaining on track to deliver our earnings and dividend growth targets, while still planning to rebalance our capital structure. Tony will give you the latest on our repurchase buyback plans in a bit, a topic I know many of you are interested in.

Now let me update you on regulatory and legislative priorities, turn to Slide 6. It's been a busy year as we filed rate reviews in all 4 state jurisdictions and devoted significant effort towards successful legislative regulatory form in Missouri. In most recent news, we've reached a nonunanimous settlement with KCC staff, CURB and several other interveners in our Westar rate review. The merger settlement in Kansas cross-referenced the open rate review creating certainty for important items like ROE and merger savings. The certainty teed up settlement conversations focused on more manageable discussions, like appropriate levels of depreciation, how best to recover our newest wind farm, Western Plains, and expiring wholesale contracts.

In our filing, we requested the wind farm and expiring wholesale contracts to be reflected in base rates. As a result of settlement negotiations, we will reflect the wind farm, including return of and return on the investment to a levelized structure. This structure allows us to recover the full amount as if we had used traditional rate making with smooth customer costs over 20 years rather than having the lumpiness of expiring production tax credits after a decade.

Similarly, we requested the expiring wholesale contract be reflected in base rates. This created a timing issue, and we requested a 2-step approach with proposed rate changes in September and again in January of next year. In the settlement, the full revenue increase request for this contract will flow through our fuel clause when the wholesale contract expires in early January removing the need for a 2-step base rate implementation. These constructive solutions for large discrete items create a balance to reflect the appropriate cost recovery while stabilizing base rates for our customers.

All in all, the settlement calls for a single $66 million revenue reduction with an ROE of 9.3% and an equity layer of 51.5%. Approximately $75 million impact of the Tax Cuts and Jobs Act is also included in the settlement. Rates will become effective upon commission approval, which we expect on September 27.

We're pleased with the value and certainty created by this settlement, especially as we transition into base rate adjustment payout period in Kansas for the next 5 years. Additionally, the settlement creates several new rate design solutions for customers and sets the demand charges for our current residential distribution generation rate class.

Staying on Kansas for a minute, on May 1, we filed a rate review for KCPL, requesting a revenue increase of $16 million. The request reflects in rates the annual tax savings from the Tax Cuts and Jobs Act. It will also update retail rates for several customer experience enhancements, including technology and sustainability initiatives and reflect merger savings. The schedule shows intervener testimony due September 12 and our rebuttal testimony due October 3, and settlement discussion and hearings later in October with a final order and new rates effective around year-end.

Shifting to Missouri rate reviews for KCP&L and GMO. For KCPL, we requested a revenue increase of around $9 million. For GMO, we requested a net revenue decrease of about $2 million. Consistent with the reviews in Kansas, both of these Missouri applications also reflect in rates the benefit associated with the new federal tax law. The combined docket schedule calls for 2 settlement conferences over the next month with evidentiary hearings in mid-September and an order date in late November.

Turning to an update on legislative reform in Missouri. In May, Senate Bill 564 was passed by the house, signed by the Governor in June and became law. This bill is the accumulation -- culmination of stakeholders forward-thinking to reform Missouri's 100-year-old regulatory framework. It offers consumer protections to ensure future energy costs are more stable and predictable, addresses regulatory lag from system investments and creates a more attractive platform to modernize the electric grid. In the near term, it doesn't create a lot of incremental investment for us, but it does allow us to continue spending at an appropriate level to maintain system reliability, while removing barriers that contributed to regulatory lag in the past.

Now turning to Slide 7. I'll touch on renewable update before hanging things over to Tony. Over the last decade, we've transitioned our generation portfolio to capitalize on renewable resources as part of our long-term sustainability strategy.

By 2020, we expect to reduce carbon emissions by over 40% from 2010 levels. Our diverse generation fleet now provides half the power our retail customers need from clean, carbon-free energy sources. Nearly 1/3 of this power will soon become -- or soon come from renewable resources, making Evergy one of the largest wind energy providers in the nation. Moving forward, we'll continue to focus on adding renewables while retiring end-of-life fossil plants. By the end of 2018, we will have completed the retirement of more than 1,500 megawatts of fossil generation, approximately 800 of coal and 700 of natural gas.

In addition, we continue to add new wind generation with 244 megawatts expected in 2018, 200 megawatts by mid-2019 and 300 megawatts in 2020, resulting in a wind portfolio of over 3,800 megawatts by the end of this decade.

We have deliberately focused on improving the quality of our environment in our region and worked with regulators to find ways to offer clean energy resources to customers. In July, the KCC unlocked a powerful economic development tool that would allow many of our large customers to take advantage of the abundant and affordable renewable energy found in our service territory.

With Westar's new renewable direct tariff, participating businesses will be able to claim a portion of their energy needs for 20 years from the 30 -- 300-megawatt Soldier Creek Wind Farm, which will be developed in Nemaha County, Kansas and is expected to be in-service by year-end 2020.

As renewable demand grows, we can add incremental wind or solar projects with proper KCC approval. This opportunity is another example of us harvesting Kansas wind to help grow Kansas businesses and communities.

Before turning the call over to Tony, let me remind you of our near-term focus and unique investment thesis. We're targeting top quartile total shareholder return predicated on significant merger savings and share purchases. Pleased to report earlier this month our board increased the dividend to $0.46 or $1.84 on an annualized basis consistent with the commitment we made upon announcement of the merger. We remain confident in our estimates and are starting to capitalize on our integration plans. Strong balance sheet, solid credit profile plus $1.25 billion cash puts us in position to strategically rebalance our capital structure. We plan to execute the share repurchase program while continuing to invest in our business, maintaining the reliability that our customers deserve.

Our commitment to no rate reviews for the next 4 to 5 years allows us to provide an attractive total shareholder returns while significantly reducing the regulatory risk with that opportunity.

With that, I will now 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. Given the messy nature of the merger closing in June and the associated onetime items linked to the transaction, I'll focus primarily on the pro forma results, which exclude nonrecurring merger-related items and compares results of Evergy as if we were formed on January 1, 2017.

As detailed on the slide, the second quarter pro forma EPS were $0.90 per share compared to $0.59 a share for the second quarter last year. Some of the drivers that increase -- some of the drivers of the increase included a $0.19 pickup related to the reevaluation of Westar's deferred income taxes, based on Evergy's composite tax rate resulting from the merger; increased sales due primarily to warmer weather, which we estimate helped about $0.18; offset by $0.06 of other costs, including inventory write-offs for the planned shutdown of the Westar plants later this year, a portion of the annual ongoing bill credits in Kansas and transition costs net of deferral.

After-tax, merger-related costs that were excluded from the pro forma results, but included in GAAP, were about $69 million. Also GAAP earnings only include KCPL and GMO results beginning in June upon closing of the merger.

Moving on year-to-date results on Slide 10. Year-to-date pro forma EPS were $1.23 compared to $0.91 a share last year. Variances for the year-to-date results are similar to the quarter drivers and include $0.19 of Westar's deferred income tax reevaluation based on the new composite tax rate; increased sales due to favorable weather, which we estimate helped about $0.25; offset by $0.12 of other costs, including the inventory write-offs for the planned shutdown of the Westar plants, the impact of the annual ongoing bill credits and transition costs net of deferral.

For the year, GAAP results include about $69 million of after-tax merger-related costs that aren't in the pro forma results. Also GAAP only includes KCPL and GMO results for the period post-merger closed, whereas pro forma includes them for the whole period.

Moving to Slide 11, I'll briefly touch on our local economy. Our customer segment sales are balanced across our service territories after combining the residential, commercial, metropolitan area of KCPL and the steady demand of Westar's industrial base. Unemployment rates range from 3.4% to 3.7% throughout our service territory, continue to trend at being below the national average of 3.8%. Jobs coming to the metro areas continue to provide support to residential real estate markets that have been strong in Kansas City over the past few years.

On a pro forma basis, residential and commercial sales year-to-date are up 18% and 5%, respectively, compared to same period last year. Increased sales have been driven mostly from favorable weather, which when compared to normal, we estimate helped by about $0.22 for the quarter and about $0.23 year-to-date.

Industrials although slightly ahead of expected levels were down about 1% compared to a strong first half last year. On a combined basis, we've seen 29 consecutive quarters of customer growth. Overall, we remain encouraged in the broader economic climate and continue to see weather normalized event of flat to 50 basis points of growth.

I'll wrap up on Slide 12 before handing it back to Terry. We remain on track to deliver our attractive EPS target of 6% to 8% annual growth through 2021. As Terry mentioned, our board recently increased year dividend to $0.46 or $1.84 annualized, and we plan to grow this in line with EPS, while targeting a 60% to 70% payout ratio over time. We are confident in our plan to execute the merger savings and buybacks and happy to see the confidence reflected in recent rating agency reports. Since closing the merger, we've received an upgrade from S&P and remain on stable outlook for both S&P and Moody's.

Our strong investment grade credit profile and cash position allow us to rebalance our capital structure. While we haven't started the buybacks yet, our board has authorized repurchase of up to 60 million shares of common stock, which we expect to complete by mid-2020. We'll take both a programmatic and opportunistic approach to the repurchases and expect to use a series of transactions over time, including open market repurchases and accelerated share repurchases. This allows for a deliberate and steady pace to rebalance the capital structure. We're being intent to dollar-cost average of the repurchases over time. Other means could be considered subject to market conditions and management's discretion. The cadence of number of shares we purchase in each period will depend on many factors. We will report the results of our share repurchases in the appropriate SEC documents.

To finish up, let me briefly update you on our current thinking around guidance and projections. We don't plan to issue balance of the year 2018 guidance. And given that the KCPL and GMO rate reviews aren't scheduled to include until year-end, we most likely announce 2019 guidance along with updated projections on our fourth quarter and year-end call next February.

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

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

Thanks, Tony, and thanks for everybody joining us here this morning. We appreciate your time, and now, we'll be happy to take your questions. So I'll turn it back over to Howard, our operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question or comment comes from the line of Nicholas Campanella from Bank of America.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Associate*

So first off, Terry, Tony, Kevin, congrats on successfully closing the transaction. You mentioned the cadence of share repurchases depends on a number of factors. Can you just kind of expand on what those factors are that would drive your specific decision making? And why not commit the cash on hand now to repurchase the first larger slug of shares? Can you just kind of expand on that?

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

Sure. Well, as we've said since the announcement of the transaction, we would rebalance the capital structure and repurchase approximately 60 million shares over 2 years. Our current thinking today is that we would effectuate that through a series of transactions over time to dollar-cost average the share repurchases. This way, we're deploying our capital efficiently, which many shareholders would like us to do, rather than doing a big splash, big bang and pay $1.10 for something we can buy for $1.

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

Nick, if I understood your question right, we also are pretty focused on cash and the balance sheet as a starting point. I think, I mentioned that in my comments that we've got those dollars there today.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Associate*

Yes. That certainly makes sense. Is there a dollar average cost per share that you're kind of targeting through the period?

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

No.

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

We are to do that with a market over a 2-year period.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Associate*

Yes. Yes. Okay. And then just quick on the renewable -- the direct renewable tariff. Can you just talk about how you're seeing the renewable appetite for your customers evolve in Kansas as it relates to tariff opportunity? And whether or not that could potentially drive actual rate-based opportunities for you? Because I believe the wind farm discussed on the prepared remarks was a PPA in light of that tariffs. Can you talk about that a little?

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

So as I think you've seen or would have heard from many companies across the country, they're looking at these kinds of opportunities, whether it'd be through regulated entities or otherwise. And obviously, given our location, we've got the ability to work with Western Kansas wind. That is a great opportunity for those companies. We're excited about our tariff approval because we want to continue to be the provider of choice for our customers, even on the renewable front. And yes, we'll work through those. One of the 3 that I mentioned, the one that will be finished around 2020 is targeted at that tariff. And I would say that, yes, as we continue to work with our customers and continue to see demand. If we, in fact, see additional demand, we would then look for an opportunity to seek KCC approval to expand on that and include that as well.

Nicholas Joseph Campanella - *BofA Merrill Lynch, Research Division - Associate*

That's great. And just one last question on the -- your comments are very clear on guidance for the year-end call rather than anytime near term, but what about CapEx?

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

Well, we have a plan out there, $6.2 billion for the next 5 years. We would update that on the year-end call as well.

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

If any material, obviously, change, we'd have to report that in the third quarter call as well, so.

Operator

Our next question or comment comes from the line of Steve Fleishman from Wolfe Research.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

So first, on the buyback. So it's fully authorized, you haven't bought any stock yet. Is that correct?

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

Correct.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

And then, is there any reason after today that you wouldn't -- is there any like blackout or other reason you wouldn't be able to comment the market after today?

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

Well, we would, obviously, meet with our counsel, and they'll give us the green light. And we'll go from there. Process wise, we'll follow the rule.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

Ready to go. Okay. And then on the kind of merger execution costs, et cetera, the -- how are you feeling about executing on your synergy targets? And I know you also had added in some savings from plant shutdowns. Just kind of maybe an update on that.

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

Yes, things are going well. I mean, I've described for folks kind of the feel and tone around the company and really people have been working for a couple of years together on this plan and are ready to go to work. It's an exciting time around here. We've not found anything outside of our plans that we've been working on, business plans we've been working on that says we're not ready to go and execute consistent with those plans, and we're off and running. As we move forward, we'll, obviously, have changes in the environment, and we'll have things we'll find, and we'll work through those. So -- but we are off and running and don't really have any reason to believe we won't execute just as we've talked about.

Kevin E. Bryant - *Evergy, Inc. - Executive VP & COO*

And Steve, this is Kevin. We announced previously the shutdown of the KCPL plant. Just a few weeks ago, we announced the shutdown of the Westar plant that we've been talking by November of this year. So we are, to Terry's point, well on track.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

Okay. And then just lastly, how are you feeling about the potential to settle the Missouri rate cases?

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

Well, I think, like most of our cases in Missouri, we'll settle a lot of issues. We normally -- we haven't settled the entire case with all parties in quite a while, but we always settle a vast majority of the issues and end up maybe litigating a couple. But I would say in this instance, with all the work that's been going on and the conversations, we've got a shot here to actually settle those as well. But if not, I think, any hearings would be limited and focused on a few issues that will look pretty traditional.

Operator

Our next question or comment comes from the line of Ali Agha from SunTrust.

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

First question, just to clarify the plan on the share buyback, I know you have up to mid-2020 to complete that as per your own internal targets. For planning purposes, should we assume that you'll take that full time that -- it'll be by mid-2020 that'll be done? Or is there a possibility or scenario that you could utilize that faster and get it done before mid-2020?

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

So we -- your guess would be as good as ours, right, because we're not able to predict the future on what capital markets will do or not. And so, targeting 2020 is kind of what we said. And if we finish sooner rather than later, that's fine as well.

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

Yes, I don't that we think that time period gives us plenty of time to execute, and we'll be opportunistic, and we'll be smart about it for all our shareholders. And as Tony says, it's kind of hard to say given where markets could move over a 24-month period.

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

And you talked about various ways of doing it, including accelerated share repurchases. I'm assuming you've spent enough time, looked at all of the various options. Any one insight on what looks attractive right now, accelerated share repurchase, obviously, the mechanics of it, I'm sure you're well familiar with, any particular reason why you wouldn't go for that versus just taking it over a longer period?

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

Well, we've, as I said in my remarks, we'd -- the immediate focus would be on accelerated share repurchases and open market repurchases, and they both look attractive and have their pros and cons.

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

Okay. Separately, the earnings growth profile as you targeted through '21, fair to say that it is pretty front-end loaded, as you get the benefits of both the synergies and the buyback. But when you look long term, once the buyback is over, let's say, in 2020, what is in your mind the sustainable growth rate for the combined company? I believe, your CapEx plan equates to about a 4% rate-based CAGR. Is that a good sustainable way to think about earnings growth or could earnings growth be greater than that? Any insight into that once the share buyback is behind us?

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

This is Tony. I'll take a stab. Well, the investment thesis that we've laid out is a little unique in buying back the shares and not necessarily driving the rate base up 8% a year and asking for rate increases every other year. And so the share buyback does lift kind of a slope of a line of the EPS CAGR, little front-end loaded. And then on the back-end, even past 2020, we'll still be able to execute on synergies as we combine the 2 companies. And it's not like we don't have investment opportunities out in the future, we would have every opportunity that any other utility has, but we kind of in the near term here, next few years, we have unique opportunity to rebalance the capital structure and harvest synergies.

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

I'd only add -- Tony's got it just right. I'd only add that with the combination of PISA and with -- already being mentioned, the wind opportunity, could have customers there interested. There -- as Tony said, we've got opportunities other folks have. We are committed to maintaining our focus on rates for our customers. So we want to be sure that we're carrying out this time period without rate increases. So that balances in there as well.

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

But Terry, is it fair to say that if you took the share repurchases out and so we look at back-end of this growth, that you can still grow north of rate base growth because of the synergy opportunities?

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

There is no question that buying back 60 million shares helps our EPS growth. I mean, there is no question about that and it does cause it to be front-end loaded. Again, we've each been through a 10-year period of rate increases. We've each built generation and environmental equipment, and we're in a period now where we don't have to do that. There are other opportunities, but we want to balance that through a time period to provide our region with an economic development opportunity that could benefit us in other ways. And a continued growth in cost of electricity to our customers is an issue for many parts of this country. And we think our unique opportunity here is to be able to grow shareholder returns without having to build rate base and increase rates through request of the commissions for this time period. With that, we have lots of opportunity to continue to provide great resources to our customers and maintain reliability for our customers in a way that provides that stable earnings return.

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

Last question. Terry, you mentioned that the Missouri legislation in and of itself doesn't necessarily, at least for now, cause an increase in your CapEx. But could you give us some sense of what it does do as far as the earnings power is concerned in terms of the reduction in lag? How should we think about that benefit to your profile?

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

Yes, so number one, it doesn't provide the increase because we choose not to. I mean, as we've described that over time, we've continued to invest. We had rate cases, and we suffered some of that lag, and we worked through it. But yes, it provides the stability to continue to spend those dollars. Couple of things happen. Number one, the PISA itself allows us to mitigate and to a large part, eliminate lag associated with much of our ongoing spend that we need and will continue to do for reliability and maintenance and technology upgrade for our customers. And then I would say the one thing that we didn't necessarily have legislation on was transmission of property taxes. But I think, going forward, we've seen that those have levelized. The SPP transmission process and property tax increases are not expected to cause the lag they have in the past in KCP&L. So you combine that with PISA providing protection, if you will, for that lag that would traditionally have happened between rate cases, and it really provides a level of stability and ongoing ability to deliver our shareholder returns on an annual basis.

Operator

Our next question or comment comes from the line of Christopher Turnure of JPMorgan.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

I wanted to just get a sense after you've kind of reset that dividend here with the merger close as you had indicated you would do. How we should think about the kind of annual review of the dividend by the board? And if that timing will change from, I think, the kind of normal third quarter timing that Great Plains had?

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

Yes -- no, it's likely to stay the same. I mean, obviously, we've made the adjustment that we committed to in the merger discussions we've had. And we would expect over the course of the next several years, probably to have that same timing review. Obviously, they look at it technically every quarter, but we tend to look at it for the annual increase in the third quarter, but again, we will look at it every quarter.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And then, within the 60% to 70% payout range, any reason to think you would vary widely within that range over the 5-year plan for one reason or another?

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

No reason to think that. Cash flow and again, credits are strong, and we see that as being kind of the rational payout for the plan.

Christopher James Turnure - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And then, my second question is just for modeling purposes. Can you remind us of when you expect to be paying really any material level of cash taxes?

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

Cash taxes will probably be post 2022.

Operator

Our next question or comment comes from the line of Paul Ridzon from KeyBanc.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Tony, is there any reason to think that part of your thinking on the buyback is, if you think interest rates are rising, it might be better to wait a few months to get the stock at a cheaper price?

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

Well, we don't -- again, talking within the context of the 2 years, we will be smart and manage the buybacks in the context of the -- both the market and the industry. Other than that, no, I mean, we -- again, we don't expect it to be a different time frame than the 24 months we talked about, and we'll be smart along the way. Other than that, it's kind of hard to do -- say much more.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Understood. And is there anything ongoing about the benefit of tax reform that you included in your pro forma?

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

Say that again.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

One of the things in your pro forma to get to $0.90 is the reevaluation of deferred taxes. That kind of seems like a onetime thing. Is that the right way to think about it?

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

Yes, it's a onetime thing.

Operator

Our next question or comment comes from the line of (inaudible).

Ashar Khan - *Verition Fund Management, LLC - Analyst*

Can I just say it, Terry, I don't know, I think so, could you just amplify when you said that you would know by SEC filings how much shares you've bought. Could do just -- is that going to be the 10-Q? Or what SEC filings are you referring to? Could you please be more specific on that.

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

Yes, generally that would be the 10-Qs.

Ashar Khan - *Verition Fund Management, LLC - Analyst*

Okay. Okay. Second, I just -- just looking at the cost -- the cash on the balance sheet right now. Is that earning any interest? Or is it just cash on hand?

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

It's earning some interest.

Ashar Khan - *Verition Fund Management, LLC - Analyst*

Okay. Okay. I don't know this is my thought process. It's been a long time or I'm thinking too wrongly or rightly, right, it's about $1.2 billion on the books, which easily gets you 20 million shares or so. So is it -- as you have looked at your guidance, is it fair to assume that we can say 2018, 2019, 2020? Or am I thinking through that not in a systematic manner?

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

I'm not sure I understand your question or your statement, Ashar. We've committed to doing the share repurchases and targeting the 2 years and the mechanisms that we'll use are open market repurchases or accelerated share repurchases. We'll burn through the cash first. And use cash flow from operations, obviously, and then we'll also incur some debt over time. And the cadence of that will depend on many things that we just can't know today. And so for modeling purposes, your guess is as good as mine as to when we complete that program, if that's the question.

Ashar Khan - *Verition Fund Management, LLC - Analyst*

Okay. Just from our side, as in Westar, we would, of course, like the cash to be burned as fast as possible, right, because it has the carrying cost in terms of the dividend, right. You will be paying dividend on all the extra shares and all that. So as a prudent manager, we would like you guys to at least burn the cash ASAP, if I'm missing something on that.

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

Well, we'll burn it in the manner that's consistent with the plans that we've laid out.

Operator

(Operator Instructions) Our next question or comment comes from the line of Gregg Orrill from UBS.

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

In Missouri, post the legislation, can you give a range of what you think regulatory lag is in between cases now? And then I have another question.

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

I don't think we could tell you what kind of we would expect in terms of lag over the 4- to 5-year period. Historically, what we have done even in the context of the prior regulatory framework is that we would have earned very close to our return, within 50 basis points or so the year after the rate case true-up, which remember we're going through true-ups in all our cases right now. And then you'd see that lag begin to build, and I think what we're hopeful for is we wouldn't see that continued build. So we would earn closer to our return throughout that period and that's not -- that's without knowing other things that could happen. But the PISA legislation addresses along with my description of kind of what's happening with property taxes and transmission, the majority of the lag you would have seen in the past that would build over, say, kind of our traditional 50 basis points. Don't forget, we're also generating the savings from the merger perspective, which also gives us an opportunity to offset the lag that not naturally exist.

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

Okay. So baseline of lag and then layer on the synergies after that?

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

Yes, our hope would be to earn very close to allowed return.

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

Okay. And then on the wind -- the new wind, the 700 plus megawatts there. What did the guidance anticipate about that being owned?

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

Those are all PPAs. So our guidance and the CapEx you would have seen didn't include any of those as a CapEx add.

Operator

Our next question or comment is a follow-up from Mr. Steve Fleishman from Wolfe Research.

Steven Isaac Fleishman - *Wolfe Research, LLC - MD & Senior Utilities Analyst*

Just one question that I'm not sure you're able to answer, but just is there any way to get a sense of kind of how many blackout days you have in a year? Just because it's hard to get this all done even in 22 months.

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

Well, I mean there are some standard blackout day rules associated with reporting earnings and those kinds of things. I don't have them at the tip of my fingers.

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

So Steve, the design of these programs, as you know, are -- you can abide by some safe harbor rules, 10b5-1 and 10b-18, and we would, obviously, comply with those safe harbors and be able to repurchase shares at the appropriate time.

Operator

I'm showing no additional questions in the queue at this time. I would like to turn the conference over -- back over to Mr. Terry Bassham for any closing remarks.

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

Thank you, Howard, and thank you everybody for joining us today. Again, we are extremely proud to be sitting around the table together as a new Evergy and talking to you about our new company. So we look forward to talking to you in the future, and thank you for your time today. We'll conclude the call. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.
