

Evergy: How Much Capacity Should the Utility Build Ahead of Demand?

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A strategy case for MBA students and working professionals

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Company: Evergy, Inc. (Nasdaq: EVRG)

A growth opportunity with a financing bill

On September 16, Evergy Kansas Central, Inc. issued \$350 million of 5.600% first-mortgage bonds due 2034. The filing was made jointly under Evergy, Inc.'s SEC reporting umbrella, but Kansas Central-not the holding company-was the bond issuer and secured obligor. Three weeks earlier, Evergy, Inc. had completed a separate \$600 million issue of junior subordinated notes with a 6.40% fixed rate that resets later, due 2057, and terminated a \$500 million delayed-draw term loan due in February 2027. These transactions gave investors fresh evidence of Evergy's access to capital. They did not disclose that all proceeds were earmarked for large-customer projects. [P7, Item 8.01](#); [P8, Items 1.02 and 8.01](#)

The funding question had become more pressing because data centers and other large customers were seeking power in Evergy's Kansas and Missouri service areas. Evergy's latest SEC filing said five executed electric service agreements (ESAs)-three new projects and two expansions-represented 2,600 megawatts of projected peak steady-state load. Services had begun or were expected to begin between 2026 and 2028. This is projected peak load at steady state, not actual load already being served in September 2026. [Q2 2026 Form 10-Q, Note 2, printed p. 31](#)

The opportunity beyond those five agreements was much less certain. In its August investor presentation, management described roughly 2-2.5 GW of potential expansion at existing customers/sites that had already signed ESAs. The incremental expansion MW were not themselves signed: they would require amended ramps or new ESAs. Separately, management identified 1-2 GW in a "Tier 2" prospect group and more than 10 GW in a "Tier 3" group. These opportunity estimates were not signed orders or probability-weighted forecasts. Management said load beyond 3 GW would require additional resources and capital spending. [Q2 2026 investor presentation, printed pp. 5-7](#)

The board's strategic problem was therefore not whether growth existed. It was how much generation and network capacity to commit, and when, given the difference between signed agreements and the wider prospect funnel. The answer also depended on which subsidiary would build and finance assets, what state regulators would permit into rates, and whether new customers would arrive on the schedules management expected.

The utility and its regulatory setting

Evergy, Inc. is a holding company. Its principal operating utilities include Evergy Kansas Central, Evergy Metro and Evergy Missouri West. Kansas Central and Metro are additional filers on Evergy's combined 2025 Form 10-K and Q2 2026 Form 10-Q. The subsidiaries operate in distinct jurisdictions and do not share an interchangeable pool of secured debt. A capital plan stated for the consolidated company does not by itself identify which utility incurs a project cost or which customers pay for it. [2025 Form 10-K, cover and business sections](#); [Q2 2026 Form 10-Q, cover](#)

Regulators review utility investments and rates. That process can affect timing, cost recovery and customer bills. At the decision date, Evergy Metro had requested an approximately \$140 million increase in its Missouri rates. The evidentiary hearing was scheduled for October 2026, and the operation-of-law date was January 6, 2027. The rate case remained pending. Evergy had also applied for a certificate of convenience and necessity for a 440 MW simple-cycle gas plant intended for 2030; the company's filing described the application, not a final certificate approval. [Q2 2026 Form 10-Q, Note 4, printed p. 34](#); [Missouri PSC Case ER-2026-0143](#)

In Kansas, an earnings-surveillance mechanism shares with customers half of earnings above a 9.7% return-on-equity threshold. The Kansas Corporation Commission had accepted Kansas Central's fiscal 2025 calculation without a refund. That past outcome illustrates one state-specific sharing rule; it does not establish how any future project in Kansas or Missouri will be treated. [Q2 2026 Form 10-Q, Note 4, printed p. 34](#)

What management was planning

Evergy's August 2026 investor materials estimated retail load growth of about 7-8% annually through 2030. Management said the 2026 integrated resource plans increased its baseline 2026-2030 capital plan of \$21.6 billion by about \$1 billion. It described rate-base growth of approximately 12% annually after that update. Those are forecasts and management characterizations, not realized growth or approved returns. Adding the two capital-plan figures gives approximately \$22.6 billion only if their scope and period definitions match; it is a derived approximation, not a new guidance figure. [Q2 2026 investor presentation, printed pp. 14-17](#)

The presentation's planned 2026 IRP additions totaled 5,144 MW: 3,920 MW of gas, 774 MW of solar and 450 MW of battery storage. This is arithmetic from management's table, not a statement that each project was permitted, constructed or already supplying customers. Kansas Central's updated resource plan had been filed with the Kansas Corporation Commission; Evergy Missouri West and Metro had filed Missouri IRP updates. The filings were planning submissions, not final approvals of all proposed resources. [Q2 presentation, printed p. 7, resource table](#); [Q2 presentation, printed p. 8, lines 167-178, docket/date references](#); [Missouri PSC Metro IRP filing 644132](#); [Missouri PSC Missouri West IRP filing 644133](#)

Management's Q2 materials also described a funding plan. It expected to issue \$700-900 million of common equity per year on average in 2026-2029 and no equity in 2030 under the presentation's plan. By June 30, it reported \$425 million of equity priced through forward agreements; pricing does not necessarily mean the cash had already been received. Management also described a planned \$1 billion equity-content hybrid and estimated funds-from-operations-to-debt of 14-15% in 2026-2028, improving in later years. These figures were a company plan and forecasts. The later September Kansas Central bond was completed debt financing at the subsidiary level; it did not replace or confirm the parent-level equity plan. [Q2 presentation, printed pp. 15-17](#); [Q2 earnings-call transcript, pp. 5-6](#); [Sept. 16 Kansas Central 8-K](#)

For the second quarter, Evergy reported \$215.0 million in GAAP net income, or \$0.91 per diluted share, and \$208.5 million in company-defined adjusted net income, or \$0.88 per share. It reaffirmed 2026 adjusted EPS guidance of \$4.14-\$4.34. The adjusted figures are non-GAAP and should be kept distinct from GAAP results; neither quarterly EPS nor adjusted EPS is a measure of project cash flow. [Q2 2026 results release and reconciliation](#)

What was committed-and what remained a prospect

Evergy's Q2 Form 10-Q reported \$8.9 billion in remaining contractual minimum consideration and a 15-year weighted-average term for the five ESAs. The filing also showed Kansas Central at \$4.8 billion and 14 years, and Metro at \$2.3 billion and 17 years. Those subsidiary figures are components of the consolidated disclosure; do not add them to the \$8.9 billion total. Minimum consideration generally equals 80% of customers' expected annual capacity demand, excludes fuel-volume charges, uses current rates and excludes future general rate changes. It is a multi-year contractual minimum mechanism, not cash already collected, net income or guaranteed profit. [Q2 Form 10-Q, Note 2, printed p. 31](#)

The Q2 investor presentation described the five agreements as about 2.5 GW under large-load tariffs and about 3.0 GW including other arrangements; it also cited 1.7 GW of additional announced LLPS projects with binding minimum-bill provisions over 16-17 years. These management descriptions use definitions that are not fully reconciled to the 2,600 MW projected peak steady-state load in the 10-Q. The case does not force them into one number. Instead, students should ask what each measure counts and what obligations and protections attach to it. [Q2 presentation, printed pp. 5-7; Q2 Form 10-Q, Note 2, printed p. 31](#)

The five profiles in the presentation named Digital Realty and Beale Infrastructure in Kansas Central, Google in Missouri West and Metro, and Meta in Missouri West. Its annual load schedule through 2030 was a management forecast. The presentation did not provide the customer-specific hourly load, realized margin or complete project-by-project capital costs needed to calculate marginal returns. A megawatt of projected peak steady-state load cannot be translated directly into revenue or profit without utilization, rate and timing assumptions. [Q2 presentation, printed p. 13](#)

A nearby competitor's approach

Ameren Missouri said it had signed data-center ESAs during 2026 and described a proposed approach under which data-center customers would pay upstream grid-construction costs and provide security. Ameren estimated \$21 million in customer savings. These were competitor statements and estimates, not independently audited results. Ameren also described a proposed combined-cycle project at West Alton. The examples suggest questions Evergy's board could ask about customer contributions, security and firm generation; different territories, tariffs and cost structures prevent direct transfer of Ameren's claimed savings or project economics. [Ameren Q2 results; Ameren Missouri rate-update request, June 26; Ameren project announcement, July 27](#)

Research available by the decision date did not settle whether large loads would lower or raise customer rates. One 2026 working paper using first data-center entry across utility territories estimated average retail rates increased 2.7%; a separate state-level instrumental-variable preprint estimated residential rates decreased about 0.4% for each 10% increase in data-center capacity, while reporting a weak first stage in its full-period specification. An August 2026 discussion-paper abstract reported price increases for recent AI-era centers, but its methods and uncertainty could not be checked from the abstract alone. The studies use different periods, units and methods, and none estimates Evergy's contract returns or rate impact.

Literature review, “Large loads can lower average cost or raise rates”; academic source register, A4-A6

The investment problem also has competing regulatory mechanisms. A classic rate-of-return model shows how regulation can reward capital intensity under particular assumptions, while later dynamic work on electricity distribution finds that uncertainty about future recovery can discourage reliability investment after costs are sunk. These mechanisms suggest testing both overbuild and underbuild risk. They do not determine whether a specific Evergy project is prudent or valuable. Literature review, “Regulation affects both investment incentives and customer incidence”; academic source register, A1-A2

The choice

Evergy could stage investment against service milestones and executed commitments, build some capacity ahead of demand to preserve growth options, or place greater weight on reliability and a diversified resource portfolio while limiting exposure to the less-certain customer funnel. The paths could be combined. Each has costs: waiting can delay service and surrender growth; building ahead can leave customers and shareholders exposed if load, schedules or recovery diverge from forecasts; emphasizing other reliability or resource investments can reduce near-term exposure to data-center forecasts while forgoing some large-load upside.

The public record did not supply marginal project returns, project-level capex, customer-specific load factors, all tariff terms, financing uses by project or final regulatory recovery. The board therefore had to decide which commitments justified near-term investment, what evidence should unlock the next stage, how to allocate risk between the utility and new customers, and how to fund assets in the correct subsidiary.

At the September 16, 2026 decision date, what should Evergy commit to build and finance now, what should it gate on later evidence, and what protections should it require before serving prospective large loads?

Source note

The cutoff is 6:00 p.m. ET on September 16, 2026. Sources above are linked to the issuer, SEC or regulator. The research packet’s source register, evidence extraction and literature review record additional locators, access depth and calculation boundaries. No later company outcome is part of the student evidence.