

# CMS Energy Corporation NYSE:CMS

## FQ3 2024 Earnings Call Transcripts

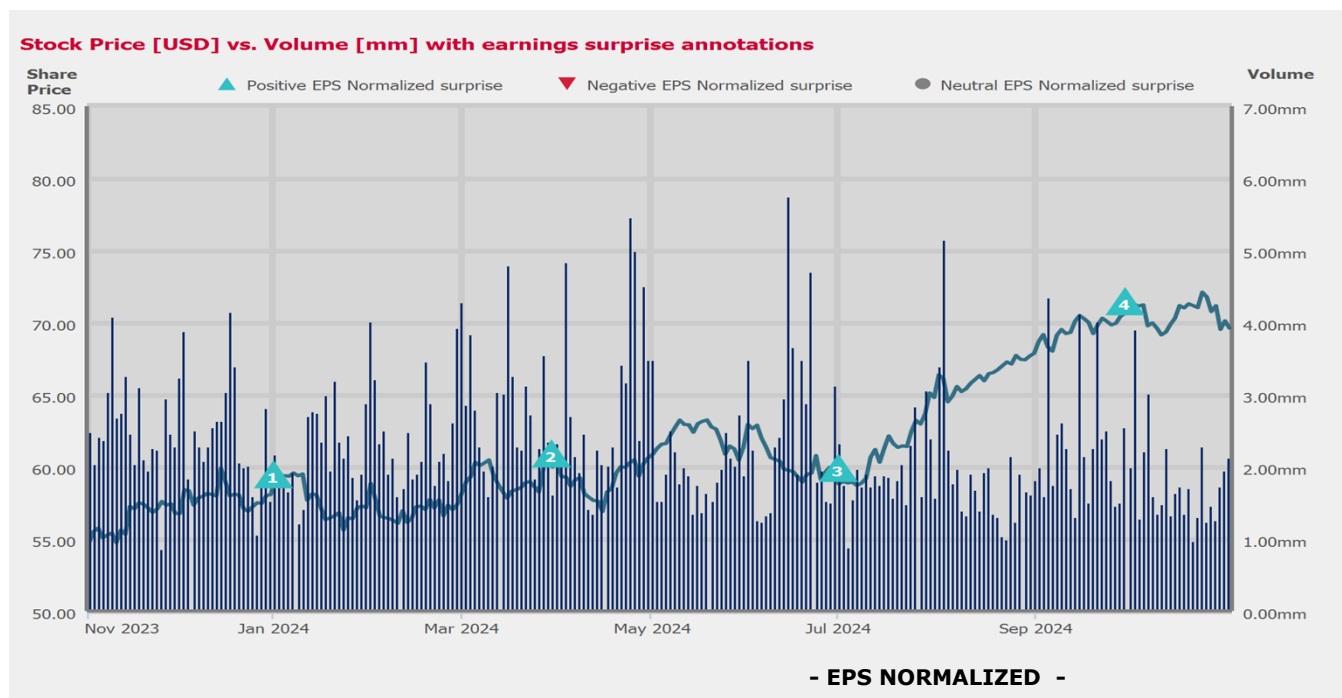
Thursday, October 31, 2024 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
<b>EPS Normalized</b>	0.78	0.84	▲7.69	0.90	3.33	3.58
<b>Revenue (mm)</b>	1854.70	1743.00	▼(6.02 %)	2180.08	7873.32	8165.60

Currency: USD

Consensus as of Oct-31-2024 11:32 AM GMT



	CONSENSUS	ACTUAL	SURPRISE
<b>FQ4 2023</b>	1.04	1.05	▲0.96 %
<b>FQ1 2024</b>	0.95	0.97	▲2.11 %
<b>FQ2 2024</b>	0.62	0.66	▲6.45 %
<b>FQ3 2024</b>	0.78	0.84	▲7.69 %

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# Call Participants

## EXECUTIVES

**Garrick J. Rochow**  
*President, CEO & Director*

**Jason M. Shore**  
*Treasurer & VP of Investor  
Relations*

**Rejji P. Hayes**  
*Executive VP & CFO*

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**Ross Allen Fowler**  
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**Shahriar Pourreza**  
*Guggenheim Securities, LLC,  
Research Division*

**Travis Miller**  
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Division*

# Presentation

## Operator

Good morning, everyone, and welcome to the CMS Energy 2024 Third Quarter Results. The earnings news release issued earlier today, and the presentation used in this webcast are available on CMS Energy's website in the Investor Relations section. This call is being recorded. [Operator Instructions]

Just a reminder, there will be a rebroadcast of this conference call today, beginning at 12:00 p.m. Eastern Time, running through November 7. This presentation is also being webcast and is available on CMS Energy's website in the Investor Relations section.

At this time, I would like to turn the call over to Mr. Jason Shore, Treasurer and Vice President of Investor Relations.

## Jason M. Shore

*Treasurer & VP of Investor Relations*

Thank you, Harry. Good morning, everyone, and thank you for joining us today. With me are Garrick Rochow, President and Chief Executive Officer; and Rejji Hayes, Executive Vice President and Chief Financial Officer.

This presentation contains forward-looking statements, which are subject to risks and uncertainties. Please refer to our SEC filings for more information regarding the risks and other factors that could cause our actual results to differ materially. This presentation also includes non-GAAP measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in the appendix and posted on our website.

And now I'll turn the call over to Garrick.

## Garrick J. Rochow

*President, CEO & Director*

Thank you, Jason, and thank you, everyone, for joining us today. At CMS Energy, we deliver year-over-year for all stakeholders. We do that through our investment thesis. This simple but powerful model, coupled with our disciplined execution, sets us apart in the industry and has delivered more than 2 decades of industry-leading financial performance. Typically, I walk through that investment thesis. But today, I want to offer three differentiators at CMS Energy, providing confidence and visibility as we continue to strengthen and lengthen our 6% to 8% EPS growth.

First, Michigan's clean energy law. This law is great for our customers, the planet and our investors. It ensures we have the right legislation in place to move from coal to clean, providing certainty for the investments we need to make in renewable energy. And it gives us the flexibility to either own the assets or utilize a power purchase agreement, doing what is best for our customers.

Now here's what's unique, earning a financial compensation mechanism approximately 9% on a power purchase agreement. No other state that I'm aware of has this provision. And then add to it requirements for battery storage and an increased incentive on energy efficiency, there is a lot in this law, very little of which is in our 5-year investment plan providing a strong tailwind. And we believe we can do this important work affordably for our customers. The flexibility in the law that allows for ownership or power purchase agreements, both within Michigan and outside of Michigan provides more options for customers and ensures we can utilize lower cost energy.

Furthermore, it provides us the ability to replace existing outdated and above-market power purchase agreements with new renewable assets, which keeps costs affordable for customers. Our 20-year Renewable Energy Plan, or REP that we'll file next month will detail our clean energy investments and plans to achieve the targets set by Michigan's clean energy law. This filing will show the renewable assets

needed above and beyond our 2021 Integrated Resource Plan, as well as the additional renewable assets needed to meet increasing sales demand and growth in the state.

As I shared before, Michigan's clean energy law is great for all stakeholders. It provides the flexibility we need to find the most cost-effective clean energy for our customers.

The second item I want to highlight is our commitment to customer reliability. I'm very proud of the comprehensive plan we have laid out in our 5-year \$7 billion Electric Reliability Roadmap. This plan details our actions to move to second quartile reliability performance or SAIDI, by the end of the decade through targeted investments in our electric grid, needed investments for our customers, because we have recorded some of Michigan's highest wind speeds over the last 5 years, and we are seeing more frequent storm activity.

This plan is deliberate and comprehensive and improves reliability in the short term in build and long-term resiliency and it does it proactively versus reactively. This plan means we will begin serious efforts to underground more of our distribution wires, better aligned with Midwest peers and replaced more than 20,000 poles with those designed for more extreme weather.

It also means investing in grid technology for more automation and machine learning to speed up restoration in weather events. We were also one of the first utilities east of the Mississippi to file a comprehensive wildfire mitigation plan, which lays out the investments needed to prepare for climate change.

These customer investments are based on Electric Power Research Institute, EPRI best-practices, and will bolster our distribution system to a level of performance our customers expect, particularly as the economy continues to electrify.

And our plans have been supported I am pleased with the recent outcomes from the Michigan Public Service Commission and the Liberty storm audit, which highlights the vastness of our system, the billions of dollars in decades needed to improve it and the importance of these strategic investments. And our customers benefit when we improve the system proactively versus reactively. Making these investments in the system now means we can do it at a 40% to 70% lower cost compared to when we do this work following an outage. Better service, lower customer cost; this is a great story.

The third point I want to make today is the nice tailwind of economic development we are seeing in our service area. I'm excited and encouraged about the true renaissance underway in Michigan. The big story across the industry is sales growth brought by data centers. We are seeing the same, and we're happy to talk more about data centers. But our story is different. And in my opinion, better. In Michigan, we are seeing a manufacturing renaissance bolstered by onshoring, unique state attributes and the inflation reduction and the CHIPS and Science Acts.

And we love manufacturing growth, because it brings jobs, supply chains, commercial activity, housing starts and residential growth, where there is greater benefit for the state. We recently updated this slide to highlight several new and diversified examples: Corning, expanding and investing up to \$900 million and bringing nearly 1,100 jobs to the state. This is the sort of growth we'd like to see, significant Michigan investment in job growth.

Saab has expansion plans for an integration and assembly facility. Saab is new to the state but adding to the nearly 4,000 businesses engaged in defense and aerospace work in Michigan.

Two new examples among many, that speak to the diversified manufacturing growth we are realizing. Over 700 megawatts of signed contracts in 24 months and growing. Our economic development pipeline continues to look promising with over 6 gigawatts of load looking to either move to or expand in our state, 60% of which is manufacturing.

As I mentioned earlier, our Renewable Energy Plan will conservatively reflect our updated load growth forecast based on the strong economic development tailwind we are experiencing. We work hard every day to win our customers' business, and we are honored when businesses see the value in investing in our state and our service territory.

So, let's take a look at the regulatory calendar for the year. As I shared last quarter, our financial related regulatory outcomes are known for the year, given the constructive March electric rate order and the approved gas rate case settlement. This positions us well as we navigate the last quarter of 2024. Gas rates were effective October 1, and we plan to file our next gas rate case in December of this year. In our current electric rate case, we saw a constructive starting position by staff. We saw support for further undergrounding, wildfire mitigation and the continuation of the investment recovery mechanism.

I do want to point out that the mechanism for storm recovery and the investments outlined in the electric rate case and in the Liberty storm audit are important for our customers. That probably goes without saying, however, it may require that we go to a fully adjudicated order to get the best outcome for our customers. Know that we are confident with where we are in the process, the quality of our filing and the proactive nature of the investments we are making to improve reliability for our customers. If we go the full distance, we expect the order in March of 2025.

Now let's spend a moment on the results. For the first 9 months, we reported adjusted earnings per share of \$2.47, up \$0.41 versus the same period in 2023, largely driven by the constructive outcomes in our electric and gas rate cases. Given our confidence in the year, we are reaffirming all our financial objectives, including this year's guidance range of \$3.29 to \$3.35 per share with continued confidence toward the high end. We are initiating our full year guidance for 2025 at \$3.52 to \$3.58 per share reflecting 6% to 8% growth off the midpoint of this year's range, and we are well positioned just like 2024 to be toward the high end of that range.

It is important to remember that we always rebase guidance off our actuals on the Q4 call, compounding our growth. This brings you a higher quality of earnings and differentiates us from others in the sector. And like we've done in previous years, we'll provide a refresh of our 5-year capital and financial plans on the Q4 call.

With that, I'll hand the call over to Rejji.

**Rejji P. Hayes**

*Executive VP & CFO*

Thank you, Garrick, and good morning, everyone.

On Slide 9, you'll see our standard waterfall chart, which illustrates the key drivers impacting our financial performance for the first 9 months of 2024 and our year-to-go expectations. For clarification purposes, all of the variance analysis herein are in comparison to 2023, both on a year-to-date and a year-to-go basis.

In summary, through the third quarter, we delivered adjusted net income of \$736 million or \$2.47 per share, which compares favorably to the first 9 months of 2023, largely due to higher rate relief, net of investment costs, and solid performance at NorthStar. From a weather perspective, the third quarter offered favorable weather versus the prior year to the tune of \$0.10 per share largely due to a warm September. The strong third quarter weather for the electric business more than offset the mild weather experienced in the first half of the year, thus equating to \$0.05 per share of positive variance year-to-date.

As mentioned, rate relief, net of investment costs, one of the key drivers of our year-to-date performance, resulted in \$0.18 per share of positive variance due to constructive outcomes achieved on our electric rate order received in March and the residual benefits of last year's gas rate case settlement.

From a cost perspective, our year-to-date financial performance was largely driven by lower service restoration expense despite a sizable weather system that impacted our service territory in early August. Our favorable variance in this regard has been fueled, in large part, by cost efficiencies in our storm response efforts. In fact, even though our volume of outages has increased by approximately 10% in 2024 versus the comparable period last year, our restoration cost per interruption has decreased by over 10%, all while restoring customers at a faster rate than the prior year.

These achievements in our storm response efforts are just another example of our lean operating system, the CE Way, driving daily productivity in the business. Quite simply, our workforce uses the tools of the lean operating system to deliver more value to customers with less resources every day. That is the

essence of the CE Way. And this favorability in service restoration expense, coupled with cost performance throughout the business, provided \$0.02 per share of positive variance versus the comparable period in 2023.

Rounding out the first 9 months of the year, you'll note the \$0.16 per share of positive variance highlighted in the catch-all bucket in the middle of the chart. The primary sources of upside here were related to solid operational performance at NorthStar and a tax-related benefit among other factors.

Looking ahead, as always, we plan for normal weather, which equates to \$0.14 per share of positive variance for the remaining 3 months of the year, given the mild temperatures experienced in the last 3 months of 2023.

From a regulatory perspective, we'll realize \$0.09 per share of positive variance, largely driven by the aforementioned electric rate order received from the commission earlier this year and the constructive outcome achieved in our recently approved gas rate case settlement, which went into effect on October 1, as Garrick noted.

On the cost side, we anticipate \$0.15 per share of negative variance for the remaining 3 months of 2024, in large part due to additional funding support select cost categories that have trended above budgeted levels for the majority of the year, such as insurance premia and IT-related expenses.

Closing out the glide path for the remainder of the year, in the penultimate bar on the right-hand side, you'll note a significant negative variance, which largely consists of the absence of select one-time countermeasures from last year and conservative assumptions around non-utility performance, among other items. In aggregate, these assumptions equate to \$0.25 to \$0.31 per share of negative variance.

In summary, we remain well-positioned to deliver on our 2024 financial objectives to the benefit of customers and investors. As such, we are reaffirming our full year guidance range of \$3.29 per share to \$3.35 per share with a continued bias toward the high end.

Moving on to the balance sheet. On Slide 10, we highlight our recently reaffirmed credit ratings from S&P in August. We continue to target mid-teens FFO to debt on a consolidated basis over our planning period to preserve our solid investment-grade credit ratings as per long-standing guidance from the rating agencies. As always, we remain focused on maintaining a strong financial position, which, coupled with a supportive regulatory construct and predictable operating cash flow generation, supports our solid investment-grade ratings to the benefit of customers and investors.

Moving on to our financing plan on Slide 11. I'm pleased to report that we've completed all of our planned financings for the year at levels favorable to plan and ahead of schedule, which leaves us with ample liquidity for the remainder of the year and beyond. I'll bring to your attention a relatively modest increase to our 2024 planned financings at the utility, given the need to rebalance the rate-making capital structure in accordance with the recent regulatory outcomes and attractive pricing at issuance.

It is also worth noting that we remain opportunistic should we see a cost-efficient opportunity to pull ahead some of our 2025 financing needs. As I've said before, our approach to our financing plan is similar to how we run the business. We plan conservatively and capitalize on opportunities as they arise. This approach has been tried and true year in and year out and has enabled us to deliver on our operational and financial objectives, irrespective of the circumstances, to the benefit of our customers and investors, and this year is no different.

And with that, I'll hand it back to Garrick for his final remarks before the Q&A session.

**Garrick J. Rochow**  
*President, CEO & Director*

Thank you, Rejji. CMS Energy. Over two decades of consistent industry-leading financial performance. We remain confident in our strong outlook this year and beyond as we continue to execute on our simple investment thesis and make the necessary and important investments in our system while maintaining customer affordability.

With that, Harry, please open the lines for Q&A.



# Question and Answer

## Operator

[Operator Instructions] Our first question is from the line of Shar Pourreza with Guggenheim Partners.

### **Shahriar Pourreza**

*Guggenheim Securities, LLC, Research Division*

So just, Garrick, on the data center demand, obviously, everyone is mentioning it to kind of a degree, Michigan has obviously started to emerge as a favorable data center environment with some of the hyperscalers doing some land acquisitions there, Grand Rapids to be exact. Do you have sort of existing grid capacity to onboard kind of the new customers with that kind of an interconnection lag?

What are you seeing on the ground? And do you need sort of a new tariff structure to move ahead? We've seen some interesting proposals coming out of Ohio, a lot of back and forth there. So, a big question, but how do you think about those?

### **Garrick J. Rochow**

*President, CEO & Director*

Michigan -- and our service territory, specifically you referenced Grand Rapids and that's been our service territory, is a great place for data centers and investment in Michigan. The temperate climate, the fiber infrastructure and to your point, and really the point of your question here is we have the electric infrastructure to be able to serve. And so we work closely with data centers and other manufacturing customers to meet their timelines for the ramp-up and load. And so that makes us advantageous to locate a data center or as I highlighted in my prepared remarks, really manufacturing, there's been a lot of manufacturing growth that's shown up here.

And so that's what's exciting about Michigan. I guess the other thing is, too, when they look to our clean energy law, they can see a path to that growing clean energy, the renewables and then the clean energy standard by 2040, which is also attractive to the data center components.

But I would highlight, too, just what I don't want to lose in this conversation is manufacturing growth. That's really where we've seen the true renaissance. We've seen a lot of opportunities show up there that will show up in our renewable energy plan as well, to serve our customers.

And from my -- just going to the question on the tariff. You'll recall, we've already filed ex parte type filing to move the data centers to what we call our GPD rate. That's a better reflection of the cost to serve, and we are working collaboratively with the commission to see if another rate structure is needed for data centers that would ensure our residential customers are not left subsidizing data centers.

### **Shahriar Pourreza**

*Guggenheim Securities, LLC, Research Division*

Got it. Any timing on that, Garrick?

### **Garrick J. Rochow**

*President, CEO & Director*

We would expect that we continue to make progress. I mean, like I said, the ex parte filing has already been approved. And so we're in a good position there from a cost of service perspective. We'll continue to work with the commission. I would expect that to take place over the next 6 months to 1 year.

### **Shahriar Pourreza**

*Guggenheim Securities, LLC, Research Division*

Okay. Perfect. And then just lastly, in terms of your takeaways from the storm and resiliency audits this year, is your commitment to cutting outages supported by the current distribution plan? Or would you

look to update the DSP to incorporate some recommendations from the audits? Or does it just inform you better to move the \$1.5 billion incremental CapEx you're identified into base plan?

**Garrick J. Rochow**

*President, CEO & Director*

This audit that was completed, we call it the Liberty audit because that was the company that was performing the work is really balanced and supportive -- I mean, you could see that within the context of the support of the work that we need to do, the capital investments and tree trimming to be able to continue to enhance reliability and provide better service. And as my prepared remarks sure, we can do that at a lower cost. So better service, lower cost when we do things proactively versus reactively.

And so we have our 5-year capital plan, that \$7 billion plan that's comprehensive and very deliberate and focused. And we'll take the Liberty audit results, and we'll look to incorporate that in that plan. And I'll remind you, that's a \$7 billion plan, \$5.5 billion of it is incorporated into the capital plan. And so there's opportunity there to work more of that capital in, of course, with the support of the Public Service Commission staff and commission.

**Operator**

Our next question today is from the line of Jeremy Tonet with JPMorgan.

**Jeremy Bryan Tonet**

*JPMorgan Chase & Co, Research Division*

Just wanted to start off, if you could walk us through a bit more, I guess, on DIG, given everything that we're seeing on the generation side meet their capacity needs. Just with contracts rolling off and how you think about, I guess, the trajectory there going forward?

**Garrick J. Rochow**

*President, CEO & Director*

NorthStar and NorthStar business, and I'll get to the DIG piece, continues to perform well. But frankly, I'd expect that. It's a small piece of the earnings mix. But they need to perform, and we expect them to perform, and that's exactly what they're doing, both from an operational and a financial perspective. And of course, DIG is an important part of that mix or Dearborn Industrial Generation. And we continue to see strength both in the capacity markets and the energy markets, and we are securing those bilateral contracts throughout time, and they continue to be above our plan and our expectations.

And so it's a great story, and will continue to be a tailwind in our overall expectations around 6% to 8% EPS growth.

**Rejji P. Hayes**

*Executive VP & CFO*

Jeremy, this is Rejji. All I would add is we've been -- Jeremy, just to provide a bit more of a financial lens to Garrick's good comments. As you know, we've had a good 25% to 30% open margin in the outer years of our plan. And so we'll provide an update on our Q4 call, as we always do around the levels at which we're pricing capacity contracts in that bilateral market. And as you know, we'll bring in a new year in our next 5-year plan, and that will have even more open margin. And we continue to see reverse inquiry at levels well in excess of what we've historically realized from a capacity price perspective.

And so we were usually around \$3 to \$3.50 per kilowatt month. We're now seeing 5 and 6 handles in reverse inquiries. So still a really robust opportunity. And unsurprisingly, it's just because of the real nice technical we're seeing with just supply being reduced in Zone 7 through retirements and upward pressure on the demand curve. So we don't see any reason why that should abate anytime soon.

**Garrick J. Rochow**

*President, CEO & Director*

And one thing I'll remind you, Jeremy, too, it's not linear as well. We do have outages to maintain the system out there. So that's an important piece to remember, particularly as we go through the long-term plan.

**Jeremy Bryan Tonet**

*JPMorgan Chase & Co, Research Division*

Right. That makes sense. I don't want to get too far ahead of myself there. But maybe just thinking about growth in general, we're seeing some of your peers talk about higher sales forecast and even some kind of lifting the expected long-term EPS CAGR expectation. And just wondering how you guys think about this given the incremental opportunities you see in front of you. I'm expecting strengthening and lengthening but just wanted to double check there.

**Garrick J. Rochow**

*President, CEO & Director*

Let me offer some comments, and I'm sure Rejji is going to want to jump into this as well. And we provided those different differentiators, those tailwinds to give visibility and to instill confidence. And that's what we have. We have confidence about the ability to strengthen and lengthen that 6% to 8% EPS growth.

But I want to be clear, what our investors expect is that we continue to deliver year after years. That's 21 years, we've now industry-leading or consistent industry-leading financial performance, time and time again. And then compounding off actuals, which gives you a better quality of earnings. That's what our investors expect, that's what we expect and that's what we deliver.

And so by providing some insights to those tailwinds, I just -- you get some idea of the momentum and how we can again strengthen our confidence in delivering this and just doing it year after year, exactly what our investors expect. But certainly, Rejji, I'm sure will want to walk into and offer some commentary on this as well.

**Rejji P. Hayes**

*Executive VP & CFO*

Jeremy, all I would add to Garrick's comments is that when you think about the components of what will drive long-term growth, Garrick walked through in great detail in his prepared remarks, the opportunities on the capital side, whether it's through the capital investments and/or earning on PPAs in the context of new energy law, and that's going to be decades of financial opportunity, investments or in PPAs again, the opportunities to improve the reliability and resiliency of our electric distribution infrastructure that's decades of spend and investment opportunity to the benefit of customers and investors.

And then in the gas business, which we didn't talk about as much on this call, but there's still a significant level of investment to be made to continue to harden that system, reduce fugitive methane emissions and continue to keep it safe and reliable, or particularly with the pending regs coming out from PHMSA.

And so a lot of investment opportunity, and when the upward pressure that you alluded to on the demand side, that will create the headroom among other benefits to facilitate and enable that investment to come to fruition. And so we see a really nice glide path to deliver on that differentiated 6% to 8% growth for many years, compounding off of actuals.

And so we're not going to get ahead of our Q4 disclosure, and that's when we update our 5-year plan, but we still feel very good about our ability to strengthen and lengthen that growth to Garrick's comments.

**Operator**

Our next question today will be from the line of Ross Fowler with Bank of America.

**Ross Allen Fowler**

*BofA Securities, Research Division*

Congratulations on the quarter, another solid one as we've all come to expect from CMS. So just a couple of questions. I think you've talked about the 2.5 gigawatts of storage target in the state. How do you think about -- could that change is sort of battery tax credits shift? Or does the cost of that change? Or is there just a lot of support for this at the state level versus what's going on at the federal level potentially after next week, how do you contextualize that investment going forward?

**Garrick J. Rochow**  
*President, CEO & Director*

Let me offer the two mechanisms that we have to consider what I'd call supply-type assets. One is the Renewable Energy Plan, which we'll file here November 15th in that range around that date. And that will lay out some of the renewable energy assets we need. Both, it will build off the foundation of our 2021 Integrated Resource Plan, but then there's two tranches as I see it of additional renewable energy build. That will show up in the terms of meeting the 50% standard of renewable assets for 2030 as well as 60% for 2035. That's really tranche 1. And then there was additional renewable assets as a result of economic development and growth, the demand growth that we've seen. So that's a nice piece of work, a nice tailwind.

There will be some reference to storage in there as part of that. But where more of the storage will play out is in our 2026 Integrated Resource Plan. That's where we look at the capacity mix. That's where we look at the reliability of supply. That's where we'll look at those important components. And to the degree, there's additional tax incentives or benefits, that will play out in that process and that selection process.

I do anticipate that there's going to need to be quite a bit of storage on the system, maybe even more than what is referenced in the law, but that's certainly a nice pathway to get things started with the certainty of the legislation. So hopefully, that's helpful.

**Rejji P. Hayes**  
*Executive VP & CFO*

Yes. Ross, sorry. I've been a little slow to the draw on a couple of my comments, so pardon me. The only thing I would just add, and it sounded like you're alluding to when you talked about next week, a potential repeal of the IRA and the implications of that on tax credits. Was that the thrust of the second part of your question? Or did I miss it?

**Ross Allen Fowler**  
*BofA Securities, Research Division*

Yes. Yes. Just as that -- where can we contextualize that versus the state incentives that are kind of pushing this...

**Rejji P. Hayes**  
*Executive VP & CFO*

Yes. So I dare not wager or speculate as to the outcome on next week. I think that's a fool's errand and I think it's too difficult to call. But I do think it still remains a low probability that you see a repeal of the IRA. Because the reality is, one, you need a pretty sizable red wave to just repeal the legislation. But even if you did want to hypothesize that, that could take place, I think there's also a reality that the number of red states have benefited significantly from the legislation getting passed.

I heard a stat the other day from one of the CEOs in our state who suggested that about 75% of the benefits of the IRA have accrued to red states.

And so I think, again, even if you saw red wave significant enough, to, which I still think is a fairly remote probability, to repeal the legislation. I still think there'll probably be a real significant discussion offline about whether it would make sense from an economic perspective to go and undo all those benefits accruing really nationally, but again, more concentrated towards red states. So I still think it's a low probability event.

And that said, and if it did happen, again, even if you wanted to take sort of that really remote probability come into fruition, we still have to comply with the law, to Garrick's comments, albeit it might be at a higher cost. But again, we still have to comply with the law in Michigan.

**Ross Allen Fowler**

*BofA Securities, Research Division*

Yes. Perfect. Makes sense. The next question I had, just kind of back to Jeremy's question a little bit on NorthStar and capacity auctions. I mean, MISO has sort of adopted a lot of the PJM changes around the VRR Curve. So certainly, it seems like that will also go higher in next year's capacity auction, and at least that would mirror what happen at PJM. So do you sort of hold off on some closing down some of these open positions further out on capacity until you see what that auction clears out, so you have a better idea? Like I'm just trying to figure out the timing of how you work that through.

**Garrick J. Rochow**

*President, CEO & Director*

Our process has been with DIG to just layer these in over time. That's really a derisking mechanism for us. And certainly, there are sometimes where we might strike at a price point that's a little lower than the future, but there are times where it's going to strike at a price point that's a little higher than the future. And so we've had that approach. It really derisks and becomes a predictable source of earnings by taking that these bilateral contracts or just kind of layering them in over time.

**Operator**

The next question today is from the line of Julien Dumoulin-Smith with Jefferies.

**Julien Patrick Dumoulin-Smith**

*Jefferies LLC, Research Division*

So to the extent -- let's keep it going. So speaking of which, you guys had this pretty big swing in the cost number in that waterfall slide, you talked about that minus \$0.15. Last quarter, that was a plus \$0.09. You mentioned in your prepared remarks, insurance and IT. Can you speak a little bit on exactly what's going on? Is there a pull forward going in there as well that's timing intra-year? I mean, is there a wildfire impact that's impacting insurance? I'm just trying to understand what are the big pieces.

**Rejji P. Hayes**

*Executive VP & CFO*

Yes, Julien, it's Rejji. I appreciate the question, and let me provide a little bit more color on that. And so we have a number of cost-related line items that we track throughout the year. We obviously have expectations going into the year and budgeted levels for across every cost category. And through the course of the year, some of those line items track ahead of budget and not in a good way. So higher than budget. And so we countermeasure that largely through the CE Way and other cost reduction initiatives. And in some cases, as we get to Q4, and we don't think we'll have sufficient countermeasures to offset that.

There are times where we'll just sort of fund those cost categories at levels that we anticipate at the end of the year. And so sorry, said differently, we have a level of countermeasures as well as Q3 weather help that have given us enough contingency to fund those cost categories to levels that we anticipate them being at the end of the year. And so we're just funding those costs. Insurance was one example. We had IT-related costs that were trending a little ahead of budget.

Another one is we also have some regulatory assets that are -- or liabilities that are amortizing that are at higher levels in the prior year associated with our EV programs and others. And so it's a hodgepodge of cats and dogs that were just trending ahead of budgeted levels. And so that's really what we're funding there. And that's why you see that big increase in the Q4 year-to-go expectations versus where we were in our Q2 call. Is that helpful?

**Julien Patrick Dumoulin-Smith**

*Jefferies LLC, Research Division*

Yes. So basically, said differently, you would have been holding off on funding some of

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into 2025, you realize that you have the ability to do so, so you pull them back forward.

**Rejji P. Hayes**

*Executive VP & CFO*

Yes, I wouldn't call them a pull ahead. To be clear, these are not expectations of costs that we'll have in 2025 that we're trying to de-risk. These are costs that we are incurring right now and the actuals we have seen in the first 9 months of the year are in excess of what we've budgeted.

And so we're applying some of the contingency that we've accumulated through countermeasures, NorthStar outperformance and just plain old-fashioned, good weather in September and applying that contingency to just fund those cost estimates for the end of the year. So, these are just 2024 funding and just basically updating our forecasts to reflect the economic reality we're seeing across those cost categories.

**Operator**

Our next question is from the line of Travis Miller with Morningstar.

**Travis Miller**

*Morningstar Inc., Research Division*

So on the REP, you've touched on this a couple of times, but the -- anticipating that sales growth number going up. As you were going through that process, not to front run this too much for the next couple of weeks, but as you're going through that process, did you have enough visibility in terms of sales growth from data centers and what you mentioned on manufacturing some of those kind of 24/7 type loads to be able to incorporate, again, some of the stuff you touched on in terms of storage and perhaps other renewable energy technologies. Can we -- will we see that in this REP or is that something to look more for in the IRP?

**Garrick J. Rochow**

*President, CEO & Director*

The short answer is yes, but let me explain more. In the Renewable Energy Plan, we'll start out with the base or the foundation is really the 2021 Integrated Resource Plan, which you'll remember calls for 8 gigawatts of solar and we've built some renewables as part of that as well. So that's the foundation. The first piece, well, the 2021 IRP did not get us to 50% renewables by 2030 or the 60% number by 2035. So there's some renewables that will have to be constructed or through a PPA with an FCM, that will have to happen. That's tranche 1.

The second tranche is specifically because there's additional sales expected as a result of economic development. And so we forecast that out over 20 years, and so we do have visibility to it. But we have to have certainty around it as well. So these are items that we have high confidence around, and we have signed contracts around. This is not the pipeline or some hypothetical numbers. It's, again, a reflection of what's coming to the state in terms of -- so we have -- to answer question directly, yes, visibility of that. That will also drive additional renewable assets or purchase power agreements to meet that need as well.

So if you continue to follow that down, I expect it to be a mix of solar and wind that will make that up. And then, of course, we'll talk about more details of that at EEI as we file that. So that's part one.

The second part that I would also

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is the IRP. And remember, Renewable Energy Plan just deals with energy. You have to deal with the capacity, you have to deal with the reliability of supply. You also have the opportunity to accommodate additional sales growth. That will show up in the Integrated Resource Plan as well. So I see them as two mechanisms, two opportunities where we'll see those tailwinds of, again, ownership of assets, investments to deliver clean energy on behalf of our customers, or through a PPA with the financial compensation mechanism.

**Rejji P. Hayes**

*Executive VP & CFO*

Travis, this is Rejji. All I would add is that if you look at Slide 6 in our presentation today, you can see on the left-hand side of the page, and Garrick spoke to some of this in his prepared remarks, there's a raft of opportunities we've seen from an economic development perspective. And I think we've got 8 or so listed on the page, the only two of those are in our current 5-year plan, Gotion and Ford. The rest of these are additive to our plan. So that offers some bread crumbs as to the additional opportunities we're seeing.

And I will tell you that some of the opportunities that are pretty high in probability that were still not quite in the plan yet are likely going to be coming to fruition in the coming months. And so there's a lot of opportunity that we've already seen since we rolled out last year's 5-year plan. And so at this point, that's well stale. And so again, you'll see that update in our REP. You also see it in the 5-year plan that we roll out in Q4 next year in addition to the IRP, as Garrick noted. So you get some visibility on Slide 6 today. And again, we're looking forward to talking about more opportunities in the coming months.

**Travis Miller**

*Morningstar Inc., Research Division*

Okay. That's great. I appreciate all that detail. Then one more for me on different subject, the Liberty audit, would you anticipate on the regulatory side, the potential for putting in regulators or putting in some kind of performance mechanism or some kind of metrics to meet before you get approval for the additional CapEx or operating costs?

**Garrick J. Rochow**

*President, CEO & Director*

I anticipate that we'll take the Liberty audit findings and weave them into our 5-year reliability plan, which will, of course, enhance that plan, and provide opportunities for additional capital investments to, again, address reliability for our customers proactively offering better service and lower cost. So that will be part of it.

I anticipate there will be additional tree trimming or operation and maintenance expense that we've woven into the plan as well as part of this Liberty audit. And as the commission -- one of the actions that the commission has already taken is a performance-based ratemaking that's focused on reliability work.

And so I anticipate that's woven into this work as well. I don't think it holds us up from making these important investments, and we're making them now and seeing good performance improvement in terms of reliability, and we just need to continue to do that important work.

**Operator**

Our next question is from the line of Michael Sullivan with Wolfe Research.

**Michael P. Sullivan**

*Wolfe Research, LLC*

I think it's been asked a couple of times now, but just to level set us for load growth and what's coming in the REP. My recollection is you have historically talked about 2%, less 2% energy efficiency and you're kind of flat is kind of your base case today.

And then it sounds like you're excited about all this kind of new load growth, but what's actually going to be reflected in the REP is going to be pretty conservative and not some big shift change. Is that a fair characterization?

**Rejji P. Hayes**

*Executive VP & CFO*

Michael, it's Rejji. Thanks for the question. So just to level set, our current 5-year plan that we rolled out in the fourth quarter call next year, had about 0.5% of electric load growth on a 5-year compound annual growth rate basis. And you're right, that number is always inclusive of energy waste reduction. And so if you wanted to gross that up, you could think about that as about 2.5% growth. And again, net of energy efficiency, 0.5%. We expect pretty significant upward pressure on that growth rate in the IRP -- sorry, the REP, Renewable Energy Plan, filing that we'll publicize in the coming weeks.

And then we'll get another kick at the can, obviously, in the IRP filing about a year later. And again, between that, you'll get more color on the load growth assumptions embedded in the 5-year plan that we rolled out in the fourth quarter of next year. And so again, you should see pretty material upward pressure.

We do plan conservatively, guilty as charged. But we do also want to reflect the reality of what we're seeing because remember, this is a component in our rate proceedings. And so you will see, again, upward pressure on that -- those load growth assumptions.

And to Garrick's comments, we do really try to incorporate whether it's data centers, industrial companies, we try to incorporate those in the plan when they're close to being signed or effectively signed and moving forward. We really try not to speculate if we've seen some momentum across the state, but it's not coming to fruition. That's not something we'll put in our plan. So we're conservative from that perspective. But again, the takeaway here is that you'll see upward pressure on our historical growth estimates in this next cut.

**Michael P. Sullivan**

*Wolfe Research, LLC*

Okay. So significant upward pressure, but conservative. I got it.

And then just shifting over to the electric case, I also just kind of wanted to level set there. So it sounds like you are going to probably adjudicate this mainly because of the storm mechanism because this is kind of a first go around for that? And what specifically are you asking for? And where is staff on that with respect to the storm specifically?

**Garrick J. Rochow**

*President, CEO & Director*

Rejji will walk through the numbers in a moment. But let me just start out by saying staff's position as a constructive starting point. And as I shared in my prepared remarks, there's a number of things that have been supported in staff's position. But there are some distribution investments for our customers that have, I would say, been left on the table. And we're focused on improving reliability. We know we can do that, offer better service. We're proving that out by our 5-year plan, and we can do that at a lower cost, doing it proactively versus reactively.

And so in addition to the storm recovery mechanism, which you referenced, which is also referenced in the Liberty audit as well. But we're also focused on those distribution investments to offer better service for our customers. And so there's a bit of advocacy we are doing on behalf of our customers, so we can make those investments to improve service. That is also a component which may push us into an adjudicated order.

But I'll remind everybody, I'm open to settlement. It's just going to have to have -- it's just going to have to continue to be more than where the staff is currently at. But Rejji, just share with Mike where things are at from a cost prospective.



**Rejji P. Hayes***Executive VP & CFO*

Yes. Michael, the mechanics of the storm restoration tracker that we're proposing in our pending rate case. And if memory serves me, DTE is proposing a similar structure. We're essentially trying to take the 5-year average of service restoration expense and put in the equivalent of a true-up mechanism where there's a 50% share for investors and customers in the event our level of service restoration expense is above or below what's embedded in our rate case. So to give you a specific numerical example, if we had \$130 million of service restoration expense in rates at a year in which we incurred \$150 million of actuals, \$10 million of that would be absorbed by shareholders. So we'd have \$10 million of hurt flowing through our P&L and \$10 million would be established in a regulatory asset that we would recover at a later date. And so customers would fund that portion of it.

And if we saw the numbers go the other way, you would assume a commensurate level of regulatory liability and so on. And so it's -- as we see it, that provides good alignment of incentives between investors and customers with a mechanism like that, and we will limit a lot of the volatility we've seen in our P&L over the last several years because the levels of service restoration expense embedded in rates have been well below actuals now for the last several years and counting. And so that's the spirit of it and happy to spend more time offline on that if need be.

**Garrick J. Rochow***President, CEO & Director*

And just to offer some numbers, the staff is at \$170 million at a 9.85% ROE, 49.92% equity ratio. And our rebuttal position, we're at \$277 million at 10.25% ROE, 50.75% equity ratio. So a little bit of cost of capital difference there as well. But I wanted to just make sure, Michael, you had the revised position of the company.

**Michael P. Sullivan***Wolfe Research, LLC*

Okay. That's great color. Just real quick, staff on the storm specifically though, are they outright against it? Or they're just looking for a different structure than what you just said or...

**Garrick J. Rochow***President, CEO & Director*

They're not supportive of it, but again, not supportive, but we expected that. Just like the investment recovery mechanism, it had to go to the commission. And we anticipate some mechanism like this will require the commission to weigh in on. And so it's not a surprise where the staff is at. And again, if we're going to go after that, it's going to go likely to a full order.

**Operator**

Our next question is from the line of Andrew Weisel with Scotiabank.

**Andrew Marc Weisel***Scotiabank Global Banking and Markets, Research Division*

I was also going to ask about settlement. I guess I appreciate the detail there. I guess if there were to be a deal to be made, what would be the window for that? Or is it irrelevant to this as it's not going to happen...

**Garrick J. Rochow***President, CEO & Director*

Yes. We're in that window now. And so -- and really up to a final order is the window of opportunity for us. And so -- and we'll look -- again, we'll look, I'm always open to settlement. I've said that in calls before. If we can make things work for our customers and for all stakeholders, I mean, that's a good place to be.

There's just a couple of things in this case that may force us into a full order, and we just want to make sure everyone on the call is aware of that.

**Andrew Marc Weisel**

*Scotiabank Global Banking and Markets, Research Division*

Yes. Understood. New tools are often a policy question so I understand that completely. The other question I wanted to ask about the CapEx update. I understand we'll have to be patient on the numbers. But the two things I wanted to ask about. Number one, just qualitatively, it sounds like there's going to be a lot of things going into that. There's always a business as usual update, but you've got spending around the REP. You got spending around the Liberty reliability audit, you've got the Electric Reliability Roadmap with stuff going in there, plus you've got sort of a step change in demand growth from data centers and manufacturing.

What I'm getting at is, should this be a meaningfully bigger increase than what we've seen in recent years? And if so, how should we think about financing that? You previously talked about up to a \$350 million per year of equity in '25 and beyond. I'm guessing there might be an upside bias to that given all the pieces that I just mentioned. How should we think about a rule of thumb about incremental equity needs per incremental dollar of CapEx?

**Garrick J. Rochow**

*President, CEO & Director*

Rejji and I'll tag team this one, but I want to remind you that many of the tailwinds that we described in this call come as a result of approval of the Renewable Energy Plan or approval of the IRP. And so although we'll file it in November of this year, fast-forward 10 months. So it's going to be in late Q3 of 2025 before we see where the commission is at with that. And so I wouldn't expect some of that good work to show up until our Q4 call at the end of 2025, early part of '26.

And then you'd have the same cycle for the IRP, which would start in 2026 and then play out in '27. So I see these as tranches that go over time over the 5 years. Clearly, there's some tailwinds here, but they show up at different points in time. But I'll turn it over to Rejji to offer some additional color.

**Rejji P. Hayes**

*Executive VP & CFO*

Yes, I think that's exactly right, Andrew. I mean the governors we've talked about and when we prepare our capital plan, are affordability, balance sheet and then operational feasibility, can we get the work done, and those remain governors. But the fourth governor at this point is the pacing to Garrick's comment. And so just the time for the commission to review the REP, the time for the load opportunities to materialize. Yes, we signed contracts, we interconnect these opportunities, but it takes a while for the build-out of a manufacturing facility or data center. So the pacing is going to certainly dictate when we'll be able to bring in all of this additional capital opportunity and see the load materialize, which effectively will fund those capital investment opportunities. So that's really the fourth governor at this point.

But you will see upward pressure for sure in the \$17 billion 5-year CapEx number we've provided at this point. So, without a doubt, but it will be pacing before you see the material bump, but I feel very good about the underlying earnings growth and rate base growth that will come from the next vintage.

With respect to equity, as you know, and as you stated, we have said no equity obviously in 2024. And then up to \$350 million starting next year, and we've said that's a pretty good run rate for the current \$17 billion capital plan, and the sensitivity I'll share with you as you think about incremental capital going into the plan and what that might drive in terms of incremental equity needs. As is a general rule of thumb is for every dollar of CapEx we invest at the utility, we usually fund it with around \$0.35 to \$0.40 of common equity, and that has been tried and true for some time.

Now what's interesting over the last, I'll say, 2 to 3 years is that we've seen downward pressure on that sensitivity in terms of the equity needs, and it's really been driven by a few things.

One, obviously, we just continue to generate substantial cash flow in the business, because of the forward-looking test year and the rate construct of Michigan. So I'll give an example, our prior 5-year plan of \$15.5 billion of capital generated about \$12.5 billion of operating cash flow over a 5-year period in aggregate. This current vintage is \$17 billion. We expect \$13.2 billion of cumulative operating cash flow generation, vintage over vintage. So almost \$1 billion of increased vintage over vintage. And so just good cash flow generation. That's one.

Number two, the ability to monetize tax credits afforded to us through the IRA, that's another big driver of liquidity and effectively a new source of equity that's helping our metrics and then just offering another layer of liquidity to fund our capital plan. So that's also helpful and we did our first tranche this year, about \$90 million of dispositions, and we did that at levels better than planned, meaning the discount to par was better than we thought it would be. And so I anticipate us doing more of that over time.

And then the last one is just -- I feel like a broken record when I say this is, we do plan conservatively. And so for the debt we're going to issue at the holding company, we're assuming it's straight debt with no equity credit, but we've been known to issue subordinated notes or hybrids in the past. Those get now a greater level of equity credit from Moody's, as you know, and so we're at 50% now. And so if we start to see pricing for those types of securities improve over time, that creates an opportunity also to put downward pressure on that sensitivity because obviously, if we see pricing comparable to what our debt assumptions are in our plan, then we can do hybrids at a level that's credit-accretive and EPS-accretive to plan.

And so those all create opportunities for us to really minimize the equity needs as we increase the capital in our 5-year plan.

**Andrew Marc Weisel**

*Scotiabank Global Banking and Markets, Research Division*

Okay. That's extremely helpful details there. So just to be clear on the CapEx numbers, though, so we should not expect numbers related to the REP or IRP, but we should expect upside to CapEx related to reliability and the demand and economic development. Is that maybe a fair way to put it?

**Rejji P. Hayes**

*Executive VP & CFO*

Yes. You certainly won't see the full magnitude of opportunities associated with the REP. And the other reason I'm qualifying the comment a little bit, Andrew, is that you start to earn on PPAs effective mid this year, and so we'll assume additional PPAs going forward. And so we'll start to see that opportunity associated with the Renewable Energy Plan scale every year because we're doing PPAs for renewables every year. We'll probably start to layer in some of the capital investment opportunities in the outer years of the plan. And so you'll see some of that weaved in and you'll definitely see -- to your comment -- reliability and resiliency. But again, the lumpier opportunities associated with the energy law, you won't see until the -- really starting in the 2026 vintage of our 5-year plan.

**Operator**

[Operator Instructions] And for our next question, we'll move to the line of Angie Storozyński with Seaport.

**Agnieszka Anna Storozyński**

*Seaport Research Partners*

So I just have one question. So when I look at your current supply stack on the system, I mean, how much of it is imports from like self-generation versus the imports from the grid? And I understand that the MISO dispatches assets, et cetera. But I'm just debating how much of spare capacity that you have of your own right now? I mean, if I were to be an industrial customer or hyperscaler, how much could you offer me in megawatts right now?

**Garrick J. Rochow**

*President, CEO & Director*

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Well, let me offer you this and then we'll talk a little bit about the mix from MISO and the like. After our 2021 Integrated Resource Plan, we were long from a capacity perspective. And there was a couple of things. One, we kept additional assets available to us as part of the settlement. We acquired the Covert generating facility was 1.2 gigawatts.

In the meantime, since 2022, when that was approved, we've also built out renewable assets, both wind and solar, and both there's some PPAs as well as some owned assets. And so that's actually put us in a position where we've been long and we've been able to accommodate a lot of sales growth.

And then as a reminder, we have the mechanisms, both the Renewable Energy Plan and the Integrated Resource Plan with some flexibility in those because we look at them -- 2 years on a Renewable Energy Plan basis every 3 to 5 on an Integrated Resource Plan, but we can pull it up and adjust those as needed to be able to accommodate the additional growth.

The third piece with these hyperscalers is working with them because they're not going to all come on immediately. And they have plans and when they want to ramp up. That's also true with manufacturing. And so they may need a starting load in 2026, but their full ramp-up doesn't get out to 2028, '29, 30. And so there's a lot of work that we do with the customers to make sure we get that right. And so there's a lot of flexibility we have to make sure the supply and demand stack match up nicely, and we can grow Michigan in the state.

Now we do leverage MISO to be able to do that. And if you look at our total mix, it's about 46% -- 45-ish percent that we either have through PPAs or through purchase off market. Remember, those PPAs act as both capacity and energy as well in that mix. And then the rest is self-generated.

**Agnieszka Anna Storozynski**  
*Seaport Research Partners*

But again, I'm just -- again, I'm debating it myself, if I were to site like a big industrial facility or data center, I would probably care about the speed to power, right? So this initial availability of megawatts would probably matter to me. So you're saying you are long power even right now. So even, say, the next, say, 24 months, there is a spare capacity that you could allocate to such a user?

**Garrick J. Rochow**  
*President, CEO & Director*

The short answer is yes, and we work closely with customers to be able to do that. I'll give you a real example. And it just hit the press today, we talked about it in Q1, but we couldn't name the company. Switch, which is an existing data center in Michigan, is expanding by 230 megawatts. They want to be up by full load in 2026. We're able to do that. We're able to deliver that. That's the electric infrastructure, both with our transmission partner and the distribution infrastructure as well as ensuring we have the supply. And so that gives you a little nature of our ability to deliver on that.

And as we entertain other hyperscalers or other manufacturing, again, we work with them closely to match up the ramp-up schedule. I gave the example of Corning as well, in my prepared remarks. Corning wants to have load on by the first quarter of 2025. We're constructing the substation right now. We will deliver that. But again they want to ramp up. They go from a small amount of megawatts up to 90, 95 megawatts, but that occurs over a year. And so we pace that along with that company. So those are two real examples, real work going on in the state and just gives you an idea of how we work with customers to grow Michigan and grow in our service territory.

**Agnieszka Anna Storozynski**  
*Seaport Research Partners*

And what if there is like a very big site, let's say, 1 gig of eventual capacity? I mean, is this something that you feel comfortable accommodating? I mean, it is -- obviously, that would probably require a large -- well, two large combined cycle gas plants to be built. How do you think about those sort of very big projects? Would you prefer to have smaller sites? Or is there, from like a risk perspective, do you think comfortable accommodating the big loads like that?

**Garrick J. Rochow**

*President, CEO & Director*

We welcome growth in Michigan. I mean there's nothing better than creating jobs. And we've got a constructive -- I mean, we're doing a lot of onshoring. It is truly a manufacturing renaissance. We're certainly open for data centers as well. And we work with those customers, large sites, small sites, to create opportunity for all stakeholders in the state.

And so it doesn't -- we don't back away from a gigawatt load. Some of those are on one site, some of those are across multiple sites. And it's really, again, working with that company on their ramp-up schedule and when do we need to provide that and match that supply/demand mix. We've been doing this for 135 years. I used to be -- I started out my business -- in the business, I should say, on the supply side. So I get this. And that's what we do as a load-serving entity, and we have the mechanisms within the construct to be able to do that with success.

**Agnieszka Anna Storozynski**

*Seaport Research Partners*

And just to make sure. And how do you, for example, ensure that this load actually materializes? Like when we look at power companies, like they have those take-or-pay contracts. How do you ensure that if you make the investments, actually the load will happen?

**Garrick J. Rochow**

*President, CEO & Director*

One of it is contractually, but it's also, as I shared in my earlier remarks, making sure we've got a good -- from a rate design perspective, a cost of service model. That's how we operate in the State of Michigan. And so that makes sure that the other customers aren't subsidizing that work. And as I shared, we're working closely with commission and commission staff with data centers to see if there's additional rate compact or construct to be able to further ensure that residential customers aren't subsidizing or footing the bill for the data centers.

**Operator**

Our next question will be from the line of Anthony Crowdell with Mizuho.

**Anthony Christopher Crowdell**

*Mizuho Securities USA LLC, Research Division*

Just -- I apologize. I think it's up to -- following Mike Sullivan's question, the load growth update. Will we get that on the fourth quarter call on when you file the IRP? Just when is the most up-to-date of the load growth?

**Rejji P. Hayes**

*Executive VP & CFO*

Anthony, this is Rejji. Yes. So you will get a load forecast update in the Renewable Energy Plan that we'll file in the coming weeks, and you will also -- we will also have a load growth update a few months later, that's supporting the 5-year plan that we'll roll out on our fourth quarter call in the first quarter of 2025 as we always do.

So you'll get a couple of bites of the cherry from a load growth perspective. And as Garrick noted in his earlier comments, you'll also see a load growth update about a year from then, maybe 1.5 years in the context of our IRP filing. So we'll have an iterative process for load disclosure. And again, as I said earlier, I expect upward pressure certainly on current estimate of 0.5%. That would certainly go up, and it will likely accrete beyond that. So looking forward to sharing those with you in the coming weeks and months.

**Anthony Christopher Crowdell**

*Mizuho Securities USA LLC, Research Division*

Great. And then just lastly, one of the earlier questions, you talked about how the financing needs of the company. Also, I think the amount of equity now maybe 30% to 40% for every dollar spent. You also mentioned tax credits were going to be instrumental. Has the company quantified what we could assume for transferability over the next 5 years?

**Rejji P. Hayes**

*Executive VP & CFO*

So the latest number I'll guide you to is what we have embedded in our 5-year plan, Anthony, and that's a little over \$0.5 billion. But again, I expect that number to increase over time just based on the quality of the execution and also the anticipation of more renewable ownership should allow that number to accrete. And so this current plan has \$0.5 billion in aggregate over 5 years. And again, as we provide an update on our 5-year plan on our fourth quarter call and Q1 of next year, I'll provide a revised number, and I'd be surprised if that number doesn't continue to increase. Is that helpful?

**Operator**

We have no further questions in the queue at this time so I would now like to hand the call back over to Mr. Garrick Rochow for any closing remarks.

**Garrick J. Rochow**

*President, CEO & Director*

Thanks, Harry. And I'd like to thank you for joining us today. I look forward to seeing you at EEI, take care and stay safe.

**Operator**

This concludes today's conference. We thank everyone for your participation.

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