

# **Entergy Corporation (ETR) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

August 1, 2024 Thursday

Copyright 2024 Seeking Alpha Provided by Syndigate Media Inc. All Rights Reserved

**Length:** 6818 words

**Byline:** SA Transcripts

**Body**

Entergy Corporation. (ETR)

Q2 2024 Earnings Conference Call

August 01, 2024, 11:00 AM ET

Company Participants

William Abler - Vice President, Investor Relations

Andrew Marsh - Chairman and Chief Executive Officer

Kimberly Fontan - Chief Financial Officer

Conference Call Participants

Shar Pourreza - Guggenheim Partners

Jeremy Tonet - JPMorgan

David Arcaro - Morgan Stanley

Paul Zimbardo - Jefferies

Michael Lonegan - Evercore ISI

Ryan Levine - Citi

Travis Miller - Morningstar

Presentation

Operator

Good morning. My name is Greg, and I will be your conference operator today. At this time, I would like to welcome everyone to Entergy's Second Quarter 2024 Earnings Conference Call. [Operator Instructions].

I'd now like to turn the call over to Bill Abler, Vice President of Investor Relations for Entergy Corporation. Bill, the floor is yours.

William Abler

Good morning, and thank you for joining us. We will begin today with comments from Entergy's Chair and CEO, Drew Marsh, and then Kimberly Fontan, our CFO, will review results. In an effort to accommodate everyone who has questions, we request that each person ask no more than two questions.

In today's call, management will make certain forward-looking statements. Actual results could differ materially from these forward-looking statements due to a number of factors, which are set forth in our earnings release, our slide presentation and our SEC filings. Entergy does not assume any obligation to update these forward-looking statements. Management will also discuss non-GAAP financial information.

Reconciliations to the applicable GAAP measures are included in today's press release and slide presentation both of which can be found on the Investor Relations section of our website.

And now I will turn the call over to Drew.

Andrew Marsh

Thank you, Bill, and good morning, everyone, and thank you all for joining us on this Disney earnings call day. In June, we hosted our Analyst Day in New Orleans. I want to thank all of you who attended in person and listened online then as well. We provided a comprehensive update on our business strategy and discuss the macro drivers behind our unique growth story, on shoring, clean energy, electrification and technology.

We also talked about our customer first approach that is the cornerstone for achieving outcomes that drive significant long-term value for all our stakeholders, of course, our customers and also our employees, our communities and our owners. We continue to make progress towards these outcomes, helping us achieve our near and long-term objectives.

Starting with our financial results. Today, we are reporting strong quarterly adjusted earnings per share of $1.92. Kimberly will go over the details. The bottom line is that we remain firmly on track to meet our 2024 guidance.

Now turning to business updates. I am pleased to report that Entergy Louisiana has reached an agreement in principle with the LPSC staff and other parties on its FRP extension. The settlement, subject to LPSC approval but also resolved several other open matters, including all FRPs prior to the 2023 test year. By settling these matters, Entergy Louisiana will resolve all its outstanding base rate-making proceedings.

As part of this settlement, we will provide $184 million of customer credits, which includes our agreement to increase customer sharing of income tax benefits resulting from the 2016 to 2018 IRS audit. We're also pleased to announce that System Energy Resources, or SERI, reached an agreement in principle with the LPSC staff on the long-standing litigation at FERC. Pending approval, this settlement substantially resolved the major litigation at SERI and removes an ongoing challenge for many of our stakeholders to understand and value.

Subscribe to Seeking Alpha for more content like this

These agreements as well as other commission approvals earlier this year, including the resilience plan and the process to accelerate the development of renewables provide important clarity for all our stakeholders and allows Entergy Louisiana, the commission and other stakeholders to focus on capturing the significant growth opportunities before us. We appreciate the hard work of all parties to get to this point and look forward to focusing on the future together.

We'll provide more information on the Entergy Louisiana settlement when we file the full settlement agreement, which we plan to submit in the coming days. We anticipate the commission to take up both matters at its next business and executive meeting on August 14. Hurricane Beryl made landfall in Southeast Texas in early July. The storm affected about half of our Texas customers. I first want to thank our customers and community leaders for their understanding and support during restoration. We are honored to serve them. And we are once again inspired by our communities coming together in the face of such an event.

Beryl sustained high winds uprooted and damaged a significant number of trees, which caused most of the grid damage and customer outages. This included many tall trees outside right-of-ways that fell into our transmission and distribution lines. We brought a lot of experience and lessons learned from past storms into this effort, which led to timely, safe and cost-effective power restoration. Our past learnings also facilitated our communication plan providing accurate, trusted and timely updates regarding outages and restoration time lines. We are focused on keeping all stakeholders up to date with customers as well as state and local officials at the top of the list.

As we discussed at Analyst Day, when the power is out, the everyday activities of our customers and communities are interrupted. This is why a well-prepared operational response, coupled with clear communication is more important than ever. I'm very proud of our employees to keep our customers top of mind, working diligently before the storm to learn and prepare and tirelessly after the storm to safely restore power as quickly as possible.

Beryl reminded us of the importance of resilience, and we saw firsthand how investment to support growth delivers benefits across multiple dimensions. The Ball of our Peninsula is a good example. To support growth, we built a new elevated substation and installed more than 200 new distribution structures built to monitor standards. As expected, these new assets easily withstood Beryl, which improved performance during the storm and supported timely restoration.

To further our resilience efforts, Entergy Texas submitted its future-ready resiliency plan, requesting approval for a 3-year first phase, estimated to cost $335 million. To maximize benefits while minimizing costs for customers, roughly $200 million is contingent on a grant from the Texas Energy Fund. The legislation calls for a commission decision within 180 days of filing. Separately, Entergy New Orleans held a technical conference last week to further Phase 1 of its plan, and we are targeting a council decision before year-end.

Entergy's unique and robust growth story was a key theme we highlighted at Analyst Day, and we are making important progress to support growth across our businesses. For example, we hosted a Southeast Texas Leadership Summit, which brought together more than 200 industry community and political leaders to discuss collaborative approaches to serve the region's growing energy needs. At the summit, we outlined our Southeast Texas Energy Plan, or step ahead plan, which includes additional generation capacity.

Advancing that plan, Entergy Texas submitted its filing request against CCN for 2 new generation resources. Legend Power Station, a 754-megawatt combined cycle combustion turbine to be located in Port Arthur, will be built to ensure sustainability and long-term viability as the plant will be carbon capture enabled and feature hydrogen capable technology. We're working with customers assessing their interest in purchasing the clean attributes from carbon capture. While our discussions are in early stages, customer interest in CCS appears to be strong.

Our request also includes Lone Star Power Station, 453-megawatt combustion terminals to be located in Cleveland, Texas. That will also be hydrogen-capable. The total investment is estimated at approximately $2.2 billion, which includes transmission and interconnection costs as well as financing costs during construction. Both plants are expected to be online summer of 2028. Also furthering our step ahead plan, Entergy Texas filed for approval of 2 owned solar projects that came out of RFPs. The capacity for the proposed additions totals more than 300 megawatts. The first is expected to come online in 2027 and the second in 2028. The green attributes from these plants will help meet our customer demands for clean energy.

More broadly, clean energy and electrification remain key macro drivers behind the growth across our businesses. Many of our large customers have clean energy goals, we are expanding our clean energy capacity to support those objectives. To that end, in early June, we signed a joint development agreement that will accelerate the development of up to 4.5 gigawatts of new Energy-owned solar generation and energy storage projects. Also supporting our renewables expansion, and as I referenced earlier, the Louisiana PSC approved to streamline and enhance renewable RFP process to add up to 3,000 megawatts of renewable capacity. This will enable Entergy Louisiana to bring renewable resources online much more quickly, which helps attract new customers to our service area.

Subscribe to Seeking Alpha for more content like this

Technology is another macro driver for our growth. At Analyst Day, we identified 5 to 10 gigawatts of new hyperscale data center potential in our service areas, which was informed by customer discussions. We continue to have very active customer and other stakeholder engagement on this front and the growth potential for all our stakeholders from this driver remains strong.

Putting our customers first, our path forward to achieve regulatory outcomes that benefit -- excuse me, putting our customers first remains our path forward to achieve regulatory outcomes that benefit all stakeholders. We continue to move steadily through regulatory proceedings. Results of this are evident in the agreement in principle in Louisiana and the filings in Texas that I already discussed.

In June, Entergy Mississippi's annual FRP filing was approved. We continue to work well with the Mississippi Commission to achieve good outcomes that support our customers and the operating company's credit, which puts Entergy Mississippi in a strong position to bring additional growth to the state which benefits all stakeholders. In addition, Entergy New Orleans and Entergy Arkansas filed their annual FRP. We expect new rates to be in effect in September for New Orleans and January for Arkansas. And finally, our gas LDC sale continues to move along.

For Entergy Louisiana, the staff report and recommendation was filed on Tuesday of this week, stating that staff believe the transaction is in the public interest subject to customary conditions. We believe the matter will be taken up by the LPSC on August 14 at its business and executive meeting. For Entergy New Orleans, the hearing is scheduled to begin on September 9, and we expect a decision from the City Council in early 2025. We remain on track to close the transaction by the third quarter of 2025.

Our commitment to supporting our communities continue to be evident this past quarter. Our efforts were recognized as Entergy was once again a Civic 50 points of light Entergy. The Civic 50 has served as the national standard for corporate citizenship and showcases how leading companies are moving social impact to community to the core of their business.

In the first half of 2024, we made steady progress across key customer operational, regulatory and financial fronts. We're solidly on track to achieve our objectives for 2024 as well as our longer-term outlook. By continuing to put our customers first, we remain focused on delivering premium value to each of our key stakeholders.

I'll now turn the call over to Kimberly, who will review our financial results for the quarter.

Kimberly Fontan

Thank you, Drew. Good morning, everyone. As Drew said, today, we are reporting strong results for the quarter that keep us firmly on track to achieve our adjusted EPS guidance for the quarter and for the year. Shown on Slide 3, our adjusted earnings were $1.92 per share. This result is consistent with our objective of steady, predictable earnings growth.

For the quarter, we had two items that were considered adjustments and excluded from adjusted earnings. First, we recorded $1.17 settlement charge as a result of the pension plan lift out. With this lift out, our remaining pension liability is 96% funded as of the end of the quarter.

As I mentioned at Analyst Day, this is another step in reducing our risk. Second, as Drew discussed, Entergy Louisiana reached an agreement with the LPSC staff to resolve our formula rate plan extension filing. Part of the settlement includes providing $184 million in customer credit. To reflect these credits, we reported expenses totaling $0.52 which is net of $38 million previously recorded for tax sharing related to the IRS audit resolution.

Subscribe to Seeking Alpha for more content like this

Slide 4 details the quarter's adjusted EPS variances. Key drivers include retail sales growth fueled by hotter than normal weather. On a weather-adjusted basis, retail sales increased 2.9%, with growth across all customer classes. Industrial growth was the biggest contributor. Regulatory actions that support our customer-centric investments also contributed to earnings growth. Cost to serve our customers increased, primarily other O&M and depreciation. Interest expense also increased due to higher interest rates and higher debt balances to finance investments.

Moving to Slide 5. Operating cash flow was higher than second quarter last year. Key drivers were the timing of payments and higher customer receipts. Credit and liquidity are shown on Slide 6. Our credit metric outlooks, which fully reflect the effects of the regulatory settlements remain very healthy. Our net liquidity is strong at $5.9 billion. This includes approximately $800 million of equity forwards that we have already locked in but are not yet settled. While we don't plan to settle these forward until next year, they are a source of cash if needed. We also issued term debt in the quarter, including $1.2 billion of junior subordinated notes, which are very credit supportive.

As Drew mentioned, our restoration response to Hurricane Beryl was timely, safe and cost-effective. We're still refining the details, but our early cost estimate is $75 million to $85 million. We plan to recover these costs through normal mechanisms.

Turning to Slide 7. You can see that we've continued to make good progress through our 2025 to 2026 equity needs. To date, we've completed approximately 60% of our projected equity needs through 2026.

As shown on Slide 9, we are affirming our adjusted EPS guidance and outlook. For 2024, as we've said, we're firmly on track. Our EPS contribution from volume is expected to be a little higher than our guidance assumption, including the new industrial customers I mentioned last quarter. Weather was hotter than normal this quarter, which created headroom for us to flex our O&M spending plans to achieve better operational outcomes.

For the remainder of 2024, there are a couple of quarterly timing considerations that I'd like to note. The sales growth for the balance of the year is still expected to be largely weighted to the fourth quarter as additional new large customers are expected to come online later in the year. And we expect as much as 90% of the remaining O&M savings to be achieved in the fourth quarter given our significant flex spending increases in the fourth quarter last year.

As you know, if we experience additional weather outside of normal, we may further flex our spending plans. We have provided additional quarterly considerations in the appendix of our webcast presentation. We're pleased with the progress we've made, especially the settlements with the Louisiana Public Service Commission that supports and solidifies our long-term outlook. With the important clarity we now have in Louisiana, the stage is set for us to capture the unique growth story that we laid out at Analyst Day.

And now the Entergy team is available for questions.

Question-and-Answer Session

Operator

Thanks, Kimberly.[Operator Instructions]. And it looks like our first question today comes from the line of Shar Pourreza with Guggenheim Partners. Shar, please go ahead.

Shahriar Pourreza

Hey guys, good morning.

Andrew Marsh

Good morning, Shar.

Shahriar Pourreza

Drew, starting off on sort of the regulatory progress in Louisiana and FERC. Any further updates there with the updated schedule. And more importantly, would that be a potential catalyst to maybe revisit capital allocation and the CapEx plans, especially as you settle the FRP and look at new generation deployment under the new 3-gigawatt mechanism? Thanks.

Andrew Marsh

Shah, could you repeat the first part of your question you cut out for just 1 second.

Subscribe to Seeking Alpha for more content like this

Shahriar Pourreza

Yes. No. Any further updates on Louisiana and FERC in that process? That's the first part. And then the second part is just as we're thinking about concluding in that -- in those processes, depending if there's a global settlement or whatever. Is that sort of the catalyst to revisit kind of capital allocation and the CapEx plans, especially as you kind of settle the FRP and look at new generation deployment? Thanks.

Andrew Marsh

Yes. So I'll let Rod talk about the first part, and I'll let Kimberly talk about the second part.

Roderick West

It's Rod. In terms of FERC, as we did in the prior series, settlements, we actually have to file the FERC -- the series settlement. Can you hear me now, Shar?

Shahriar Pourreza

Much better.

Roderick West

Good deal. As was the case with prior SERI settlements, we will file the proposed SERI settlement with the LPSC. And nevertheless, it will still be subject to FERC approval, there'll be subsequent filings with the FERC in that regard. So we still have work to do. All of what we've shared is still subject to approvals, but it will be a methodical process, and it will begin with what we submit to the LPSC for their consideration on the 14.

Andrew Marsh

And I'll just add to that, that I think -- and it goes to what Kimberly will talk about in a second, the thing that we're pleased about is the nature of the way that these results came together and...

Roderick West

Yes. And we talked about this at Analyst Day, Shar, that our stakeholder engagement strategy was far more deliberate and far more discrete in terms of the stakeholders that we brought together to put us in a position to have this settlement. The outcome was a function of each of the interested stakeholders having an opportunity far earlier in the process to weigh in on this conversation.

And while we are we are pleased that we're able to get to this point, our work continues because as Drew mentioned in his earlier comments, this simply sets the stage for us to be able to execute on capturing the growth with far greater clarity. But it is a stakeholder engagement driven process that includes our regulators, includes our customers and policymakers. And we're really at just the beginning and certainly excited about what's now possible with clarity on where Louisiana has had that same strategy is playing out in the other states. So we can now focus on the growth story.

Kimberly Fontan

And Shar, from a capital perspective, certainly, we're pleased to be at this point, we'll let the process play out. And then we would expect to give a full update in EEI in November as we typically do.

Shahriar Pourreza

Great. Looking forward to that. And then just lastly, obviously, the 2024 assumptions picked up. You talked about low growth more coming in 4Q, you've got the O&M benefits also kicking in, in the back end. It sounds like you're kind of ahead of schedule for 2024, but I don't want to lead the witness, is there kind of any read-through to 2025 as we're thinking about bridging from 2024 to 2025.

Kimberly Fontan

Yes. We shared our outlook at Analyst Day just a few weeks ago, and I think that is the best place to point. We continue to be on track for this year and as Rod said, we're setting ourselves up to continue to deliver on what we provided in our last update a few weeks ago.

Subscribe to Seeking Alpha for more content like this

Shahriar Pourreza

Okay. I appreciate it. Thanks guys. See you soon.

Andrew Marsh

Alright. Thanks Shar.

Operator

And our next question comes from the line of Jeremy Tonet with JPMorgan. Jeremy, please go ahead.

Jeremy Tonet

Hi, good morning.

Andrew Marsh

Good morning.

Jeremy Tonet

Just wanted to come back here to Louisiana. Could you outline more on the scope of your FRP and SERI settlements. Does this leave anything else critical to be addressed for either matter at this point?

Roderick West

As a general matter, the settlement addresses the formula rate plan extension and terms and conditions of the go-forward regulatory construct, it resolves prior issues. There are 8 or so related dockets that are also cleaned up, much of them dealing with historical administrative proceedings. And the SERI settlement, the SERI settlement is a different settlement posture, but essentially, it clears the deck of the major litigation between Entergy and the commission and its stakeholders.

Jeremy Tonet

Got it. Clears the deck, great to hear. And just moving on here for that August 14 LPSC meeting, do you expect the commission to vote on both settlements or just discuss the details or if the latter, when do you think they might vote?

Roderick West

So on the 14th, and again, this is all subject to the commission's consideration. It is our expectation that the commission would take up the proposed settlement that the staff would put forward on the FRP the settlement associated with SERI and its related dockets and the other, I'll call them, the other additional dockets that we were able to seek a lime on, but we expect the commission to take them all up.

And let's also -- and Drew made reference in his remarks that the -- at least for the Louisiana Public Service Commission's consideration of the gas LDC sale, the staff had already issued a report recommending that the LPSC approved their portion of that sale. So that may very well be taken up on the 14th as well. So we expect pretty comprehensive docket that the commission will take up on the 14.

Jeremy Tonet

Got it. Very helpful. And just real quick one to revisit, I guess, as the data center opportunity set that sits before you, any updates to provide there as far as, I guess, just what potential opportunities you see the pace of, I guess, opportunity set, if that's accelerating? Just any color would be great.

Roderick West

Yes. We laid out at Analyst Day that nothing that we had presented in terms of our outlook included anything other than AWS. And as Drew alluded to, the 5 to 10 gigawatt opportunity was not something we were speculating around. It's in our pipeline because we're having actual conversations with prospective customers in that regard, who, as we laid out, we're taking advantage of a lot of the structural advantages of the Gulf Coast, the low energy rates that we provide, certainly, the constructive regulatory environment that's been supportive of economic development and growth in our regions.

And so we expect that at the appropriate time, we'll be able to give details. But as was the case in prior customer additions, we're not giving out or talking about where any specific customer is in the process until such time that both we and they are prepared to go public with something. But again, we're bullish about the prospects because of all the advantages that we laid out at Analyst Day and our -- and on top of that, our stakeholder engagement strategy, making sure that all the right stakeholders are at the table quite early in the process.

Jeremy Tonet

Got it. Thank you for that.

Roderick West

Thanks, Jeremy.

Operator

And our next question comes from the line of David Arcaro with Morgan Stanley. David, please go ahead.

Subscribe to Seeking Alpha for more content like this

David Arcaro

Okay, good morning. Thanks for taking my questions. I was wondering just maybe on the -- well, congratulations on all the progress that you're making in these proceedings. I was curious on the SERI settlement. Is that consistent with the others with the other commission settlements in terms of like the allocational or proportional split to Louisiana?

Roderick West

The short answer is yes. The SERI settlement that's proposed is consistent with the settlement constructs in the other jurisdictions, Mississippi, Arkansas and New Orleans, yes.

David Arcaro

Okay. Great. Understood. And then I was wondering, just considering that settlement in the Louisiana FRP, how do those line up against your earnings projections here? Does that shift or solidify where you are within the range? And then also on the cash flow side of things, is this consistent with what you would have expected in terms of the cash flow forecast going forward?

Kimberly Fontan

Yes. Thanks, David. The settlements in the -- for both settlements are all considered in our -- both our EPS and our cash flow outlooks that we're affirming today. So I would think about that from that perspective.

David Arcaro

All right. Sounds good. Thanks so much.

Roderick West

Thanks, David.

Operator

And our next question comes from the line of Paul Zimbardo with Jefferies. Paul, please go ahead.

Paul Zimbardo

Hi, good morning, team.

Roderick West

Good morning, Paul.

Paul Zimbardo

Yes. Very great to see the productive settlement talks. I knew you'd all be hard at work while I was hanging out on the beach. So good to see that one for those 2. I guess 2 totally unrelated questions. The first is on the renewables RFP update, could you see more utility-owned assets there. I know that's been a priority for you. Is there a good way to think about and kind of measure the progress as we go forward on these RFPs about like how much is embedded in the plan versus kind of upside to the plan?

Kimberly Fontan

Yes. We shared our capital view a few weeks ago, which gave you sort of owned renewables and then I believe there was a slide that also showed the breakout there. And so as we go through the RFP, we'll be able to see as they announced what comes through there, and we'll provide periodic updates at EEI and other places about how those are performing.

Andrew Marsh

And we'd -- we expect to have a large RFP in the fall for Louisiana.

Paul Zimbardo

Okay. I'll say tuned for that. And then the other was just on hardening. I know you've been very vocal for years about hardening. I just want to see if there's any kind of potential amendment changes in philosophy for the Texas plan I know you have Phase 1 in there, whether it's an amendment to Phase I or pull forward of your thoughts for Phase II. Just any perspective you could provide?

Andrew Marsh

Yes. That's a good question. So we've been thinking about this in terms of sort of where we were pre-Beryl and post-Beryl. Certainly, whenever you have storm you reflect on where you are and what you're doing and those kind of things. Pre-Beryl, we have a plan that we have submitted in Texas a resiliency plan, and it's based on what the current rules and the legislation that was introduced a couple of years ago, and so it reflects those priorities. And there are -- as we've talked about, there are a couple of things that we wanted to see in the legislation previously that we weren't able to get it in, namely around transmission being included and also our ability to accelerate the replacement of existing assets by getting return up and on if we don't get that return on then it's harming our credit if we try to accelerate. So we have a more measured pace.

Having said that, now we've made the filing and now we are a post-Beryl and the opportunity is for us to engage our stakeholders to figure out if this is the plan that we want to stick with or if there is a different plan that we want to go with. So it's now open for conversation and we're excited about where that might go. And of course, we'll have another opportunity coming up in the legislative session as well to potentially address some of the things that we weren't able to address last time.

Subscribe to Seeking Alpha for more content like this

And with that, I'll pass it over to Ron to see what else you have to...

Roderick West

Yes. And I'll just reiterate the point that Beryl provides an opportunity to revisit the public policy backdrop to our capital plans. And not only just in Texas, as Texas as a state revisits the resiliency conversation with the regency of Beryl but other jurisdictions are certainly paying attention to some of the lessons learned as well. And while Louisiana is well on its way with its resiliency plan where so much of the attention has been paid of late to reference New Orleans in its ongoing conversations, and we know empirically there they were paying close attention to the experiences in Houston.

And it is an opportunity for us both at the technical conference as well as our ongoing conversations with the counsel between now and the end of the year to revisit the scale, scope and efficacy because we're still very much in the middle of a storm season.

So the unfortunate storm from a customer standpoint, provides an opportunity for the states and other stakeholders to revisit the resilient conversation with whatever new information the lessons learned from Beryl.

Paul Zimbardo

Great. Thank you both very much for the color.

Roderick West

Okay. Thanks, Paul.

Operator

And our next question comes from the line of Michael Lonegan with Evercore ISI. Michael, please go ahead.

Michael Lonegan

Hi, thanks for taking my question. On the industrial sales growth specifically, just wondering where you are tracking for the year. I know you expect new customers in the fourth quarter, are all these customers on track? And just trying to get a sense of where you stand versus your long-term 8% to 9% industrial sales growth outlook.

Kimberly Fontan

Yes. We're still on track through the end of the year for what we've provided about 4% for the full year with most of that coming late in the year. There are a couple of large industrials that we expect to come on. We do have those customers are on minimum build type contracts that if they are delayed, we still have some protection from a bottom line perspective because of how they're contracted in. But we believe we're still on track, and then we continue to see a strong pipeline throughout the forecast period that supports that growth trajectory that you referenced.

Michael Lonegan

Great. And then secondly for me, on the pension lift out, just wondering how much you're reducing the volatility of your pension plan, the pricing you got versus par, and if you see opportunity to do more lift outs?

Kimberly Fontan

Yes. We were pleased with the outcome of that lift out. As I said, the net pension plan is funded now at 96%, and we continue to find ways to reduce volatility. We use smoothing mechanisms in our regulatory jurisdictions to help reduce that volatility as those costs on the regulated side are recovered through rates.

As far as weather, we could do another pension lift out, obviously, that would have to the math on that and the ability to execute on that would have to work, but we think that we are in a good place with where we are currently and what we've done to derisk our pension plans.

Andrew Marsh

And I'll add, appendix, there's a sensitivity chart for pension, which is 25 basis points for every 25 basis points plus or minus $0.01 is kind of what our sensitivity is at this point, which is a lot lower than where it used to be to Kimberly's point.

Subscribe to Seeking Alpha for more content like this

Michael Lonegan

Great. Thanks for taking my questions.

Andrew Marsh

Thanks, Michael.

Operator

And our next question comes from the line of Ryan Levine with Citi. Ryan, please go ahead.

Ryan Levine

Hi, everybody. Regarding the lessons learned from Beryl, what do you think is the best way to address the issues around vegetation outside of your right away hitting electric lines in Texas and more broadly in your service territory? Any color or initial thoughts around how to address that potential problem?

Roderick West

Yes. It's Rod. The best way to address it is to be proactive and to communicate. It's embedded in our capital plan that has been across the jurisdictions. It's also part not only of our reliability capital plan, but also the resiliency capital plan. And the conversation for us around stakeholder engagement includes making it clear to our stakeholders exactly how those investments are benefiting customers.

I think the opportunity we have here is to accelerate the asset component of resiliency. That's what's different than our normal reliability conversation, but we've been particularly in the areas where we serve in South Louisiana and certainly Southeast Texas, vegetation has long been both a challenge and an opportunity for us.

And I think from a regulatory construct perspective, and I think Drew alluded to this in his comments, what really created the problem for customers in Hurricane Beryl, were trees outside of the right-of-way. What do we mean by right-of-way?

That is the area from where our facilities are situated what's the area of -- how many feet outside of where our facilities exist? Do we have the capacity to trim those trees or vegetation as the case may be? And I think when you -- you're paying attention to the regulatory processes in Louisiana and Texas and beyond, I think you'll hear more of a conversation around extending the right-of-ways, allowing us to trim in a further area surrounding where our facilities are located to provide greater margin for when those winds come and those trees and other vegetation gets into the facilities that disrupt service for customers.

Andrew Marsh

And the capital statements, when we go back and we build to modern standards, those -- there is the potential to widen the right-of-ways or deal with that. But if you were able to go from an age frame transmission structure to a vertical transmission structure that does reduce the target area a little bit for the trees that come from outside the right-of-way.

It's not perfect like Rod said, you got to go trim, you may need to widen the right-of-ways because those trees are pretty tall and you just don't have that many feet in a lot of areas in our service territory in particular, a lot of tall pine trees out there. But some of it can be mitigated with design and acceleration of resilience investment.

Ryan Levine

On the expansion of right-of-way, would that require a legislative solution? Or is there other mechanisms to be able to effectuate that stated objective?

Roderick West

And we'd have to get permission from the commissions to extend the right-of-way. That's basically rulemaking that sort of sets the terms and conditions under which we operate under our franchise. And so that is a commission by commission state-by-state conversation. But yes, we would go to the commission to seek an expansion of the existing right-of-ways.

Subscribe to Seeking Alpha for more content like this

Andrew Marsh

And then maybe even a right-of-way by right-of-way combination. We may have to go back to each individual right away and renegotiating.

Ryan Levine

Okay. And then just one last on this. In terms of the length of your right-of-way? Is there an average number that you're citing, I think the 18-inch is for one of your peers. Do you see that barring geographically in terms of the distance that you have in certain high-risk locations?

Roderick West

Yes. That's a jurisdiction-by-jurisdiction conversation. But it's usually articulated in numbers of feet away from existing facilities. And that's on top of what I'm sure is going to be a conversation about more resilient poles that hold up better not just the tree trimming around the facilities. But remember that resiliency is about more resilient facilities themselves that could do a better job of withstanding win, not just wind, but the trees themselves. But yes, it's usually in feed and jurisdiction by jurisdiction.

Andrew Marsh

Right. And urban versus rural? Right? I mean we have in the city of New Orleans, some pretty tight right-of-way elements and tree trimming requirements, not unlike some other urban environments. So we're very familiar with some of those challenges.

Ryan Levine

Thanks for the color.

Andrew Marsh

Alright. Thanks, Ryan.

Operator

And our final question today comes from the line of Travis Miller with Morningstar. Travis, please go ahead.

Travis Miller

Good morning. Thank you.

Roderick West

Good morning.

Travis Miller

On the AWS facility, what type of regulatory approvals or filings or anything else related to that are necessary before or to get continued shovels in the ground.

Roderick West

Yes. One of -- what we talked about this at Analyst Day and before, one of the big advantages that allowed us to move at the speed of their expectations was getting pre-approval. So in order for us to put shovels in the ground, the Mississippi Commission with the support of the Mississippi legislature have already reapproved the CCN process in order for us to begin the design build out to serve AWS.

Travis Miller

Okay. And was there a CapEx or a rate base number associated with that?

Kimberly Fontan

We haven't given a specific number associated with that customer. You can see the update at year-end and that there's additional renewables, for example, for Mississippi to support the clean energy associated with that customer, but we haven't broken out a specific CapEx for that specific customer.

Travis Miller

Okay. And that wasn't part of the CCN.

Kimberly Fontan

No. As Ron said, from a CCN perspective that was handled through working with the peak or with the Mississippi -- Search Commission in the state as well.

Travis Miller

Got it. Okay. And then real quick, you mentioned in answer to an earlier question about legislative session potential around some Beryl and other storm-related issues. What are the possible outcomes legislatively what are you thinking about there? Or did I misinterpret that?

Subscribe to Seeking Alpha for more content like this

Roderick West

No, you heard it correctly, and I think Drew also alluded to it in Texas, the legislative session for us in the last couple of years has been around allowing -- given the commission of Texas the ability to do rulemaking to facilitate resiliency spend.

And the point that Drew made was that in the last legislative session, which is every odd year in Texas, which would have been the 2023 session, we, along with other stakeholders in the state of Texas made a lot of headway to facilitate resiliency spend. But there were some items like the accelerated replacement of transmission facilities as part of the resiliency plan that didn't get addressed in the way in which we thought would have been ideal. And it's an opportunity for us to go back in the 2025 legislative session with the support of the commission and other stakeholders in Texas to revisit that legislation that would add on or complement what Texas already done to facilitate accelerated resiliency spend by utilities.

Travis Miller

Okay. Got it. So it was just Texas in terms of the comment about legislative.

Roderick West

That's correct.

Travis Miller

Okay, thanks so much. Appreciate it.

Roderick West

Thank you.

Andrew Marsh

Thanks, Travis.

Operator

And there are no further questions at this time. Mr. Abler, I will now turn the call back over to you. Bill?

William Abler

Thank you, Greg, and thanks to everyone for participating this morning. Our quarterly report on Form 10-Q is due to the SEC on August 9 and provides more details and disclosures about our financial statements. Events that occur prior to the date of our 10-Q filing that provide additional evidence of conditions that existed at the date of the balance sheet would be reflected in our financial statements in accordance with Generally Accepted Accounting Principles.

Also, as a reminder, we maintain a web page as part of Entergy's Investor Relations website called Regulatory and Other Information, which provides key updates of regulatory proceedings and important milestones on our strategic execution. While some of this information may be considered material information, you should not rely exclusively on this page for all relevant company information. And this concludes our call. Thank you very much.

**Load-Date:** August 1, 2024

**End of Document**