Q3 2023 Earnings Call

Company Participants

- Andrew Kirk, Director of Investor Relations
- Martin J. Lyons, Chairman of the Board, President, Chief Executive Officer
- Michael L. Moehn, Chief Financial Officer, Executive Vice President

Other Participants

- Anthony Crowdell, Analyst, Mizuho
- Dariusz Lozny, Analyst, Bank of America
- David Arcaro, Analyst, Morgan Stanley
- Jeremy Tonet, Analyst, JP Morgan
- Nathan Richardson, Analyst, Barclays
- Paul Patterson, Analyst, Glenrock Associates
- Shahriar Pourreza, Analyst, Guggenheim Securities

Presentation

Operator

Greetings, and welcome to Ameren Corporation's Third Quarter 2023 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Andrew Kirk, Director of Investor Relations for Ameren Corporation. Thank you, Mr. Kirk. You may begin.

Andrew Kirk {BIO 20578297 <GO>}

Thank you, and good morning. On the call with me today are Marty Lyons, our Chairman, President, Chief Executive Officer; and Michael Moehn, our Senior Executive Vice President and Chief Financial Officer; as well as other members of the Ameren management team. This call contains time-sensitive data that is accurate only as of the date of today's live broadcast and redistribution of this broadcast is prohibited. We have posted a presentation on the amereninvestors.com homepage that will be referenced by our speakers.

As noted on Page 2 of the presentation, comments made during this conference call may contain statements about future expectations, plans, projections, financial performance and similar matters, which are commonly referred to as forward-looking statements. Please refer to the forward-looking statements section in the news release we issued yesterday as well as our SEC filings for more information about the various factors that could cause actual results to differ materially from those anticipated.

Now here's Marty, who will start on Page 4.

Martin J. Lyons {BIO 4938648 <GO>}

Thanks, Andrew. Good morning, everyone, and thank you for joining us today.

We had a strong quarter, and we're excited to share an update with you on recent developments. But before I begin our quarterly update, I would like to take the opportunity to congratulate Warner Baxter, who retired as Executive Chairman on November 2. Over his 28-year career with the company, Warner has had a significant positive impact on our industry, company and community. And frankly, each of us here this morning. Under Warner's leadership, Ameren has successfully executed a strategy focused on robust energy infrastructure investments supported by constructive energy policies driving strong value for Ameren's customers, communities and shareholders. And consistent with his focus on sustainability, he leaves behind a strong team dedicated to maintaining that focus and continuously improving. Congratulations Warner, and I wish you well in your retirement.

Moving now to Page 5 and our quarterly update. Our dedicated team continues to execute our strategic plan across all of our business segments, which entails investing in energy infrastructure to deliver safe, reliable, clean and affordable electric and natural gas services to our customers.

Turning to Page 6. Our strategic plan integrates our strong sustainability value proposition balancing the 4 pillars of environmental stewardship, positive social impact, strong governance and sustainable growth. Here, we summarized some of the many things we are doing for our customers, communities, coworkers and shareholders. And today, we published our updated sustainability investor presentation called "Leading the Way to a Sustainable Energy Future" available at amereninvestors.com which more fully details how we have been effectively integrating our sustainability values and practices into our corporate strategy.

Importantly, it highlights Ameren Missouri's new Integrated Resource Plan, filed with the Missouri PSE in late September. In terms of governance, in October, The CPA-Zicklin Index once again named Ameren one of the top three companies in the utility industry for corporate political disclosures and accountability. Additionally, I'd like to recognize our team's strong commitment to the communities we serve. In October, more than 600 Ameren team members and community leaders came together in person and virtually for our 7th Diversity, Equity and Inclusion Leadership Summit, featuring nationally recognized leaders and speakers.

Another example of our team's commitment to our communities is our recently concluded 2023 companywide United Way Employee campaign which raised nearly $1.7 million, funds which will go towards supporting more than 60 United Way organizations across our service territory. This is in addition to the United Way contribution being made by Ameren.

Again, thank you for all you do. Our coworkers really do care about making our community better. I encourage you to take some time to read more about our strong sustainability value proposition.

Moving to Page 7. Yesterday, we announced third quarter 2023 earnings of $1.87 per share, compared to earnings of $1.74 per share in the third quarter of 2022. The key drivers of our third quarter results are outlined on this slide. As a result of our strong execution, we narrowed our 2023 earnings guidance to a range of $4.30 to $4.45 per share. This compares to our initial guidance range of $4.25 to $4.45 share.

Turning to Page 8. On our call in February, I highlighted some of our key strategic business objectives for 2023. We continue to make great progress as a result of our team's dedication.

Outlined on Page 9 are a few key accomplishments this quarter. As you can see on the right side of this page, we have invested significant capital in each of our business segments during the first nine months of this year, increasing spending approximately 6% compared to the year ago period. These investments will continue to improve the reliability, resiliency, safety and efficiency of our system as we make a clean energy transition for the benefit of our customers.

During the first nine months of this year, Ameren Missouri, installed over 270,000 smart meters and 230 smart switches, upgraded 55 underground cable miles, hardened 32 sub transmission miles and energized eight upgraded substations. Over 80% of our Ameren Missouri Electric customers now have smart meters, allowing for better understanding of their energy usage and choice among several time of use rates offered.

The storms this summer in the Ameren Missouri service area were among the most impactful compared to the last ten years. However, we saw the benefits of the Smart Energy Plan investments we have been making. During the July and August storms, over 55,000 customer outages were prevented due to rapid detection, rerouting and restoration of power by automated switches across our system, and over 27 million minutes of customer outages were avoided due to these investments. Investments made to harden the systems withstood over 50 mile per hour winds and experienced minimal damage. Under the Smart Energy Plan, we have hardened over 200 miles of lines across our system to mitigate the risks of severe weather events.

Looking forward, I'm pleased to say that in October, the US Department of Energy awarded Ameren Missouri approximately $50 million to provide half the funding needed to accelerate infrastructure upgrades to support reliability for customers in rural and disadvantaged communities statewide.

At our Ameren Illinois Electric distribution segment, during the first nine months of 2023, 4,872 poles were replaced as a result of inspections or storm damage remediation. 190 smart switches were added to improve system reliability, and a total of 100 miles of underground cable were added for new business relocations and replacement of aging cable. Similar to Missouri, the investments made to harden the system substantially withstood a derecho where winds exceeded 95 mph. These experiences underscore the value of our ongoing grid investments and as customers reliability expectations continue to rise.

The integrity of the Ameren Illinois natural gas system also continues to improve. During the first nine months of 2023, the Ameren Illinois Natural Gas Distribution segment completed the replacement of 43 miles of mechanically coupled gas distribution mains and 2,111 mechanically coupled gas service lines, and our transmission segment has been focused on executing projects including line rebuilds, new transmission circuits, transformer replacements, generator interconnections and other upgrades to aging infrastructure supporting the economic delivery of renewable energy resources for our customers, as well as the overall reliability and resiliency of the transmission system.

I'd like to express my appreciation for the Ameren team's dedication, hard work and collaboration so far this year to deliver value for our customers.

Moving on to regulatory matters. In July, as a result of our constructive Ameren Missouri Electric rate Review settlement, new customer rates became effective, representing an increase in customer rates of approximately 2% compounded annually since April 1, 2017. Prior to Ameren Missouri Adopting Plant and Service Accounting, or PISA. In September, Ameren Missouri filed its updated Integrated Resource Plan, which I will cover in more detail on the next page.

Also in September, we were pleased with the District Court's decision to extend the retirement date of the Rush Island Energy center from March 30, 2024, to October 15, 2024. This allows Ameren Missouri sufficient time to complete the transmission upgrades needed to ensure system reliability before the Energy Center is retired. We will seek to finance the costs associated with the retirement, including the remaining net book value of the Rush Island Energy center through securitization. We expect to file our petition seeking commission approval of the securitization by the end of this year. Once filed, the regulatory proceeding is expected to take approximately seven months to complete.

Moving to Ameren Illinois. In September and October, we received the Administrative Law Judges proposed orders in the natural gas and electric rate reviews, respectively. With respect to the electric multiyear rate plan, we are disappointed with the ALJ recommendation of 9.24% allowed ROE, 50% common equity layer, and no return on an overfunded postemployment benefit plan asset. We are also disappointed by the ALJ recommendation to scale back or eliminate certain reliability driven investments like Ameren Illinois' storm hardening programs and grid protection microprocessor relay upgrades. Our filing aligns with the policy goals of the State of Illinois Climate and Equitable Jobs Act.

Last Thursday, we filed briefs detailing our concerns with the ALJ proposed electric order, and we will see if the Illinois Commerce Commission or ICC will take a different approach before issuing a final decision in mid December.

Moving now to Ameren Transmission open houses started in August for the Central Illinois Grid Transformation Program. This program consists of projects that were assigned to Ameren by MISO as part of their LRTP Tranche One portfolio. The projects are targeted for completion by 2030. Open houses are held to engage with and gather feedback from communities and stakeholders before filing route plans early next year. We're committed to working to build transmission lines affordably with robust input from our neighbors and communities impacted by these projects. ATXI and Ameren Illinois will work together to build approximately 380 miles of new or upgraded transmission lines across central Illinois, with nearly 85% of the lines slated to be rebuilt in our existing rights of way.

Moving on to operational matters. Earlier this week, the Callaway Energy Center was brought back online following a planned refueling and maintenance outage, which was completed safely. Finally, we remain focused on keeping customer bills as low as possible through disciplined cost management, continuous improvement and optimizing our operating performance as we transform our business through investment to ensure we sustainably provide safe, reliable and cleaner energy for our customers.

Turning to Page 10. As I mentioned in September, Ameren Missouri filed its updated integrated Resource Plan, or IRP, outlining our least cost approach to reliably meet customer energy needs in an environmentally responsible manner. The IRP thoughtfully integrates a new, diverse mix of generation resources while maintaining the availability of our existing energy centers through retirement, which is essential for a reliable and affordable clean energy future. The plan calls for investment in new dispatchable energy sources, including an on-demand 800 megawatt gas simple cycle energy center by 2027 to ensure the long term stability of the energy grid during the deployment of renewable energy generation. This energy center represents an investment opportunity of $800 million and is expected to provide backup power at times of peak winter and summer demand.

The plan also moves back the previously announced addition of a 1,200-megawatt Combined Cycle Energy Center to 2033 from 2031 to align with the retirement of the Sioux Energy Center in 2032. The Combined Cycle Energy center represents an investment opportunity of $1.7 billion.

The IRP also includes planned renewable energy additions of 4,700 MW by 2036, representing a total investment opportunity of approximately $9.5 billion. This maintains the previously planned goal of 2,800 megawatts of renewables by 2030 and investment opportunity of $5.3 billion. Further, we expect to add 400 battery storage by 2030 and an incremental 400 MW by 2035, representing investment opportunities of $600 million and $700 million, respectively. Finally, the IRP includes the addition of 1,200 clean dispatchable energy in 2040 and additional 1,200 MW by 2043. The exact type of resource deployed will be dependent upon cost effective advancements in innovative clean energy technologies in the coming years.

Overall, we believe the plan includes a balanced path to achieving net zero carbon emissions by 2045 and interim reductions of 60% and 85% below 2005 levels by 2030 and 2040, respectively. It is also consistent with the objectives of the Paris Agreement to limit global temperature rise to one and a half degrees Celsius. We remain focused on affordability and reliability as we continue to execute our clean energy transition. Collectively, this IRP provides incremental investment opportunities of approximately $1.5 billion over those included in our current five year plan. We will update and roll forward our overall five year capital plan next February.

Moving to Page 11. As laid out in the IRP, we are taking a thoughtful and measured approach to investing in new generation, as our older energy centers near retirement. In support of this transition, we were pleased with the Missouri PSC approvals of Certificates of Convenience and Necessity, or CCNs, for the Huck Finn Solar project and Boomtown Solar project earlier this year. Construction is now well underway for both projects. In June, we filed with the Missouri PSE for four additional CCNs totaling 550 solar generation across our service territory. In

October, the PSE staff filed a recommendation against CCN approval of the 550 MW, citing a lack of need for the additional generation.

We believe these projects are needed as a part of our least cost plan for meeting customers energy needs as we systematically invest to create a diverse mix of generation resources that preserves reliability as we retire our existing coal fleet over the next 20 years. Importantly, the renewable energy tax credits included in the Inflation Reduction act will reduce the cost of these projects to our customers. In addition, these projects will bring over 900 new construction jobs and additional tax revenues and other payments to the area.

Subject to approval, these solar projects are expected to go in service between 2024 and 2026. While the Missouri PSC is under no deadline to issue an order on these CCN filings, we expect decisions in the first quarter of 2024. We look forward to continuing to engage with stakeholders regarding our future generation needs and clean energy transition.

Turning to page 12, as we've discussed in the past, MISO completed a study outlining a proposed roadmap of transmission projects through 2039. Detailed project planning, design work and procurement for the Tranche One projects assigned to Ameren is underway, and we expect construction to begin in 2026. MISO requests for proposal for its estimated $700 million of tranche one competitive projects in our territory have been issued.

We submitted our first bid related to the Orient Denny Fairport project in May and we're pleased to be awarded the project late last month. MISO noted our sound route design, engineering and cost containment plan and innovative approach, working with stakeholders as key factors in the winning bid. This is indicative of how we plan and develop all transmission projects.

We believe our collaborative, customer-centric and community respectful approach to building and maintaining low cost projects is why we should be directly assigned these projects in the future in both Missouri or Illinois. For the remaining two competitive projects, we recently submitted a bid for the Skunk river to Ipava project in October, and the remaining bid is due later this month. The evaluation process for these competitive projects is expected to take place over the remainder of this year and into mid 2024. Last, we continue to expect MISO to approve a set of tranche two projects by June 30, 2024.

Moving to Page 13. In May, the Illinois General assembly passed House Bill 3445 or the Transmission Efficiency and Cooperation Law, which, if enacted, would provide incumbent utilities, including Ameren, a right of first refusal to build MISO long range transmission planning projects in their respective service territories for projects approved by year end 2024.

HB 3445 would support the clean energy transition benefiting our Illinois customers and communities and the broader MISO region. As a local utility, we believe we are well positioned to efficiently build, operate and maintain these transmission assets over time. The right of first refusal would allow for the construction process to begin sooner and the resulting customer benefits to be realized more quickly. Importantly, we competitively bid each component of our projects and utilize local suppliers and contractors who support the local economy. In addition, we have long term relationships with key stakeholders in the region and work closely with landowners and communities when citing transmission lines. Such legislation would support the timely and cost effective construction of the MISO long range transmission planning projects and other needed transmission investments.

Unfortunately, the legislation was vetoed by the Governor in August and was not ultimately brought to a vote during the veto session. We will continue to work with key stakeholders to support this important piece of legislation in the spring legislative session.

On page 14, we look ahead to the next decade. We have a robust pipeline of investment opportunities totaling more than $48 billion that will deliver significant value to all our stakeholders by making our energy grid stronger, smarter and cleaner. The $48 billion does not reflect the incremental investment opportunities included in the recently filed Integrated Resource Plan. We will provide an updated number on our call next February, along with the new 5-year capital plan. Of course, our investments create thousands of jobs for our local economies. Maintain constructive energy policies that support robust investment in energy infrastructure and to transition to a cleaner future in a responsible fashion will be critical to meeting our country's energy needs and delivering on our customers' expectations.

Turning now to Page 15. In February, we updated our 5-year growth plan, which included our expectation of 6% to 8% compound annual earnings growth rate from 2023 through 2027. This earnings growth is primarily driven by strong compound annual rate base growth of 8.4%, supported by strategic allocation of infrastructure investment to each of our operating segments based on their constructive regulatory frameworks. Combined, we expect to deliver strong long-term earnings and dividend growth, resulting in an attractive total return that compares favorably with our regulated utility peers. I'm confident in our ability to execute our investment plans and strategies across all 4 of our business segments as we have an experienced and dedicated team to get it done.

Again, thank you all for joining us today. And I will now turn the call over to Michael.

Michael L. Moehn {BIO 5263599 <GO>}

Thanks, Marty, and good morning, everyone. Turning now to Page 17 of our presentation. Yesterday, we reported third quarter 2023 earnings of $1.87 per share, compared to $1.74 per share for the year ago quarter. This page summarizes key drivers impacting earnings at each segment. Under our constructive regulatory frameworks, we experienced earnings growth driven by increased investments in infrastructure in all of our business segments.

As you can see, the key quarterly drivers are largely consistent with the guidance considerations laid out in February and the supplemental considerations provided on the first and second quarter earnings calls. We were able to deliver strong earnings performance during the quarter as a result of our diverse business mix and disciplined cost management.

Before moving on, I'll touch on sales trends for Ameren Missouri and Ameren Illinois Electric Distribution. Year-to-date, weather-normalized kilowatt-hour sales to Missouri residential, commercial and industrial customers decreased 2%, 0.5% and 2.5%, respectively, compared to last year. The year-to-date decrease in residential sales reflects an anticipated transition back to the office for many people. In addition, energy demand was lower as a result of the impacts from severe weather experienced in our service territory this quarter. That said, our residential sales remain a little over 3% higher than pre-COVID 2019 levels.

For Industrial, we expect the year-to-date decline to moderate over the remaining course of the year as the UAW strike ends, coupled with increased demand, including from a General Motors plant expansion and a new graphics processing company. Year-to-date, weather-normalized kilowatt hour sales to Illinois customers have declined about 3% on average compared to last year. Recall that changes in electric -- Illinois Electric sales, no matter the cost, do not affect our earnings since we have full revenue to cope in.

Moving to Page 18. I would now like to briefly touch on our 2023 earnings guidance. We delivered strong earnings in the first 9 months of 2023 and are well positioned to finish the year strong. As Marty stated, we have narrowed our 2023 earnings guidance to be in the range of $4.30 to $4.45 per share. This is in comparison to our original guidance range of $4.25 and to $4.45 per share.

On this page, we've highlighted select considerations impacting our 2023 earnings guidance for the remainder of the year. These are supplemental to the key drivers and assumptions discussed on our earnings call in February. I encourage you to take these into consideration as you develop your expectations for the fourth quarter earnings results.

Turning now to Page 19. In January, Ameren Illinois Electric Distribution followed its first multiyear rate plan or MYRP with the ICC, our MYRP is designed around 3 key elements: providing safe and reliable energy to our customers, deploying capital in a way that achieves the climate and equitable job to act objectives as included in our performance metrics and fulfilling the clean energy transition by preparing our system to accept more renewables and electric vehicles over time.

The MYRP details a grid modernization plan that includes our planned electric distribution investments and supports our annual revenue increase request for the next 4 years. In September, the ICC staff followed a brief recommending a cumulative increase of $322 million in revenue for 2024 through 2027. This includes a return on equity of 8.9%, reflecting the 2022 average 30-year treasury rate plus 580 basis points. It also includes a 50% equity ratio.

Also in September, Ameren Illinois updated its request to reflect a cumulative increase of $444 million in revenues, which reflects a return on equity of 10.5% and an equity ratio of 54%.

In October, the Administrative Law Judges recommended a cumulative increase of $338 million in revenues, incorporating a 9.24% return on equity and a 50% equity ratio. Our brief on exceptions filed last Thursday, calls for a return on it of 9.85% and an equity ratio of 52%. We expect an ICC decision by mid-December with new rates affected by January 2024.

Turning to Page 20. In April, we saw that our electric distribution annual rate reconciliation to reconcile the 2022 revenue requirements to actual cost. In August, the ICC staff updated a recommended reconciliation adjustment to $110 million base rate increase compared to our updated request of $117 million base rate increase. The $7 million variance is driven by a difference in the common equity ratio as we have proposed a 52% compared to the ICC staff's recommended 50%. An ICC decision is required by December 2023, and and the full amount would be collected from customers in 2024.

Earlier this year, we also filed with the ICC for an annual increase in Ameren Illinois Natural Gas distribution rates using a 2024 future test year. In October, we filed an updated request for a $140 million increase based on a 10.22% ROE and a 52% common equity ratio and a $2.9 billion rate base. In October, the ICC staff recommended a $127 million increase based on the 9.89% return on equity and a 50% common equity ratio, which is consistent with the ALJ proposed order issued in September. We expect an ICC decision by mid-November with rates expected to be effective in early December this year.

On Page 21, we provide a financing update. We continue to feel very good about our financial position. We were able to successfully execute 2 debt issuances earlier this year, which you've outlined on this page. Further, in order to maintain our credit ratings and a strong balance sheet while we fund our robust infrastructure plan, we expect to issue approximately $300 million of common equity, consisting of 3.2 million shares by the end of this year. These shares were previously sold forward under an ATM program with an average initial forward sales price of approximately $93 per share.

Additionally, on September 30, we've entered into forward sales agreements under an ATM program for approximately $92 million to support our 2024 equity needs with an average initial forward sales price of approximately $86 per share. Together with the issuance under our 401(k) and DRIP plus programs, our ATM equity program is expected to support our equity needs in 2024 and beyond. We continue to be strategic and thoughtful about our financing our robust capital plan.

Turning to Page 22. I'd like to briefly touch on our natural gas business as we head into the winter months. Both Ameren Illinois and Ameren Missouri natural gas commodity prices are approximately 91% price hedged based on normal seasonal sales and 100% volumetrically hedged based on maximum seasonal sales. I'm pleased to say, in light of the drop in natural gas prices, residential natural gas customers in Illinois and Missouri are expected to see total bill decreases of approximately 13% and 23%, respectively, compared to the 2022, 2023 winter season.

Turning to Page 23. We plan to provide 2024 earnings guidance when we release fourth quarter results in February next year. Using our 2023 guidance as a reference point, we've listed on this page select items to consider when you think about our earnings outlook for next year.

Beginning with Missouri, earnings are expected to be higher in 2024 when compared to 2023 due to new electric service rates effective in July 2023. We also expect increased investments in infrastructure eligible for plant and service accounting to positively impact earnings. A return to normal weather in 2024 would increase Ameren's earnings by approximately $0.02 compared to 2023 results to date, assuming normal weather in the last quarter of the year.

Next, earnings from our FERC-regulated electric transmission activities are expected to benefit from additional investments in Ameren Illinois projects made under forward-looking formula ratemaking. For Ameren Illinois Electric Distribution, earnings are expected to benefit in 2024 compared to 2023 from additional infrastructure investments. The allowed ROE under the new multiyear rate plan effective at the beginning of 2024, will be determined by the ITC as part of the pending rate review compared to the average 2023 30-year treasury yield plus 5.8% which is currently in place. Ameren Illinois Natural Gas earnings are expected to benefit from higher delivery service rates based on a 2024 future test year.

Moving now to Ameren wide considerations. We expect increased common shares outstanding and higher interest expense at Ameren to unfavorably impact earnings in 2024 compared to 2023. Finally, I would now, consistent with past practice, our 2024 earnings guidance will include no expectation of COLI gains or losses.

And turning to Page 24. We're well positioned to continue executing our plan. We expect to deliver strong earnings growth in 2023 and over the long term, driven by robust rate base growth and disciplined cost management. Further, we believe this growth will compare favorably with the growth of our peers. Ameren shares continue to offer investors an attractive dividend and total shareholder return story.

That concludes our prepared remarks. We now invite your questions.

Questions And Answers

Operator

Thank you. We will now be conducting a question and answer session. (Operator Instructions)

Our first question comes from Nicholas Campanella with Barclays. Please proceed with your question.

Q - Nathan Richardson {BIO 23427013 <GO>}

Hey, everybody, it's Nathan Richardson on for Nick.

A - Martin J. Lyons {BIO 4938648 <GO>}

Hey, good morning, Nathan. This is Marty Lyons. Hey, before you get to your question, I just -- you may not have experienced this, but I think many of our participants that were participating on the webcast missed a portion of our prepared remarks because of systems issue, but I just want to reassure everybody, we will post our replay of the entire conference call as soon as possible following the end of the Q&A session. So with that, please carry on with your question.

Q - Nathan Richardson {BIO 23427013 <GO>}

Got you. And I just want to talk about equity needs first. I'm sorry if I missed this, but in the September slide, you talked about $500 million of equity needs per year from $24 million to $27 million. And would this still be the case? And would you mind maybe talking about how you're thinking about ATM versus block needs and what you would be open to?

A - Michael L. Moehn {BIO 5263599 <GO>}

Yes. Perfect. This is Michael. Yes, our equity needs are really unchanged from where they were. At the beginning of the year, we issued our 5-year guidance. We talked about $300 million of equity that we needed to do in '23, and then $500 million per year, beginning '24 through the balance of '27 million. Happy to report, I think we've said this before, we've taken care of those equity needs for '23. Those have been done under an ATM forward sales, so we'll bring those down here at the end of the year.

We've sold forward about $100 million of the $500 million need for '25 through some forward sales. You know, as we sit here today, we continue to find the ATM to be very effective, efficient. We'll continue to evaluate our needs. Our capital comes in pretty ratably. So the ATM works well from that perspective. And so -- but we're always open to, if there are better mechanisms to continue to take advantage of.

Q - Nathan Richardson {BIO 23427013 <GO>}

Got you. And then one last one. So sticking with financing. You have a robust IRP with a lot of renewables. Can you help me think about your position on transferability, cash flow, and whether that is something you would utilize and maybe a timeline for that.

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah, you bet. I mean, it looks like the transability market continues to evolve here nicely and we continue to see some deals get starting to get done there, which is great.

Yes. I mean as we kind of step back and think about it, it's certainly something we could avail ourselves of over time just because we don't have necessarily the tax appetite to use all those when we need to. And so as we think about from a financing perspective, I mean, there could be it could be a slight positive, right, just over time? I mean ultimately, you're going to end up providing those back to customers, which is great because it ends up lowering the cost of those renewables, which is what we all want.

But there could be some positive temporary regulatory lag that we may experience from time to time, but not a huge, I think, replacement of any sort of financing needs going forward, if that makes sense.

Q - Nathan Richardson {BIO 23427013 <GO>}

Got it. Makes sense. Thank you very much.

A - Michael L. Moehn {BIO 5263599 <GO>}

You bet. Thank you.

Operator

Our next question comes from Shar Pourreza with Guggenheim Partners. Please proceed with your question.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, guys. Good morning.

A - Martin J. Lyons {BIO 4938648 <GO>}

Hey, Shahriar. Good morning.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning. Let me just starting with Illinois. I mean, can you just maybe talk a little bit about the outlook for the balance of the process here on the multiyear? I mean, obviously, your neighbor in Chicago was very dissatisfied with the ALJ. You have briefs out there. I guess what's your expectation for the ICC to depart from the ALJ at this point? And what's the next step, right? So would you consider filing for a rehearing of the ALJ stands as is? Would you look to defer redeploy CapEx? I'm just kind of curious what the next step could be if you get an adverse decision.

A - Martin J. Lyons {BIO 4938648 <GO>}

Yes. Look, Shar, I think great questions overall. First of all, as you referred to, we filed our reply brief in September. And we believe that what we filed there really best supports achievement of the state of Illinois' goals as captured in the Clean Energy and Jobs Act. And so if you look at that, that's where we really believe that the state would be best served and the customers of the state.

So look, I would say, as I think about the process to date, we've been pleased both the staff and frankly, now that in the NBA, with ALJ as well, they've supported nearly 95% of our planned capital investments over the next 4 years. So I think that's a positive that's occurred through this process. We -- as we stated in our prepared remarks, are disappointed with the recommended return on equity and capital structure that came from the ALJ as well as the treatment of the OPEB asset. But the case isn't over.

Like I said, last week, we filed our brief on exceptions. We articulated our concerns and the reasons for seeking a better outcome from the commission. And I'd say that's really where you get to the next steps, reply brief on exceptions are due on November 14, and then we'll expect a commission decision by mid-December.

As we said in our -- again, in our prepared remarks, we continue to support our initial asks of a 10.5% ROE and 54% equity in the cap structure. But we did in our reply brief suggests an alternative that the commission could arrive at 9.85% ROE or an alternative equity structure of 52% equity. And in coming up with those, we looked at alternative data and the record looked at the averages of comparable utilities as it related to cap structure. So again, I'd refer you to our filing for further details on those.

But we remain hopeful at this point that the commission will meet is going to reach a more constructive and fair outcome that came from the ALJ. And then at this point, I wouldn't comment on what action we may take post the commission ruling. Michael, you want to make a comment?

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah, Mike. Agree with all those comments. And just Shar to remind you, I think you know this, I mean, it's about 18% of our rate base today. And again, as we sort of step back and just look at our overall capital plan, we got the the $19.7 billion out there over the next 5 years and $48 billion over the next 10.

I think we have really constructive jurisdictions to continue to allocate that. We'll continue to be thoughtful about that. As Marty said, I think where we are from a rate base and capital addition standpoint and that rate review process is a positive at 95% or so. But we have some flexibility to pivot if needed.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

And then just to confirm, just the equity ratio growing into it, no block equity. So just I guess how do we think about juicing of that?

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah. I mean again, as I think as we sit here today, really just kind of stand by the comment I just made about the ATM itself. I think it provides us a great deal of flexibility. It's cost-effective. It's not to say that we wouldn't entertain something if we needed to. But again, just the way that capital is being laid in over time. It's been a pretty effective way to do it.

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah. And Shar, just to build on sort of the answers that I gave and the Michael gave. I think as it relates to our overall plan, and Michael mentioned this, I mean, we obviously have robust portfolio of capital expenditures that we can make across all of our segments. And we really feel very confident as we sit here today and our continued ability to grow at 6% to 8% in terms of our EPS CAGR. As we've laid out before, we've got $48 plus billion of infrastructure pipeline out through 2032. And we remain very confident in our overall ability to execute as a company.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Perfect. Thanks very much, guys, and big congrats to Warner. But I have a sense that he's going to be as busy as ever anyway, even in phase two. Appreciate it, guys.

A - Martin J. Lyons {BIO 4938648 <GO>}

You're probably right. Thanks.

Operator

Thanks. Our next question comes from Julian Dumilo Smith with Bank of America. Please proceed with your question.

Q - Dariusz Lozny {BIO 21087999 <GO>}

Hey, guys, good morning. This is Darius on for Julian. Appreciate you taking the question. Maybe just to start with, you alluded to this, and I appreciate that you don't have formal '24 guidance out there. But with the drivers and the visibility that you have now and the known of the ALJ rex in both the Illinois cases, can you comment on maybe just how you see that 6% to 8% shaping up on a year-over-year basis? Does the sort of give you a basis to still hit that range in '24?

A - Michael L. Moehn {BIO 5263599 <GO>}

Hey, Darius, Michael here, thanks again for that question. Look, again, as we sit here today and we updated and provided guidance in February, that's we feel good about that 6% to 8%, thinking about that midpoint of 4.35%. We gave you some select drivers here, right, in terms of what we see sort of impacting us kind of year-over-year. But again, feel good about the situation that we're in and we again feel good about the 8.4% rate base growth that we have.

We've had obviously the updated IRP that we released in September. We talked about an incremental $1.5 billion of capital that could come into the plan over time there. So again, as we sit here today, feel very good about that 6% to 8% earnings per share growth.

Q - Dariusz Lozny {BIO 21087999 <GO>}

Okay, excellent. Thank you for the detail. And maybe if I can ask one on the competitive transmission projects. Just looking at your updated slide, it looks like the -- and I appreciate these are MISO's estimates, but it looks like the overall competitive opportunity is unchanged at a little bit under $1 billion, but there was- maybe within that, the content, including Orient Denny Fairport was slightly lower than in our previous or in the previous estimates. So just curious if you guys can comment on maybe the other projects within that set of competitive opportunities, do you see any anything moving up or down as the estimates get for the refined?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah, happy to answer that question. This is Marty again. So again, with respect to the projects that were signed to us in Tranche 1, the $1.8 billion, as we've we're getting underway with those, which is fantastic. And then there were about $700 million of competitive projects. And the first one that we bid on was the Orient to Denny Fairport project. And we're very pleased that we were selected as the winning bidder on that project.

As you mentioned, the ultimate price that we bid was lower than the MISO's original planning estimate. And I think our bid is indicative of the kind of work we do to partner with others, whether those be co-ops and munis in the area or vendors to really deliver a low-cost project.

And as I mentioned, MISO's numbers are planning estimates and don't necessarily have the rigor that goes into the formal bids that we provide. But I wouldn't read too much into where that project came out relative to MISO's estimates. Each project is going to be different. Each project has its own routing issues, land acquisition requirements, partnering opportunities, et cetera.

So you really can't extrapolate that outcome to the entirety. But again, I think we're very pleased with where we are. We are very pleased that we were selected as the winning bidder on that project, and we submitted another bid on another project, the Denny to Zachary to Thomas Hill to Maywood project. And we've got one more that we plan to bid on as well, the Skunk River Ipava.

Q - Dariusz Lozny {BIO 21087999 <GO>}

Great. Thank you very much for the color. Appreciate it.

Operator

Our next question is from Jeremy Tonet with JP Morgan. Please proceed with your question.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Martin J. Lyons {BIO 4938648 <GO>}

Good morning.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted to come back to Illinois Electric, if I could, realized questions have been asked, but maybe just to put a finer point on some of the questions here. Why do you think the ALJ's ROEs came out so different than your proposal? Or are there any specifics in the ALJ filing that you see that justifies this difference or why they view the electric ROEs less than the gas ROEs as you see kind of justifying this delta?

A - Martin J. Lyons {BIO 4938648 <GO>}

You know, I can't really -- It's Marty again. I really can't comment on why, if you will, they got to that. They used some discounted cash flow and capital asset pricing model kind of calculations that used some data that was in the record. But again, in our reply briefs, we note certain data that alternatively should be used in our view, in those calculations if they were used. And of course, staff use similar calculations and came up with a little over 10%. So again, I can't say why, but we again feel like inappropriate data points were used in those calculations, which, again, in our reply briefs we addressed, and I'd refer you there in terms of our thoughts in terms of those CAT calculations.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Understood. Maybe pivoting towards Missouri here and the IRP, what has been the reaction to the proposed Missouri IRP here? How have conversations with stakeholders been trending over time?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah, I think the conversation that's been had within the state is very much a balanced one. I think that some of the things that we put into this IRP as opposed to our prior one was the addition of 800 megawatts of gas simple cycle in 2027. And we made a couple of adjustments to, first of all, the timing of, one, coal-fired energy center to push that out for a couple of years and with it push out a 1,200-megawatt planned combined cycle plant. And then I can say we also move forward some of the battery storage technology we had planned by about 5 years.

And I think the conversation has been balanced because in doing this, what we're really doing is putting -- stressing the fact that our integrated resource plan really represents what we believe to be the lowest cost approach to transitioning our portfolio of energy centers over time and maintain, importantly, the reliability that our customers expect and as we do that, making sure that we're being good environmental stewards. We're able to add those resources to bolster reliability while still hitting carbon emission reduction targets that we've discussed previously of 60% by 2030, 85% by 2040 and ultimately, that net zero.

So again, I believe the conversation has been really balanced because of that, our focus on affordability, our focus on reliability while still hitting our targets in terms of environmental stewardship.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Makes sense. Very helpful. I'll leave it there. Thank you.

A - Martin J. Lyons {BIO 4938648 <GO>}

Thank you.

A - Michael L. Moehn {BIO 5263599 <GO>}

Thanks, Jeremy.

Operator

Our next question comes from David Arcaro with Morgan Stanley. Please proceed with your question.

Q - David Arcaro {BIO 20757284 <GO>}

Hey, good morning. Thanks so much for taking my question. Wondering if you could just speak a little bit to-related to the CCNs and renewables in Missouri, how competitive are renewables currently? And just what's your latest in terms of how you're positioned to compete for company-owned generation versus contracting?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah. With respect to the Missouri renewables, earlier this year, the Missouri Public Service Commission approved two solar projects that we had proposed, both the Huck Finn and the Boomtown solar projects. Together, they're about 350-megawatt as of investment. And those are projects that we -- will be constructed and that we will own, and we expect the closing date on those to be Q4 of 2024. So a good step forward in terms of commission approval of projects consistent with our IRP and our ownership.

We also filed four CCNs this year for an additional 550 megawatts of solar projects. 4 projects in total. And that's going to be proceeding. We expect a commission decision on that early next year. And again, we do believe it's in the best interest of our customers and communities long term for these projects to be constructed for our ownership.

In our Integrated Resource Plan, we didn't change the amount of our are anticipated and planned overall renewables versus our prior IRP. We did include an expectation that the costs associated with those renewables would increase. However, those costs are being offset by the impact of the higher production tax credits and investment tax credits that are available under the Inflation Reduction Act. So when we go to -- when you look at the IRP, which we laid out the time line on Slide 10 that we provided. What you see there is a really good balance of the growth in renewable projects, but also investments in assets that will preserve reliability, as I mentioned a second ago, both the gas simple cycle, the gas combined cycle, some of the battery storage technology that's really going to ensure that we continue to have a reliable system.

But the important thing is that this combination of resources, along with the continued investment, ensuring the reliability of our existing dispatchable assets, both our Callaway nuclear plant as well as our coal assets through retirement, we really believe that this represents a least cost plan for providing energy to our customers in Missouri and preserving again, the reliability that they expect. So again, the CCNs that we're proposing for the renewables really fit with execution of this IRP.

And then with respect to your last question. While you can't rule out the possibility of of PPAs. What we've really demonstrated over time, if you look at some of the renewable projects that we've put into our portfolio and have had approved by the commission, is that we really do believe in the long term, that our ownership and operation of these assets provides the long term lowest cost for our customers.

Q - David Arcaro {BIO 20757284 <GO>}

Great. Thanks for all that color. Very helpful. And I was wondering if you could also touch on your expectations here for load growth going forward. We've seen weather normal loads still trending down through most of the year. I'm wondering if you could give your perspective on when that might settle down and outlook for industrial sales to within that?

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah, you bet. Good morning, David. It's Michael. Yeah, this year has obviously been little interesting. You see some of the decreases in residential. I think we attribute that to a couple of things. We had some significant storms, a number of them over the summer that certainly contributed a bit to that. And then also, we still just working through, I think, the going back from working at home into the office. And so you're certainly seeing that transition as well. And it continues to throw the number around a bit.

We -- obviously, we've had some extreme weather here and there, which always factors into kind of how you think about this on a normalized basis, but you try to get it as close as possible. I do think it is beginning to level out as we kind of look forward. I mean, again, I think I pointed out, if you look at our residential side of things, I mean, you're seeing about 3% growth relative to where we were kind of pre-pandemic. And the other positive is we actually have customer growth year-to-date, too. So ultimately, you believe that's going to continue to transition into some sales growth.

I think on the commercial side, we continue to see some positives. I mean the industry noted that obviously we are impacted by the strike at GM that was going on for some period of time. That obviously seems to be concluding. There's actually an expansion that has occurred there. So we should see that be a positive element going into the remainder of the fourth quarter.

And then I think there's some positive developments that we're seeing just broadly on the industrial side as well that are adding some growth. So I mean as we look out in the future, I think we still stick by this about 0.5% kind of load growth over time. I think that has the ability, hopefully, to move up as some of this industrial continues to evolve, but that's where we are today, David.

Q - David Arcaro {BIO 20757284 <GO>}

Okay, great. Thanks so much. See you soon.

A - Michael L. Moehn {BIO 5263599 <GO>}

You bet.

Operator

Our next question is from Paul Patterson with Glenrock Associates. Please proceed with your question.

Q - Paul Patterson {BIO 1821718 <GO>}

Hey, good morning, guys.

A - Martin J. Lyons {BIO 4938648 <GO>}

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

Just wanted to -- and I apologize if I missed this because I did have some tech problems. But the -- Darius was asking about the competitive bid, and I was wondering, do you guys have any data that you guys provided or can provide on kind of what kind of returns you're seeing in the competitive transmission versus just in general?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah. Paul, first all, I do apologize again for the technical difficulty you and others experienced apologize for that and the inconvenience.

I don't think we have anything that we could point to in terms of return. I would say this. I mean, when we bid on these projects, we're very cognizant of what we think our cost of capital is and what appropriate return expectations are for these projects. So that's certainly taken into consideration when making any bid. So I think the assumption should be that as a winning bidder of this project that we expect to earn a fair return on the project.

Q - Paul Patterson {BIO 1821718 <GO>}

Sure. Okay. But I guess maybe it's competitive to tell us what that might be? Is that right? Or can you?

A - Martin J. Lyons {BIO 4938648 <GO>}

Yeah, I think so. I mean, we'll give some consideration post the call to whether there's anything we can point to. But yeah, I think that probably not something that I think we could point to today.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, cool. The second question I have is on the ROFR legislation, which you guys plan on pursuing perhaps in the spring? It seems according to the slides and stuff. I'm wondering about the lake -- the need, I think that's the case at the Supreme Court -- that sat ROFR case in Texas that the Supreme Court may or may not. If it doesn't get so drawy, and I'm sure you guys are following the case, what does that mean with respect to the ROFR situation, generally speaking, I mean, how should we think about that?

A - Martin J. Lyons {BIO 4938648 <GO>}

Well, You know, I think Paul, as it relates to the court cases -- as you know, we watch court case around the country, both in Texas as well as a couple of other states. We've seen -- we've seen them run into problems in Texas. We've seen the ROFRS upheld in other states. So we're going to continue to watch the developments across all of these cases. and then make sure that whatever we bring forward, which we do plan to bring forward next year, these rights of first refusal, both in Illinois and Missouri. That we make appropriate adjustments to the proposed legislation to ensure that they're able to withstand legal challenges and hold up.

If for some reason through the process of these things going through the courts, we don't believe that they'd be lawful. Obviously, that would affect whether we move forward with seeking these rights of first refusal or not. But as we sit here today, we do believe both in Missouri and Illinois that these rights of first refusal really are very beneficial to our customers and communities.

I think we just talked about this project that we won, which was this Orient to Denny to Fairport project. And I think it just goes to show that we are a low-cost constructor. We are a low-cost operator. And we do believe that these projects have very good value for customers. And when MISO puts these forward in Tranche 1, what's to come in Tranche 2, these projects have very good benefit to cost ratios. And by not assigning those to the incumbent transmission operator by putting them out for bid, you're delaying those benefits to customers by two years or so.

And again, we've certainly demonstrated we're a low-cost provider. So we do think that these rights of first refusal are in the best interest of our customers, the citizens of both the states of Illinois and Missouri. And we look forward to working with stakeholders as we move towards the next legislative session to really build a stronger coalition and make sure people really understand the value, and we'll work with all stakeholders to put forward legislation that we think not only can pass, it should pass, but can withstand any core challenges.

So back to your question, Paul, we'll continue to monitor these cases as we have and adjust as needed.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And absolutely, I hear you on your ability to demonstrate your competitiveness and stuff. But just I guess what I'm saying -- I guess what I'm asking about is the Supreme Court, I guess, what I'm wondering is would that invalidate ROFRs? Do you follow them across the country? Or do you see this as being specific to I mean I guess what I'm saying -- what, I don't know understand is the math of -- of an industry question, if you follow me to sort of. I'm trying to figure out for my own edifications or like what happens if it is in ROFR, I guess that would mean the Fifth Circuit would stand. And if that is the case, what -- how do we think about the ROFR? Do you follow where I'm coming from?

A - Martin J. Lyons {BIO 4938648 <GO>}

Well, I do. And I guess we'd have to see how the Supreme Court rules, what they say. But when we talked about this a little bit on the last call. When we looked at Texas, we thought it was really more applicable to the situation in Texas. Whereas when we looked at crafting the rights of first refusal we've been putting forward more aligned with states where the ROFRs have been upheld in the courts. So I think we'd ultimately have to look at the ultimate the Supreme Court decision and its applicability. But I guess I can't really comment further at this time, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

I got that. I appreciate it. Thanks so much, and thanks.

A - Martin J. Lyons {BIO 4938648 <GO>}

You bet. Thank you. See you soon.

Operator

Our final question comes from Anthony Crowdell with Mizuho. Please proceed with your question.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, good morning. Thanks for squeezing me in. Just hopefully an easy one. You talked a lot about the financing plan. It seems like it's intact. A lot of capital opportunities, rate base opportunities. I'm just wondering what do you think is the most challenging part of the play that you have?

A - Michael L. Moehn {BIO 5263599 <GO>}

Yeah, hey, it's Michael. Look, I think it's just about continued execution around all these projects, right? I mean I think we got some robust rate base growth, 8.4%, as you just noted, $20 billion of capital plans. We got to continue to execute these well, get them into service, make sure we realize all the benefits associated with them.

Obviously, we're in a different financing environment today than we were a couple of years ago. So that creates some headwinds you've got to continue to work through. But I mean ultimately, I think we talked about this in the past, we've got a number of mechanisms to recover those financing costs pretty rapidly through both on the Illinois side. We can always accelerate some rate reviews if we needed to on the Missouri side.

But at the end of the day, I think it's really this just comes back down to just an affordability, opportunities just making sure that we keep cost as low as we possibly can for customers as we work through this incredibly important clean energy transition.

Marty, anything to add to that?

A - Martin J. Lyons {BIO 4938648 <GO>}

No, I think that's well covered. Anthony, any other questions?

Q - Anthony Crowdell {BIO 6659246 <GO>}

No, I'm good. Thanks so much. I'll catch you guys up in Phoenix.

A - Martin J. Lyons {BIO 4938648 <GO>}

Look forward to seeing you next week.

Operator

Mr. Lyons, there are no further questions. At this time I'd like to turn the floor back over to you for closing comments.

A - Martin J. Lyons {BIO 4938648 <GO>}

Well, thank you all for joining us today.

Once again, I apologize for the technical difficulties, some of your experienced those -- you experienced, and as I mentioned, we'll make sure that we are post a replay of this call as quickly as possible.

I think what you heard today is we have really had a strong start to 2023. We've gotten through these important summer months. And just with just a couple of months left, remain remain very confident in our ability to achieve our earnings per share growth goals for this year and earnings per share range that we've outlined today.

We make sure that we're focused on continuing to deliver strong value, both for our customers, our communities as well as for our shareholders. As we underscore today, we continue to expect 6% to 8% earnings per share growth for '23 to '27. It's supported by strong investment in rate-regulated infrastructure and rate base growth of 8.4% compound annually from 2022 to 2027. So we feel very good about our execution of our plan, and I thank you all for joining us, and we look forward to seeing you all soon.

Have a great day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time, and we thank you for your participation.