Q1 2024 Earnings Call

Company Participants

- Daniel L. Eggers, Executive Vice President and Chief Financial Officer
- Emily Duncan, Senior Vice President, Investor Relations
- James McHugh, Executive Vice President and Chief Commercial Officer
- Joseph Dominguez, President and Chief Executive Officer

Other Participants

- David Arcaro, Morgan Stanley
- Durgesh Chopra, Evercore ISI
- Shahriar Pourreza, Guggenheim Securities
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Constellation Energy Corporation First Quarter Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. As a reminder, this call may be recorded.

I would now like to introduce your host for today's call, Emily Duncan, Senior Vice President, Investor Relations and Strategic Growth. You may begin.

Emily Duncan {BIO 19245511 <GO>}

Thank you, Tawanda. Good morning, everyone, and thank you for joining Constellation Energy Corporation's first quarter earnings conference call.

Leading the call today are Joe Dominguez, Constellation's President and Chief Executive Officer; and Dan Eggers, Constellation's Chief Financial Officer. They are joined by other members of Constellation's senior management team, who will be available to answer your questions following our prepared remarks. We issued our earnings release this morning, along with the presentation, all of which can be found in the Investor Relations section of Constellation's website.

The earnings release and other matters which we will discuss during today's call contain forward-looking statements and estimates regarding Constellation and its subsidiaries that are subject to various risks and uncertainties. Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Constellation's other SEC filings for discussions of the risk factors and other circumstances and considerations that may cause results to differ from management's projections, forecasts and expectations.

Today's presentation also includes references to adjusted operating earnings and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

I'll now turn the call over to Joe Dominguez, CEO of Constellation.

Joseph Dominguez {BIO 16668698 <GO>}

Tawanda, thanks for getting us started this morning, and Emily, thanks for running through all that and laying out the agenda for today.

Good morning, everyone. Thank you for joining us. We had an excellent first quarter operationally and financially. We're making steady progress with technology customers on transactions that will power America into the future and employ thousands. And last week, we concluded meetings with our Board where they authorized another $1 billion in stock buybacks because we believe in our strategy. This is the second buyback announcement in less than six months. Dan and I will cover all of those topics and more this morning.

But I want to begin today with a celebration of Chris Crane, the former CEO of Exelon, who passed suddenly last month. We appreciate all of you who reached out and shared your thoughts and fun memories of Chris. If there ever was one, Chris was a nuke through and through. And as much as anyone, Chris deserves credit for the operational excellence of our fleet and improvements in other fleets around the industry. He was an operational genius. His reach was far and he touched so many people.

He and I spoke regularly after Constellation launched. He was happy to see how we were doing, but his first thoughts were always about our people. He was always so proud of the folks here at Constellation and especially, the women and men at the plants. They were his family. Many of us here worked with Chris for over 20 years, but you only had to be with him for about 20 minutes to know what he cared about.

Safety and operational excellence was always number one, followed closely by the care and the development of the women and men who we are all privileged to lead every day. Those two things were his North Star. He was a leader for the industry and had conviction and courage through a lot of hard times. He was an all of the above energy thinker. He cared about nuclear because he was sure that you could not run a full-time clean energy economy just on part-time power. We've got a lot going for us here at Constellation and we'll talk about that today.

One of the most important things we have is Chris Crane in our DNA. He trained and mentored Bryan Hanson and Dave Rhodes and a lot of our other leaders. We're going to miss him, but you can be sure that his legacy of excellence will carry on here.

In February, we gave you a very thorough update on the company and the opportunities that lie ahead of us to create value for you, our owners. So we don't have to go through all of that again in detail, but I do want to reiterate a few points.

Constellation will grow base earnings by at least 10% through the decade. And importantly, we have a number of opportunities to generate base earnings above those levels. In the coming years, the demand for clean, reliable megawatts will only grow, and we think we're best positioned to meet growing demand for clean energy to tackle the challenge of the energy transition, to unlock value through compensation for the uniquely clean and reliable attributes of our 180 million megawatt hour fleet, and to help America power the technologies of the future, whether that be EVs, electric heating, and industrialization where we've got a lot to go, or in the booming demand for artificial intelligence technologies and other digital infrastructure projects.

I'd like to drill down on that last point for a moment. Over the last few months, a lot has been written about power demands in the technology industry. But I want to assure you that these challenges will be overcome, as they have in the past, because we all know here how imperative it is for America's national security and economic competitiveness that the U.S. lead the world in the development of these technologies. And we're working hard every day to make that possible.

The data economy and Constellation's nuclear energy go together like peanut butter and jelly. And as such, we're in advanced conversations with multiple clients, large, well-known companies that you all know, about powering their needs.

Speed to execution is important to them, as it is to us. But these are large and complicated transactions that require diligence and time to finalize. And while we're not done yet, I do expect that we will finalize agreements that will have long-term and transformational value. They'll ensure that our fleet and the jobs and economic community benefits that we already provide will be sustainable for decades to come.

As demand grows, our nation's need for firm, clean power grows proportionately. As we add new, clean power, the role and importance of nuclear will only grow. We intend that Constellation will be a leader in adding new, clean, reliable megawatts to the grid to meet the needs of American families and businesses.

We're going to do that in three ways. First, we're extending the lives of our existing sites to power the nation into 2060 and beyond, creating more clean energy than all of the renewables ever built in this country. We've already received or have announced license extensions at five and have more to come, assuming supportive policy. Continuing to run these plants through license extensions is quite simply the most important thing we can do for America's clean energy future.

Second, we're adding megawatts by using upgrades to increase the output of our current machines. Now, we already announced to you upgrades at Byron and Braidwood that will bring in 160 megawatts in the next few years, and we're looking at many opportunities to do that at other plants.

We believe that the opportunities will add up to 1,000 megawatts or perhaps more of clean, firm power to the grid. This is in addition to the many hundreds of megawatts of renewables that Constellation is adding through CORe+ deals with customers and through our wind repowerings.

Third, we're looking to partner with others to locate new technologies, including new nuclear at our existing sites. These sites already have, of course, community support and existing infrastructure for nuclear energy. And we think our simple thesis is this, if new nuclear is going to be built anywhere where we do business, it's going to be built on sites where there already is existing nuclear because that's where communities love the technology and have the capability to support more. So we believe that we're uniquely suited to provide this value and grow the industry.

Turning to the quarter. We delivered first quarter GAAP earnings of $2.78 per share, an adjusted operating earnings of $1.82 per share, driven by continued strong performance from the commercial business through better than historical customer margins and through optimizing our combined generation and customer business. Given the performance, we're confident in our full year outlook and we look forward to another strong financial year.

Our performance and creditworthiness is being recognized. Moody's upgraded our credit rating to Baa1, which is further recognition of our strong financial footing, and we issued the first green bond to fund nuclear power in the United States. I think that's really cool. Think about it, five years, the idea of using green bonds for nuclear would have been something that people would have scratched their head at. It happened.

And you can see the enthusiasm in our near- and long-term outlook for our business through our continued share repurchases, buying 500 million shares to date, with another 350 million of that coming since our end of the year February call.

Looking at our strong free cash flows and near-term allocation opportunities, the Board, as I mentioned previously, authorized an additional $1 billion in share repurchases, bringing our remaining authorized buyback capacity to $1.5 billion.

As Dan will explain, even after this new authorization, Constellation has ample cash available for growth investments, acquisitions and returning even more value to you, our owners.

Turning to Slide 6, the importance of nuclear energy to our economy, electric system, and meeting the country's environmental and clean energy goals was first recognized by states when they enacted zero-emission credit programs, and it's now been followed by the federal government through the Nuclear Production Tax Credit. Since then, the financial community has embraced nuclear energy, understanding its importance to our country's success.

As I mentioned, we issued the first nuclear green bond in the U.S. There was significant demand for this product, and we were able to upsize our offering as a result. The strong demand from investors for our 30-year green bond is recognition that clean, reliable nuclear energy is critical to meeting the sustainability goals of the nation and will be beyond the present period of our current licensed lives.

I mentioned that we received a credit upgrade from Moody's. Importantly, included as part of that upgrade, Moody's improved our carbon transition score to its highest level, a further recognition of the importance of nuclear energy to the energy transition.

More and more customers are acknowledging that nuclear should be part of meeting their own clean energy goals. Our customers are signing deals for hourly match carbon-free power from our existing plants, and we were talking to others about behind-the-meter opportunities at our sites. Congress has passed legislation to provide the necessary funding for bringing more of the nuclear fuel chain into our country, ultimately reducing geopolitical risks in supply. We expect DoE to issue a request for proposals imminently.

And states across the country are taking action in favor of nuclear energy. State legislatures have 130 bills out there to support nuclear energy this year compared to five to ten historically. States like Michigan and Minnesota have passed laws moving renewable standards to clean energy standards, which include nuclear.

I was pleased to see that Governor Shapiro in Pennsylvania recently did the same thing. They're removing barriers to nuclear by repealing moratoriums on building new nuclear, and they're developing regulations to support new development in the states. In places like Indiana and South Dakota, where there currently is no nuclear, there are plans to build nuclear. And six states, red and blue, have created incentives in their state budgets to attract nuclear to their state.

The momentum behind nuclear energy, both existing and new, continues to build as more and more policy makers recognize exactly what Chris Crane believed, that you can't power a full-time economy on clean energy that is only part-time.

Turning to Slide 7. Nuclear performance was strong and ahead of plan for the quarter. We produced more than 41 million megawatt hours of reliable, available, and carbon-free generation from our nuclear plants, with an on-plant capacity factor of 93.3%. We completed three refueling outages during the quarter, with each lasting less than 22 days on average, and overall faster than we had planned.

During our outage at Quad Cities, we anticipated a longer outage due to inspections on the low-pressure turbines that were installed as part of an upgrade in 2010. But even with the additional work, we were able to complete that outage in 20 days, a full eight days faster than planned. Kudos to nuclear and the entire team there.

Our renewables and natural gas fleet also performed well, with 96.3% renewable energy capture and 97.9% power dispatch match. The team is now completing our summer readiness work so that we're ready to go when the temperature turns up.

Turning to Slide 8. Our commercial team is off to another great start. We continue to see strong margins in our customer business. We talked about this in the last call, our projections being based partly on historical margins. We're continuing to see strong margins as we get into the beginning here of 2024.

They're also creating value because of our integrated generation and customer business, capturing value through optimizing our positions across the fleet. I talked a moment ago about customers choosing existing nuclear to meet their energy demands, and we continue to meet our customers' need for hourly match clean energy.

We recently signed two deals with two of our largest customers that I just want to briefly mention. In each case, we converted these customers from a renewable-only product to a product that now uses nuclear energy to fill in the gaps when renewables don't operate.

Each will ensure that our customers have full-time power, clean power, each and every hour that they are consuming it. The first is with Comcast. It's a new deal that includes offtake from new solar facility. The second, which will be announced in the coming weeks, converts an existing CORe deal, which again is Constellation's off-site renewables program, to now include hourly match carbon-free energy with energy from our nuclear plants.

So our customers are recognizing that in order to meet their goals and make a difference for their business, they need full-time clean power to run their full-time businesses.

So now, with that, I'll turn it over to Dan for the financial update. Dan?

Daniel L. Eggers {BIO 3764121 <GO>}

Thank you, Joe, and good morning, everyone.

Beginning on Slide 9, we earned $2.78 per share in GAAP earnings and $1.82 per share in adjusted operating earnings, which is $1.04 per share higher than last year.

As Joe mentioned, our commercial businesses continue to perform very well. They do this through our generation to load portfolio optimization strategy. We take advantage of our physical position in the markets to capture more value through the combined generation and customer businesses than they could if they were apart.

On the margin front, we are seeing margins come in better than planned and continue to trend higher than our long-term averages that we use in forecasting, as we discussed with you all in the last call.

In addition, we had more nuclear output year-over-year and saw lower costs for our refueling outages in the quarter. And as a reminder, this was the first full quarter with contribution from our ownership share in the South Texas project. And speaking of firsts, this was the first quarter that the Nuclear Production Tax Credit was in effect, favorably contributing to our earnings even after sharing some of the value of the PTC with our states.

And as a reminder, we forecast the full year PTC value for our business based on the expected gross receipts at each plant. So as prices realized through the year differed from where we started the year, the value of the PTC can change relative to forecast, but the overall net earnings for Constellation should be the same as the mix of energy revenues and PTCs will balance to get us to the same place.

Finally, our stock performance year-to-date has resulted in higher compensation expense year-over-year. Due to the timing of how we book compensation expense, it results in higher O&M during the quarter and it will for the full year as well. We remain very comfortable with our earnings guidance range of $7.23 to $8.03 per share.

Turning into the financing and liquidity update on Slide 10. I'm excited to expand upon some of the accomplishments that Joe mentioned in his opening remarks. As he said, firm, clean megawatts are the most valuable commodity in the market today, and we own more nuclear generation in competitive power markets than all of our peers combined. We look at the opportunities ahead of us and continue to view our stock as compelling at the current share price even after the strong performance we have already enjoyed this year.

In March, we entered into a $350 million accelerated share repurchase agreement, bringing our total repurchases to $500 million year-to-date. We have now executed $1.5 billion of share of repurchases since the first quarter of 2023, buying back approximately 13.5 million shares in total.

Having completed half of the $1 billion authorization from December, we're happy to announce that our Board authorized an incremental $1 billion bringing the total program to $3 billion. We will remain optimistic with the remaining $1.5 billion authorization and still see our stock as attractive.

Our high investment grade credit ratings are a core principle to our capital allocation strategy. Our ratings are further strengthened by Moody's upgrade to Baa1 in March, bringing it in line with S&P's BBB+ rating. The ratings action taken by Moody's recognizes the strong financial performance of the company and the stability provided by the nuclear PTC.

Last, we issued the nation's first ever corporate green bond, including nuclear, with proceeds of $900 million. The funds from the 30-year issuance will be used to finance green projects, such as nuclear upgrades, to increase the production of clean, carbon-free energy.

We saw significant demand despite pricing amid a busy window for corporate supply, allowing us to upsize from our initial target to $900 million, but still within our full-year issuance plan. We also achieved very tight pricing when we look at both spreads and treasuries in line with 30-year holding company debt for regulated utilities. This is the second 30-year offering we have done, and between the two have had $10 billion in demand, demonstrating the strong investor confidence in us as a company and a belief that our assets will be a critical part of the U.S. energy mix for a long time to come.

Turning to Slide 11 and our two-year view of free cash generation and planned use of the cash. We'll update this slide when we make meaningful updates to our allocation plans, like the increased share repurchase authorization we announced today or the STP transaction last year. As you can see from the chart, even after the increase in share buyback authorization, we still have approximately $2.3 billion of unallocated capital in 2024 and 2025, providing considerable strategic flexibility for us to further benefit our owners.

I'll now turn the call back to Joe for his closing remarks.

Joseph Dominguez {BIO 16668698 <GO>}

Thanks, Dan. Constellation is like no other company. We have a unique set of existing assets that create opportunities that no one else has.

At our core, we have visible base earnings growth of 10% through the decade that is backstopped by the federal government through the nuclear PTC and has a built-in inflation adjuster.

We're the largest and best operator of nuclear power plants in the United States. Our plants are especially well-positioned to meet the challenge of reliability and clean that U.S. electricity markets need.

Our more than 20% share of competitive CNI connects us to leaders in sustainability and the drivers of power demand, in particular, demand for sustainability products.

Our country needs what we have, clean and dependable power generation to drive economic growth, support our national security, and our environmental goals.

Power demand is growing and at the same time, reliability is becoming a premium product and there is no more reliable power source than nuclear. Increased demand combined with the change of the electric system to be more dependent on intermittent, non-dispatchable resources means that we're going to see continued volatility and increased volatility for years to come. This presents an opportunity for us to drive additional value for our owners.

In short, we think Constellation is a big part of the solution to America's energy supply. Our clean, reliable nuclear plants coupled with our ability to offer customers what they need will support the energy transition and our national security. And that's why Republicans and Democrats recognize that nuclear is the backbone of the electric system today and will be tomorrow. And that support continues to grow.

On top of the opportunities we have from continued volatile power markets, and we've certainly seen movement in power markets, we have more than 180 million megawatt hours of carbon-free electricity that we produce annually that can receive additional compensation through 24x7 clean attributes, behind-the-meter opportunities, government procurements for clean energy, and capturing prices above the PTC floor levels, as we see increases in power prices as demand continues to ramp. These opportunities are on top of the 10% growth we have in our plan. Our task is to capture the additional opportunities as they unfold and to do better than our plan for our owners.

With that, let me open it up for questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question comes from the line of David Arcaro with Morgan Stanley. Your line is open.

Q - David Arcaro {BIO 20757284 <GO>}

Hey. Good morning. Thanks so much.

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning, David.

Q - David Arcaro {BIO 20757284 <GO>}

Morning. Appreciate the update. Joe, you mentioned that you're exploring the potential to locate next-generation nuclear units at your site. I was wondering if you could elaborate on that, just maybe what technology you're looking at. Where does that stand overall?

A - Joseph Dominguez {BIO 16668698 <GO>}

Yeah. So, David, here's what we've done so far on that. There was an RFI that was issued by three companies, Google, Microsoft, and Nucor Steel. And what these companies were looking for is power today, but also some role in building new clean power supply in the future. And so what we outlined in our response to that request for information is exactly what I said earlier on the call, that we think our existing sites are an incredibly valuable resource as we consider new firm clean energy, in particular, from nuclear energy.

And so we proposed a structure, kind of a multi-tiered structure, where we could begin flowing power today from our existing power plants on a long-term PPA. As part of that long-term PPA, we would work with our customer to begin to evaluate opportunities to add new firm energy. Now a big part of that is subsequent license renewal of plants in our fleet, then up-rates and other opportunities that we have organically to add additional megawatts in our fleet.

And then finally, to investigate different technologies for SMRs and actually, other technologies as well that could be cited at our locations. And what we would anticipate doing over time is having some work with the customer to select that technology, and then the customer, through increases in the PPA, would begin to fund site development work, construction, ultimately scaling up to the point where the PPA absorbs the full cost of an operating new unit.

And so we would anticipate operating the unit for the owner, because obviously it would be on our site, and we would have a slice of equity given our contribution in land and other things of value to the owner. So this is in the beginning stages, but what I could tell you is it's of great interest to a number of clients in this space that not only want to have immediate access to power today, but want to have more clean power in the future.

And so that's how we're walking through it. In terms of the technologies we're looking at, I think folks know generally that we have a small equity position in Rolls-Royce, so that would be a technology that we would look at. But we would also look at other competing SMR technologies, and we'd work with the owner to figure out which technology best meets their future need at the cost that's appropriate. So that's the work in that area.

But again, look, I want to emphasize that the most important thing right now that customers could do in this space is make sure the existing fleet we have right now is ready and funded for subsequent license renewal. These contracts allow for that, and that's an important sustainability objective for our customers. Then upgrades and other opportunities, and finally new incremental clean generation, which I think could be brought online somewhere closer to the middle of the next decade.

Q - David Arcaro {BIO 20757284 <GO>}

Perfect. Yeah, that's really helpful color. Very interesting. We'll stay tuned on that -- on how that opportunity develops. And then I was wondering, as you're thinking about, or talking to hyperscalers, big data center developers, are you seeing any discussions or opportunities evolve related to something like a supercomputer, a major multi-gigawatt data center, like the Stargate idea we've seen in the media, something that could potentially use power from multiple nuclear plants? Is that an option that you're seeing being explored at this point?

A - Joseph Dominguez {BIO 16668698 <GO>}

I think we're just going to be careful here in terms of that, because there's just a lot being reported about that in the press, and we don't want to be, kind of, linked to a particular project until it's time to announce something. But I think what I am comfortable saying is this, David. We're seeing interest in developing projects that are on a size and scale that presently don't exist, but will be needed for training systems and other things to kind of build out and support the need for all of these foundational models.

I think there are up to 170-plus now foundational models that are going to require training data centers. These are things could be aerodynamics or pharmaceuticals, but essentially these very, very large computers that would do nothing more than train for a period of time on all of the learnings in every country, in every language, from the beginning of time until now, be positioned to answer the questions of the future to advance these different industries.

So we're seeing significant increases in the number of those training modules that customers need. It's our understanding that in order to support the training, we're going to need data centers that are of size and dimension from a megawatt standpoint that is far beyond what currently exists out there in the market.

Q - David Arcaro {BIO 20757284 <GO>}

Excellent. Very helpful. Thanks so much for all the color.

Operator

Thank you. Please stand by for our next question. Our next question comes from the line of Shar Pourreza with Guggenheim Partners. Your line is open.

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning, Shar.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, guys. Good morning. Good morning, Joe. Maybe starting off on the disclosures. I mean, obviously, Dan, we've seen some major moves in the curves in recent weeks. You guys didn't really update the ranges on the enhanced gross margin for '24 and '25. I obviously realize you guys gave wide ranges, but I mean, where are you relative to those curves -- these curves?

A - Daniel L. Eggers {BIO 3764121 <GO>}

Yeah, sure. We gave a huge amount of disclosures, as you -- captured on the last call. Our approach to updating those is really going to be when we do a more comprehensive revisit of our guidance, right? What goes into enhanced is more than just a power price. There's a lot going on in the commercial business and other positioning. So, I think when you see us, as assuming we update our earnings guidance or our range as the year goes on, I think that's a good opportunity to refresh the disclosures we have, including our expectations for enhanced in 2024 and 2025.

I think when you look at the curves, and Jim can share more thoughts on this, right, but there's been a lot of movement depending what day you pick, there's the price has been a lot of different prices. The near end of the curve, particularly in our markets, has been probably more muted, right? It's the back end where you're seeing a lot of the moves, largely. So, I don't know that within the range you laid out that there's a lot of movement of what we shared with you for '24 or '25 at this point. Jim, do you want to talk about markets?

A - James McHugh {BIO 20604624 <GO>}

I think you hit it. I think that if you look out at more the '27, '28, '29 time frame, the market run up we saw during the first quarter has kind of held on and maybe gone a little higher. The '24, '25 -- '25, '26 time frame has been a little bit more volatile in both directions, and that volatility is what Joe spoke to, right? When we see the continued base load, retirements, and renewable penetration with energy demand, we're going to see volatility up and down.

The out-year strength, I think, is certainly reflective of some of this increased demand that we're talking about. It's not real liquid out there. There's not a lot of trading volumes that can be done out in that time frame. And as Dan mentioned, in our last call we provided, the attribute value slide. I think that's a good proxy for how price movements, whether it's energy prices or attributes or whatever, could be picked up in some of our enhanced earnings.

So, there's some data, I think, from the last call that you can pick up there.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay. It's perfect. So, I guess for '26, '27, '28, whatever, are you still within that 10% to 20% of consolidated range as a general rule of thumb?

A - James McHugh {BIO 20604624 <GO>}

I think we use that as a rule of thumb, and I don't want to mark to market. But sorry, if you go back to the slide we had on attribute value in '28, you had $10, which is like the curve might have moved depending on market in that range.

You can see those numbers get bigger and inevitably push you out of that 10% to 20% if you're just going to mark that one variable right now.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay. Perfect. And then, Joe, lastly.

A - Joseph Dominguez {BIO 16668698 <GO>}

It's Joe. I just want to reiterate the point that, I think, Jim and Dan are making. There's definitely -- we're certainly seeing upside if you were to freeze this moment in time in terms of the power prices later in the decade, but they're not all that liquid right now.

So, we'll see how it kind of evolves over time. And the right point for you to look at us is when we talk about guidance ranges, again, as we get through the year, we'll provide some more data points on that stuff. But I think it's exciting to see all of that, it also is an illiquid market out there.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Yeah, no, I appreciate you addressing that because, I mean, that's one of the key questions coming in to us is why didn't you mark like some of your other peers? So, appreciate the color there, Joe.

And then just a note, lastly for me, there's been a bunch of industry chatter on this. Are you considering a TMI restart at this time? If so, can you maybe talk a little bit about the capital involved in that and the timeline? Thanks.

A - Joseph Dominguez {BIO 16668698 <GO>}

Sure. What we'll say is that, we've obviously seen what happened with Palisades. I think that was brilliant. Brilliant for the nation. Saw great support out of Michigan, great support out of the federal government. And we're not unaware that that opportunity exists for us.

So, we're doing a good bit of thinking about a number of different opportunities and that would probably be certainly one of those that we would think about. But we're not there yet to start disclosing capital and other things relating to that opportunity. A lot of exciting things for us to do in uprate space as well.

And I think you could kind of -- if these things fall into place, you could kind of see where Constellation might be the nation's leader in adding firm, clean energy to the grid. And so, these things are huge, chunky things that really position America for the future.

So, we're going to stick with that until we have something more specific to report.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Yeah. Fair enough and looking forward to it. Thank you, guys, appreciate it.

Operator

Thank you. Please stand by for our next question. Our next question comes from the line of Steve Fleishman with Wolfe Research. Your line is open.

A - Joseph Dominguez {BIO 16668698 <GO>}

Morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, good morning. I'm a little more of a peanut butter and chocolate Reese's fan, but I like the peanut butter and jelly reference. Just on the data center opportunity, maybe you could just give us a little more color because there's a lot of utilities talking about data center growth and even some of the companies talking about data centers related to gas plants.

So, just -- first on just to touch on the demand that you're seeing, but then maybe more importantly, any sense of kind of timing and just other things to execute beyond just customer demand? Like, are there hurdles you need to get through on permitting, citing, other things that set timing here?

A - Joseph Dominguez {BIO 16668698 <GO>}

Yeah. Steve, I think the interest is like nothing else we've seen in 20 years in terms of the number of clients that are coming to us, the size and scale of the opportunity. So, I would say that kind of the -- what you're hearing in the market is certainly accurate in terms of the inbounds that we're getting from an origination team perspective and frankly some of the outreach we're doing. So that's all seems to be right.

Right now it's focused on nuclear because the clients we're dealing with aren't interested, as a general rule, in emitting technologies. They have sustainability goals, they have 24x7 clean goals, and they want to stay on that path. So we're focused right now on the nuclear plant opportunity and monetizing the value of the attributes that we have. And -- but these are, as I mentioned earlier, very complicated.

What's apparent to me is that our prospective customers in this space are all in a hot competition, one against another, to grow this kind of capability. And there is a clear view out there that those companies that move most quickly will be the companies that get a durable advantage in this space. So there are incentives to move very quickly, and we are too. We want to get this business going and to show the results to our owners.

With that said, Steve, there is complexity to these transactions. These are transactions that are longer in duration than any of the power contracts that we're used to talking about in this business and involve notional values that are quite a bit higher. So there's work that needs to be done, diligence that needs to be done.

In terms of things that are connected in front of the meter, and if we're going to talk about PJM, for example, there's a load integration process that people have to get through in order to site a data center on the grid. And this is a network integration service study that could take months at best and years at worst. So a number of these customers are looking at co-location opportunities to hasten the speed in which they can become operational.

So if you're looking behind the fence line of the plan or a co-located opportunity, there's a necessary study process. It's another PJM process, and PJM was clear in its amendments to its documents most recently that you could go either on the grid or behind the fence line, but there's a different process.

We have become quite good at using the tools that PJM uses in their necessary study work, so that we could look across our fleet at places where we think we could add the load behind the fence line. We went through a necessary study process at LaSalle, and as it so happens, we were doing that in the case of the hydrogen hub that was intended to be built out there, so we did a study for 900 megawatts, and we were able to match up very closely our ability to model PJM's work and be able to simulate that here at Constellation.

So, I would say that we know very well where we could co-locate data centers and get through the PJM process. But that's a necessary study process that could take anywhere from six months to a year to resume. And once you have that, it goes through, I don't want to say perfunctory, but a fairly routine FERC approval process. And that would be the starting point. So, if you have a necessary study done, what you're really talking about is having the transformers and the infrastructure, but you could kind of break ground pretty quickly. If you don't have a necessary study done, you're going to have to wait a year to figure out where you could co-locate.

And then on the data company side, they also have the time that they need to build out the shell, the infrastructure, supporting all of the equipment inside, cooling and likewise, and then actually build out the servers inside of it. So you have to anticipate a ramp rate.

So from my perspective, this isn't something you're going to see people plop into service in '24, '25 towns ahead of others because they started earlier. But this is more stuff that begins in '26, '27, '28, and it ramps over time as data centers are built. No one is plopping down a 1-gigawatt data, and I've read reports of this. No one is plopping down a 1-gigawatt data center in six months. To believe that completely and thoroughly misunderstands the amount of work needed to get this stuff done.

So the contracts have a scaling component to them. You saw kind of an example of that in the Talon, the Susquehanna deal that was done. That's similar to ramp rates that you would see in other things, and that's why I'm pretty confident we'll be able to manage the energy demands on the system because you likewise will ramp into this load. So that's what I'm seeing here.

A couple of years before you're able to really start delivering the megawatts, and then it ramps steadily after that. What we're trying to do is get the contracts done that lay out the gross amount of megawatts that are going to be needed, the timeframe over which they're going to be needed, and allows us to begin necessary infrastructure work with an understanding that we're doing the PJM study and other things on a parallel path, even as we speak here this morning.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Is it -- do you think you'll be able to have something to announce by the end of the year?

A - Joseph Dominguez {BIO 16668698 <GO>}

Look, I'll stick with this. We are working fast. Our clients want to work fast. I -- for competitive reasons, I don't want to lay out when we think announcements are going to come, and I don't think it would be fair to our clients to do that either at this point.

There's work that is underway. We've got a lot of folks thinking about it and working on it, again, as this call is progressing. So I'm confident that we are going to be able to get to the finish line on these things, but we still have some work to do, and I don't want to lay out a time frame for announcements.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Just one other quick question. The law that passed on the Russia limits on nuclear enriched -- nuclear and then investing in U.S. enrichment. Can you just talk about your nuclear fuel -- update on your nuclear fuel positioning and the impact of that law?

A - Joseph Dominguez {BIO 16668698 <GO>}

Yeah, Steve. I think on this one, there's not a whole lot more to report. In effect, when we took the actions we took a couple of year -- over a year ago now, we were anticipating the passage of a ban as we reported at the time.

It took a little bit longer to get through Congress, but it's now there. It's now realized. So I think it just simply supports the strategy that we put in place a year ago. We think we are in very solid position, kind of industry-leading solid position with regard to fuel.

And we also are happy to see now investments in this domestic supply chain, which means that after this period of time where we've grown inventory, we're confident that we're going to have available and reasonably priced fuel to run this fleet for the next decade.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thank you.

Operator

Thank you. Please stand by for our next question. Our next question comes from the line of Durgesh Chopra with Evercore ISI. Your line is open.

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning. Thanks for giving me time. Maybe just -- you obviously authorized additional $1 billion in share buybacks. I know there is no direct answer to this, but can you just help us kind of think through what is your calculus when you're thinking about incremental investment opportunities versus deploying capital on share buybacks and then considering M&A in the future?

A - Joseph Dominguez {BIO 16668698 <GO>}

Yeah, I don't mind talking about it at all. It really is a summation of everything we've talked about in the call. We think we have a very good strategy here. We think as we compare that to M&A opportunities, the unrealized value in Constellation seems to be the best place for us to put our investment dollar right now. It has -- we've been buying we've been buying shares of this company since we were, what, in the $80, and we saw a little bit of a drop in prices. We had some kind of negative, I would say, analyst reports at that point in time. We didn't believe it.

We told you we didn't believe it. We told you we'd buy the company all day long. We still feel that way today because what we're looking at is the potential growth in our business, the opportunities that we're working on, the fundamentals and power markets and sustainability goals that I talked about earlier. I think that unrealized value is the best thing out there to go buy into. And so when we have extra cash, we're going to buy into that, and that's precisely what we're doing.

The only thing that we'll like better than that is making ourselves bigger and better. So these uprate opportunities or other things where we could add megawatts of scale give us a great positioning and are actually supportive of the work we're doing with the data companies. So that's where I think you're going to see our deployment in capital. We'll continue to look at reinvesting in ourselves and investing in these organic opportunities.

Presently, I don't see an M&A opportunity on the horizon that is at a scale that is going to enter into this conversation. Because I don't think those opportunities provide equivalent value to our owners as investing in ourselves or the organic growth opportunities that we have here.

Q - Durgesh Chopra {BIO 20053859 <GO>}

That's very clear, Joe. I appreciate all that color. And then can I just switch gears and quickly follow up? In regards to the nuclear PTC guidance, what are the key items for us to look there? Is it the definition of gross receipts? How do you see that playing out? Anything you can share there?

A - Joseph Dominguez {BIO 16668698 <GO>}

I wish I could. We're waiting for Treasury guidance. As we've probably said this on four calls, but it is not as near as we could tell a high-priority item for Treasury, because it has narrow application out there. It's really just nuclear owners that are looking for it.

We think spot is most likely going to be the thing that prevails. So the spot price over the year at the bust of the plant, that's going to be energy and capacity coupled together, are going to be the measuring stick that the Treasury will use for the application of the PTC. That's kind of consistent with the vast majority of the comments in this area.

Certainly, we think that's where they're going. But we just don't know yet because they haven't announced anything and we're waiting on that. But our planning is based on that spot interpretation as we've outlined previously.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Excellent. Thank you for giving me time. I appreciate it.

A - Joseph Dominguez {BIO 16668698 <GO>}

You're very welcome.

Operator

Thank you. At this time, I would now like to turn the call back over to Joe for closing remarks.

A - Joseph Dominguez {BIO 16668698 <GO>}

Well, again, Towanda, thank you for kicking us off this morning. Thanks to all of you. We very much appreciate your interest in Constellation. I want to thank our women and men for a fantastic quarter. We look for more to come as the year goes forward.

We're working on a lot of different things here at the company. The wind is at our backs. We feel very confident about the future and the fact that our best days are ahead. So look forward to catching up with you again on next quarterly earnings call.

With that, I'll close the call.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone have a great day.