Q4 2023 Earnings Call

Company Participants

- Christopher A. Foster, Executive Vice President & Chief Financial Officer
- Jackie Richert, Vice President, Investor Relations and Treasurer
- Jason P. Wells, President & Chief Executive Officer

Other Participants

- Anthony Crowdell, Mizuho
- Constantine Lednev, Guggenheim Partners
- Durgesh Chopra, Evercore ISI
- Julien Dumoulin-Smith, Bank of America
- Sophie Karp, KeyBanc
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good morning, and welcome to CenterPoint Energy's Fourth Quarter and Full Year 2023 Earnings Conference Call with Senior Management. During the company's prepared remarks, all participants will be in a listen-only mode. There will be a question-and-answer session after management's remarks. (Operator Instructions).

I will now turn the call over to Jackie Richert, Vice President of Corporate Planning, Investor Relations and Treasurer. Ms.Richert, please go ahead.

Jackie Richert {BIO 22513026 <GO>}

Good morning, and welcome to CenterPoint's fourth quarter 2023 earnings conference call. Jason Wells, our CEO; and Chris Foster, our CFO, will discuss the company's fourth quarter and full year 2023 results.

Management will discuss certain topics that will contain projections and other forward-looking information and statements that are based on management's beliefs, assumptions, and information currently available to management. These forward-looking statements are subject to risks and uncertainties. Actual results could differ materially based upon various factors as noted in our Form 10-K, other SEC filings, and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statement.

We will be discussing certain non-GAAP measures on today's call. When providing guidance, we use the non-GAAP EPS measure of diluted adjusted earnings per share on a consolidated basis, referred to as non-GAAP EPS. For information on our guidance methodology and reconciliation of the non-GAAP measures used in providing guidance, please refer to our news releases and presentations on the website. We use our website to announce material information. This call is being recorded. Information on how to access the replay can be found on our website.

Now, I'd like to turn it over to Jason.

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Jackie, and good morning, everyone. Before I get into the quarter and the annual results for the first time as CEO, I want to take a moment to thank the Board once again for entrusting me to lead this great company into its next chapter. I'm privileged to work with an amazing team and I couldn't be prouder of how we closed out 2023 and how we're off to an already strong start in 2024.

On this morning's call, I'm excited to cover four key topics before turning it over to Chris to cover our financial results in more detail. First, I want to discuss my continued commitment to our strategic objectives as I've now stepped into this new role. Second, I'll briefly summarize the financial results for the fourth quarter and full year 2023. Third, I'll discuss the rationale for the sale of our Louisiana and Mississippi gas LDCs that we announced this morning and provide an update on our long-term capital investment plan. Finally, I'll conclude with an update on where we stand with respect to our regulatory calendar.

I'm fortunate to step into this role at a time when CenterPoint is undoubtedly better positioned than it was when we held our Analyst Day in 2021. In my time here, I've clearly articulated that I believe we have one of the most tangible long-term growth plans in the industry. My focus will be continuing our established track record of consistently executing this plan and thoughtfully enhancing it for the benefit of all of our stakeholders.

At our 2021 Analyst Day, we put forth a premium value proposition underpinned by our strategic objectives, which included: delivering consistent and sustainable non-GAAP EPS and dividend per share growth to our investors, investing in customer-driven capital in our core regulated utility businesses driving industry-leading rate-based growth, providing affordable service to our customers through O&M discipline, and maintaining a strong balance sheet while efficiently funding our capital investments.

I want to reiterate my commitment to these strategic objectives and discuss each in more detail. First, looking at delivering consistent and sustainable growth for our stakeholders. Looking over the last three years, we have demonstrated that, not only do we have a great plan in which we have targeted 8% non-GAAP EPS growth each year, but we also have the ability to execute above expectations. This execution resulted in us achieving a 9% non-GAAP EPS CAGR over that period, which is top decile in the sector. In addition to growing non-GAAP EPS, we also grew our dividend in line with earnings, leading to one of the highest dividend growth rates in the sector over that same period of time.

To expand on a point I made last quarter, I'm excited about the company's great future as we continue to be laser-focused on providing outstanding service to our customers and communities and executing consistently to deliver enhanced stakeholder value. We are collectively focus on continuously improving service levels while maintaining customer affordability by utilizing a lean mindset throughout the organization.

Now turning to investing in customer-driven capital in our regulated businesses. Supporting our strong financial results is a capital investment plan and resulting rate-based growth that is among the highest in the sector. At our 2021 Analyst Day, we outlined a $40 billion-plus capital investment plan that translated to an approximately 9% rate-based growth through 2030.

Today, we're once again announcing a capital increase supported by customer-driven capital investments to $44.5 billion, a nearly 11% increase since the 2021 Analyst Day. This revised capital investment plan now supports a 10% rate-based growth CAGR through 2030, which is again one of the highest in the industry. This strong growth will continue to serve as a solid foundation for our long-term non-GAAP EPS growth targets.

In addition to effectively executing on our capital plan, we also strive to provide affordable service to our customers. We continue to be mindful of the impact of our investments on our customer bills. For this reason, we remain focused on our target of reducing O&M 1% to 2% per year on average through 2030. Our relentless attention to this area has resulted in an average annual reduction of 2% over the last three years, the high end of our target range, despite reinvesting additional savings back into the business for the benefit of our customers.

One of the other targets we put forth in our 2021 Analyst Day dovetails with our O&M reduction targets. As we target our net zero goal for Scope 1 and Scope 2 emissions by 2035, we are retiring generation from less efficient fuel sources, which translates into customer savings over the long-term.

Finally, turning our focus on maintaining a strong balance sheet and efficiently financing our customer-driven investments. At our 2021 Analyst Day, we targeted funding our 10-year capital investment plan through 2030 without reliance on external equity assurances. We evolved that message last quarter with the introduction of a modest ATM program to support growth capital investment opportunities in 2024. And today, we're continuing that efficient financing evolution with our strategic transaction we announced this morning. The transaction, which I'll discuss in more detail, will be the fourth we have pursued to recycle capital and reinvest transaction proceeds back into our regulated operations for the benefit of all stakeholders.

In addition, as we have incremental financing needs outside of our growth capital investment plans, we're also extending the need for $250 million per year of equity or equity-like funding through 2030. Chris will provide further color regarding our ongoing financing of our business.

Moving to my second key topic. I'll briefly cover the fourth quarter and full year 2023 results. This morning, we announced non-GAAP EPS of $0.32 for the quarter and full year 2023 non-GAAP EPS of $1.50. Again, these full year results translate to 9% non-GAAP EPS growth from prior year actual results for what is now the third consecutive year.

Most importantly, we have rebased our long-term growth targets off these higher earning levels each year. Consistent with this practice, we are reaffirming our 2024 non-GAAP EPS guidance range of $1.61 to $1.63, which would equate to an 8% growth rate at the midpoint from our higher base of $1.50.

Beyond 2024, we continue to expect to grow non-GAAP EPS at the mid to high end of the 6% to 8% range annually through 2030 and continuing to grow dividends per share in line with earnings growth. Chris will provide additional details regarding our financial results and earnings guidance later.

Now, I want to discuss the sale of our Louisiana and Mississippi gas LDCs we announced this morning. We anticipate closing the sale in late first quarter of next year and it is anticipated to result in after-tax cash proceeds of approximately $1 billion, which equates to an earnings multiple of approximately 32x 2023 earnings. This is a terrific outcome for all stakeholders. Again, following the execution of this transaction, we will mark our fourth time over the last few years in which we have recycled transaction sales proceeds to efficiently fund our industry-leading growth plan. Although the transaction is a great outcome, it is always hard to part with a great team as well as great assets. Louisiana and Mississippi are incredible jurisdictions and we have been privileged to serve those communities over the years.

I want to share color around the decision to sell these gas LDCs, which was driven principally by three reasons. First, the sale of our Louisiana and Mississippi natural gas LDCs will allow us to efficiently recycle the roughly $1 billion in anticipated after-tax cash proceeds to support our continued capital investment programs. The valuation of about 32x 2023 earnings is approximately 75% more cost-effective than issuing our own common stock to support our industry-leading rate-based growth and to maintain the strength of our balance sheet. The valuation also illustrates that even in a much different cost-of-capital environment than our last LDC sale, there continues to be a strong market demand for gas LDCs, particularly for those in high-growth and constructive jurisdictions.

Second, we anticipate that the sale of these gas LDCs will allow us to reprioritize approximately $1 billion of capital expenditures to support other jurisdictions. The added benefit of this reallocation of $1 billion of capital investment is that we expect that we will be able to deploy much of it in jurisdictions with less regulatory lag, therefore enhancing the ongoing earnings power of the company.

Third, as we work to optimize our portfolio, it made sense for us to focus our time and resources in jurisdictions where we have both gas and electric service or where we have a larger presence. This transaction will help support our non-GAAP annual EPS growth target of 8% in 2024 and at the mid to high end of our 6% to 8% non-GAAP EPS growth range through 2030, while also helping maintain the strength of our balance sheet.

Now shifting to how this transaction fits within the broader context of our now $44.5 billion capital investment plan. Today, we're announcing that, once again, we have positively revised our capital investment plan by an increase of $600 million to $44.5 billion through 2030. $100 million of this increase was already deployed fourth quarter of this year, which brought the total capital investments in 2023 to $4.3 billion for the benefit of our customers. This represents a nearly 20% increase over the $3.6 billion we originally guided to at the beginning of 2023.

We made the decision to increase the amount of planned work on our systems principally related to critical investments to improve resiliency and reliability in our Houston Electric service territory. We did this knowing we would be able to efficiently fund these investments once the announced sale of our Louisiana and Mississippi gas LDCs closed. The added benefit of this increased capital spend is that it will also help offset the loss of approximately $800 million of rate base that we have invested in those states today.

Today's capital increase will be focused on investments in system resiliency at Houston Electric in response to the Resiliency Bill that was enacted in 2023 by the Texas Legislature, as well as targeted investments in our gas businesses. These resiliency investments at Houston Electric will support the prioritizing of operational programs that modernize, harden, and enhance the resiliency and reliability of our transmission and distribution system, such as asset hardening, distribution automation devices, and substation flood mitigation. We look forward to filing our multi-year resiliency plan, likely early in the second quarter of this year, and sharing further details on our next earnings call.

Before I move on from this capital investment conversation, I want to make a few comments around our modest pivot and our long-term financing plans moving forward, which Chris will cover in more detail momentarily. In addition to the efficient recycling of strategic transaction proceeds I described earlier, we are also planning to incorporate approximately $250 million of annual equity or equity-like funding needs into our long-term financing plans moving forward. This is to allow us to continue to fund our growing capital plans, maintain the strength of our balance sheet, and address incremental annual cash needs that Chris will describe shortly.

Lastly, before turning it over to Chris, I want to provide some color on our rate cases and put into context what is a relatively busy regulatory calendar. I think it's important to remember the place where we start from, that although greater than 80% of total enterprise rate base is located in jurisdictions where we are anticipated to have rate cases in the next 12 months. We are uniquely positioned in that most of these investments have already been through some regulatory review. As we've stated previously, over 80% of our capital expenditures are recovered through interim trackers and as such, are already in rates. This is a key differentiator from rate cases in other jurisdictions.

Now turning to our largest jurisdiction, Houston Electric. On our previous call, we indicated that we had requested an extension to file our Houston Electric rate case from March 9 to the second quarter of this year. However, in the January PUCT Open Meeting, the Commission decided to stay with the original March 9, 2024, deadline as ordered in the last rate case. While we preferred the extended filing date that was supported by all parties in the case, we will be prepared to file the case in early March and anticipate a relatively flat revenue requirement increase.

At the same January Open Meeting, the PUCT finalized its rulemaking for House Bill 2555, better known as the Resiliency Bill. As you may recall from our previous earnings call, the

Resiliency Bill allows Texas TDUs to file a multi-year resiliency plan that would allow for the recovery of certain costs through riders or regulatory assets.

For Houston Electric, these investments are expected to include investments in upgrading distribution lines, building new and upgrading older substations, and upgrading our transmission system. These upgrades should help support fewer and shorter unplanned outages, faster restoration response time, and greater accuracy with respect to our restoration times.

Additionally, the rulemaking in its final form allows for deferral of certain costs such as depreciation and a return on our cost of capital associated with distribution investments and resiliency between the time the assets are placed in service and when rates are updated for those investments. This final rule is beneficial in reducing regulatory lag on these critical investments. We initially indicated that we would make our filing towards the end of the first quarter. However, as the final rulemaking was slightly delayed, our filing will likely be submitted early in the second quarter.

Now, I'll highlight our three recently filed rate cases. In our other electric jurisdiction in Indiana, we filed a rate case in the first week of December with a requested revenue requirement increase of approximately $119 million distributed over the next three years. Much of this requested revenue requirement increase is associated with our investments in connection with a generation transition plan as we move away from coal to a more efficient and cost-effective fuel types such as renewables and natural gas.

As a reminder, we plan to fully exit operating coal generation by the end of 2027. These investments are a continuation of our prudent investing in Indiana as we strive to also keep customer bills affordable. In fact, since rates went into effect from our last rate case in 2009, customer charges have increased at a compounded annual growth rate of 0.5% well below our peers in the state, which ranged between 1.7% and 4.7% over that same period of time. Absent this settlement, we expect a final decision in this case in Q4 of this year.

Moving on to Texas gas. We filed our Texas gas rate case towards the end of October with a requested revenue requirement increase of approximately $37 million. As a reminder, we combined all four of our Texas jurisdictions into a single rate case filing. This combined filing should not only result in a reduced number of filings on a go-forward basis, but in the near-term, it should also result in declining bills from many of our customers, specifically those located in more rural areas. We have a third settlement conference later this month and we look forward to continuing to work towards a constructive resolution of this case. Absent this settlement, we expect a final decision in the middle of the year.

Finally, turning to our Minnesota gas business. We filed a rate case on November 1 with requested revenue increases of approximately $85 million and $52 million for 2024 and 2025, respectfully. Interim rates for 2024 were approved in mid-December and went into effect on January 1. The Commission will consider interim rates for 2025 towards the end of this year if we have not settled a case before then.

This is the first time we have filed a multi-year rate case in Minnesota with the goal of providing smoother revenue increases for the benefit of our customers in the future. The majority of the requested revenue requirement increase could be attributed to the fundamental safety programs we operate as well as some of the projects, which we filed for under the Natural Gas Innovation Act.

Lastly, I want to mention that we have one other rate case we will be filing in 2024 in our Ohio gas business. We anticipate filing this rate case mid-year and will provide more details as we get closer to the filing.

We look forward to working with all of our stakeholders to reach constructive resolutions to all of our rate cases. We believe we are well-positioned in all of our cases as we've made prudent investments for our customers and we've made concerted efforts to reduce controllable O&M for the benefit of our customers. I realize that is a lot of information, but given the relevance of the rate cases to all stakeholder groups and our intense focus on successfully executing this activity, I believe it's important to cover it in some depth with you.

Those are all of my updates for now. With a strong foundation of a simple focus plan to drive value for all stakeholders, 2023 was another great year here at CenterPoint as we continue to build a long track record of consistent execution. I am confident in our path forward as we reaffirm our commitment to our proven strategy into our long-term non-GAAP EPS growth guidance target of 8% in 2024 and at the mid to high end of our 6% to 8% non-GAAP EPS guidance range for 2025 through 2030.

I want to thank all of our employees, but especially those on the front lines, as they've worked hard to provide service to our customers even as we faced a historically hot summer in our Houston Electric service territory, damaging severe storms in Indiana and extreme cold throughout our service territories this winter. 2024 will no doubt bring its own unique challenges, but I am confident we have the right team in place here to manage through them.

With that, I'll hand it over to Chris for his financial update.

Christopher A. Foster {BIO 19186909 <GO>}

Thanks, Jason. I want to echo Jason's sentiments regarding the team's performance this year, seeing them go above and beyond to deliver for our customers, even in some of the most challenging situations. Their dedication and focus have certainly contributed to our delivery of financial results and operational performance outcomes that improve the customer experience.

Today, I'll cover four areas of focus. First, the details of our fourth quarter and annual results. Second, I'll provide additional color around our thoughts regarding the sale of our Louisiana and Mississippi LDCs. Third, an update regarding our positively revised capital plan. And lastly, an update of where we stand with our balance sheet and credit metrics.

Let's start with the financial results on Slide 8. As Jason highlighted earlier, Q4 and full year 2023 was another strong year of financial performance here at CenterPoint. On a GAAP EPS basis, we reported $0.30 for the fourth quarter of 2023. As previously noted, our non-GAAP EPS results for the fourth quarter remove the results of our now divested non-regulated business, Energy Systems Group.

On a non-GAAP basis, we reported $0.32 for the fourth quarter of 2023, compared to $0.28 in the fourth quarter of 2022. With this latest quarter of strong financial performance, we are right at the midpoint of our upperly revised non-GAAP EPS guidance target range of $1.50 for the year.

Taking a closer look at the quarter, growth and rate recovery contributed $0.05, which was driven by the ongoing recovery from various interim mechanisms for which customer rates were updated earlier in the year, such as the Transmission Tracker, or TCOS, at Houston Electric, the DCRF, for which rates were updated in September, and the Texas Gas GRIPs.

In addition, we continue to see strong organic growth in the Houston area, extending the long-term trend of 1% to 2% average annual customer growth, which continues to benefit both customers and investors. Weather and usage were $0.01 unfavorable when compared to the same quarter of 2022, primarily driven by the milder winter weather experienced in both our Houston Electric and Indiana Electric service territories. O&M was $0.01 unfavorable for the fourth quarter and $0.01 favorable for the full year 2023. The Q4 figure was primarily due to the increase in vegetation management, which began in Q3 and continued into Q4.

We saw these expenditures as prudent given the heightened recent drought conditions and other targeted gas and electric projects that should help us improve safety and reliability for our customers. However, even in light of pulling forward O&M, we were still able to achieve a net annual savings.

Lastly, I want to touch on a favorable one-time item related to an income tax benefit, which was recorded in the fourth quarter, which constitutes the majority of our other favorable drivers. Due to the number of divestitures over the last few years, our state income tax footprint has changed. This change in footprint has resulted in a reduced blended state income tax rate, and we now anticipate paying fewer state income cash taxes on a go-forward basis.

Under GAAP, this reduced blended tax rate necessitated the remeasurement of our deferred taxes, which resulted in the one-time income tax benefit. Additionally, the one-time earnings benefit represents future cash tax savings that will provide an additional source of future incremental cash flow to be invested back into our regulated businesses for the benefit of customers.

Closing out the earnings drivers for the quarter, favorability from rate recovery and the income tax benefit was partially offset by a $0.05 increase in interest expense. The primary driver of this was the approximately $6 billion in debt issuances since Q4 of last year, with higher coupon rates. However, the impact of this increase was partially offset by the redemption of the $800 million Series A preferred that occurred in September, which eliminated the approximately $12 million quarterly dividend.

I'll discuss our long-term financing plan and balance sheet in greater detail shortly. Informing our plan was the transaction we announced this morning related to the sale of our Louisiana and Mississippi natural gas LDCs. I'd like to take a bit of time to talk about our thinking here. We were focused on both efficient capital redeployment and investing thoughtfully to eliminate direct earnings implications from the loss in rate base.

As you heard Jason mentioned earlier, we have signed an agreement to sell these quality LDCs, which is anticipated to result in after-tax cash proceeds of approximately $1 billion. This represents an earnings multiple of nearly 32x based on 2023 earnings. This is a tremendous outcome, even when compared to the multiple at which we trade today, and one that demonstrates the continued market demand for gas LDCs. We assume the closing of this transaction will occur towards the end of the first quarter in 2025.

These cash proceeds are expected to provide greater financing flexibility and efficiencies for our capital investments for both our gas and electric businesses throughout the remainder of the capital plan. I want to be clear that we do not see a change in our earnings guidance, nor are we making a downward revision to our capital investment targets through 2030 as a result of this transaction. In fact, as I'll touch on more in a moment, we are increasing our 10-year capital plan target by $600 million in aggregate, despite serving two fewer jurisdictions going forward. This brings our total capital target to $44.5 billion through 2030.

Following on Jason's remarks, in 2023 alone, we invested $700 million above what we guided to at the beginning of the year. Much of this spend helped to backfill the rate base that would be lost in this transaction. This allowed us to make much-needed investments in ongoing projects in resiliency and reliability. And -- although we recognize this temporarily increased our reliance on the balance sheet in the interim, our investment also helped to synchronize capital deployment to prepare for this transaction. This spend supports a consistent, ongoing commitment to, and confidence in, our earnings profile, with no interruption expected to our long-term earnings targets.

Moving on to capital investments. I'll now focus a bit on our capital execution in 2023 and the increase in our 10-year capital plan target shown here on Slide 9. The fourth quarter of 2023 represented yet another quarter of sound capital investment execution by the team here, as we invested $900 million for the benefit of our customers and communities, bringing our 2023 capital deployment total to $4.3 billion.

Given the broader economic impacts our customers are experiencing, we continue to be focused on affordability from both an O&M and an ongoing targeted capital perspectives. Even with the incremental capital investment, we continue to estimate our growth in customer delivery charges at Houston Electric to be equal to or less than the historic inflation rate of 2% through 2030. We have confidence in our ability to achieve this, given the size of the Houston Electric customer base and its tremendous organic growth, securitization charges that are rolling off the bill later this year, and our plan to reduce O&M, as I referenced.

Reducing O&M will continue to be a focus while we execute our core work plan to meet our customers' needs. As we look over the last three years, even with the opportunity to complete more maintenance work on the system, we have successfully reduced O&M at about 2% per year on average over that period, which is the high end of our target. And we are just getting started on using Lean as a methodology throughout the organization, which we expect to help us continue to reduce O&M and enhance the effectiveness of the capital we deploy. But even in its early stages, we are already seeing results.

One recent example that comes to mind comes from our electric business. Through a review of recent reliability outcomes and the associated processes, we identified an internal standard that generated multiple truck rolls to the same location for the same issue. This had nothing to do with the issue not being addressed and fixed it after the first visit, but was an internal standard that was resulting in multiple truck rolls. The team is now implementing a modified standard that gives our front-line crews the ability to assess and address the work, mitigating additional truck rolls, and providing a better customer experience.

This is just a small but meaningful example of improving customer outcomes while also being more efficient in our O&M activities. We certainly appreciate the focus of our teams on the customer and doing the right work while also eliminating the rework along the way.

Here on Slide 13, you can see the cumulative effect. This illustrates a rare attribute in our sector. The charges associated with the work we deliver on our customers' bills has stayed essentially flat over the last 10 years. We are proud and fortunate to serve a thriving community where we seek to thoughtfully invest in key infrastructure, doing our part to enable the economic development of our region.

As we look further out into the plan, I want to provide some additional insight into and address our evolving tax profile to how we're thinking about the financing of our plan. First, the sale of our Louisiana and Mississippi LDCs is expected to provide greater financing flexibility over the course of our plan as we look to deploy those proceeds as well as reallocate the capital previously associated with those businesses.

We are also now assuming moderate pressure coming from evolving tax policy. In particular, this relates to the Alternative Minimum Tax, or AMT. Unlike many others in the sector, CenterPoint has historically been a cash taxpayer. On a prospective basis, given the current guidance, we now assume that our base case is that we are subject to AMT.

However, as we look to the future, we anticipate a cash tax liability that will be partially offset by the credit generated from paying AMT, allowing us to monetize these payments. We expect this cash tax liability will largely be driven by our income tax liability generated from operations and the tax liability associated with the maturity of our ZENS instrument that matures in 2029. I would think of this as simply prepaying cash tax liabilities associated with our ZENS instrument.

With respect to funding incremental capital, our funding strategy introduced last quarter remains unchanged. As we continue to identify and execute incremental capital, equity or equity-like funding would be required, and I'll reiterate that you should assume this equity funding should be in line with our consolidated capital structure. So, as we look to fund the incremental $600 million announced today, of which $100 million was already deployed in 2023, that would imply that we expect to issue approximately $250 million of equity under our ATM program in 2025, in addition to the $250 million we plan to issue in 2024.

To add color to what Jason touched on in his remarks, on a go-forward basis, we anticipate that these modest issuances of roughly $250 million will be programmatic through 2030 as we continue to fund what we anticipate will be expanding capital needs and satisfy our near-term minimum tax obligations. We will be in a better position to provide additional color around our future capital plan and the corresponding financing plan as we get to the other side of our rate case filings.

Finally, to highlight the balance sheet and credit strength. As of the end of the year, our calculated FFO to debt was 14%, delivering the cushion we continue to emphasize. For two reasons I'll touch on, we may be in a transitory period for a few quarters but continue to target FFO to debt through 2030 at our target range of 100 basis points to 150 basis points of cushion to our downgrade threshold of 13%. We are continuing to carry over $400 million of debt at the parent, which was issued to fund our higher equity layer at both Houston Electric and Texas Gas. We believe these are the proper capitalization of these businesses, and we've reflected this in our Texas Gas rate case filing, and we'll do so as well in the CE rate case that we file here in the next few weeks.

Additionally, as both Jason and I touched upon, we performed much more work in 2023 than we had originally anticipated as we made much-needed investments in resiliency and reliability, especially at Houston Electric. The combination of cap structure positioning and the incremental investments is temporary elevating our debt on the balance sheet, which we felt comfortable with as we anticipate cash coming in the door from the sale of our Louisiana and Mississippi LDCs and the recovery of those investments.

An area in which we've seen improvement is the continued reduction of our exposure to floating-rate debt. We reduced floating-rate debt to approximately $1.9 billion in 2023, which represents close to a nearly 60% reduction when compared to 2022. This includes a floating-rate note of $350 million at 5.99%, which matures soon. We remain focused on maintaining a strong balance sheet throughout this interest rate environment. We believe we have built-in conservatism into our long-term plan, and today shows another step in progressing that plan for customers and investors.

Today's announcement and capital allocation focuses on planning for the long-term into jurisdictions with solidly improving regulatory recovery and shared large growing customer bases. This only serves to strengthen an already great plan and execute even in the face of continued headwinds for the benefit of customers and investors. With three consecutive years of 9% growth behind us, we continue to reaffirm our non-GAAP EPS target of 8% this year and the mid to high end of 6% to 8% thereafter through 2030.

And with that, I'll now turn the call back over to Jason.

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Chris. I look forward to leading this company for many years to come in executing what I believe to be one of the best, most tangible long-term growth plans in the industry. I am confident in our team and the organization's continued improvement to enhance an already strong track record of delivering for all of our stakeholders.

Jackie Richert {BIO 22513026 <GO>}

Great. Thank you, Jason. Operator, we're now prepared to take Q&A.

Questions And Answers

Operator

(Question And Answer)

At this time, we will begin taking questions. (Operator Instructions) The first question comes from Anthony Crowdell with Mizuho. Your line is now open.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, good morning, team. A lot to unpack there. If I could just start, Jason, you gave prepared remarks. I think you gave three points about the sale. And one of them was about looking at states where you have combined electric and gas assets for a larger presence. If I then connect that with Slide 16, I'd like to talk more about some of the other gas assets where they're not overlapping to the electric system. Is that also a potential use of proceeds going forward?

A - Jason P. Wells {BIO 19168211 <GO>}

Good morning, Anthony. I appreciate the question. Look, I think, we've got a proven track record here where we look to fund our industry-leading growth plan as efficiently as possible. This will be the fourth transaction over the last three years doing that.

As it relates to the remaining composition after we close the sale of Louisiana and Mississippi, we're really pleased with the states we have the privilege to serve. I think we pointed out we have a bias on a dual-fuel basis, but we also have a bias where we have presence and so we're really happy with the remainder of the portfolio.

I'll just say that we'll continue to look to fund this growth as efficiently as possible, as we've proven over the last few years.

Q - Anthony Crowdell {BIO 6659246 <GO>}

And then, my tax accounting skills are very weak, so I apologize. Should I think of the incremental $250 million a year plus the proceeds you have from this transaction coupled with, I think, the maturity of the ZENS in 2029, that your annual cash tax bill will increase from now, through the plan, or does your cash tax bill decrease and this additional equity or equity-like proceeds are more for CapEx?

A - Christopher A. Foster {BIO 19186909 <GO>}

Sure. Anthony, good morning. It's Chris. I think the simple way to think about it is we've consistently been a cash taxpayer for a number of years. The way I would think about these kind of coming together is you have ZENS out in 2029, but the interesting attribute of the corporate Alt Min Tax is that it actually allows us to reduce that exposure over time. And so, as you look at the different pieces, you'll have the equity component today, you'll have the proceeds from the sale, and offsetting those would be the combination of the Alt Min Tax, at least at this point, forecasted impacts, again, because that's not finalized, as well as the increased CapEx that we highlighted today.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. Thanks for taking my questions. Congrats on a great quarter.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks, Anthony.

Operator

(Operator Instructions) The next question comes from Steve Fleishman with Wolfe Research. Your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes, thank you, and congrats on the sale announcement. So just a follow-up on the question on the taxes. Chris or Jason, do you have a sense of kind of roughly how much cash tax you'd be paying a year, let's say, $24 million, $25 million, or just something that we can use for that?

A - Christopher A. Foster {BIO 19186909 <GO>}

Sure, Steve. Morning. I'll just be rough here. It's roughly $150 million a year as we look at the period from '24 really through 2030. If you just step back, maybe I can help paint the sources and uses for you, Steve, if that helps, just to hit it on the nose. You've got -- at the highest order, what we announced today is you've got the fact that we've already invested in the capital, which we replaced the $700 million of rate base associated with the gas LDCs. We did that while maintaining the upward[ph]of debt cushion and the earnings guidance unchanged.

So, as you look at the sources themselves, we've got from '25 to 2030 is the time period I think about. You've got $250 million per year from the equity piece, you've got the -- that gets you to $1.5 billion. Then you've likely got the ATM issuance or equity-like proceeds, right, which is what that comes from. And so, ultimately, just to put that in perspective, at that amount, at that equity, that's less than 1.5% of our market cap per year.

And on the uses side, you've got a roughly similar amount there, right? So similar, or just shy of about $1 billion through 2030 for the projected Corp Alt Min Tax impact, and then the incremental $500 million of growth CapEx that we talked about today. So that gives us a good amount of comfort that we can really deliver the plan for the long-term, fold in potentially some additional capital over time, and proactively position the balance sheet. And so, I think in the end, I think we all know that the Corp Alt Min Tax piece isn't finalized yet. I think that's something that we're all watching. But this is just the essence of us trying to plan conservatively going forward.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And just on the Alt Min Tax, is that mainly kind of we should watch the things we've been watching for the industry like the repair deduction and things like that could affect whether that ends up being what you're projecting or not?

A - Christopher A. Foster {BIO 19186909 <GO>}

That's accurate, Steve. I would think about depending on where the repairs piece lands that could actually lessen the impact here that we're talking about this morning, related to the Corp Min Tax.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. And then, I know, Jason, you went through all the rate cases, appreciate that. Just curious your thoughts on the new share of the Texas PUC.

A - Jason P. Wells {BIO 19168211 <GO>}

Yes. Thanks, Steve. We've got a long history of working with Chairman Gleeson. He stepped in the role of Executive Director, kind of after Winter Storm Uri. And we have tackled a number of issues here in Texas with him, particularly, I'll think back to the last legislative session here this past year and the work that we did around cost of capital and cap structure from a legislative basis. But I think it's a real opportunity for us to continue to leverage that relationship that we built. I was in with Chairman Gleeson in December prior to the announcement, as I stepped in currently in this role. So we'll maintain a really good relationship there.

But I think, Steve, stepping back, I want to provide a little bit of context about how we're positioning all of these rate cases. I think what may be not understood as well as possible is that last year, we increased revenues in our Houston Electric business by about $300 million through settlements. And as we continue to look forward, we're anticipating a relatively flat revenue requirement. Request in this upcoming Houston Electric rate case, and we'll continue to work with parties constructively to resolve it. And so, I think it's continuing to maintain strong relationships with the commissioners, but equally continuing to work constructively with all parties in the cases.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

Operator

(Operator Instructions) The next question comes from Shar Pourreza with Guggenheim Partners. Your line is open.

Q - Constantine Lednev {BIO 20877967 <GO>}

Good morning team. It's actually Constantine here for Shar. Congrats on a great quarter and update.

A - Jason P. Wells {BIO 19168211 <GO>}

Good morning, Constantine. Thanks.

Q - Constantine Lednev {BIO 20877967 <GO>}

Just following up on the sale announcement, how are you thinking about the timing of reinvestments and use of proceeds as we just think about the potential accretion versus the plan? And do you anticipate this will create more investment capacity versus the 14% metric you highlighted for '23?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes, thanks, Constantine. I think what's important here is we're working off our front foot. We, as we talked about, increased the 2023 CapEx spend about $700 million for critical investments for our customers. That is basically enabling us to put those investments in rates at the same time that we anticipate closing on this sale in early 2025. So effectively, we've pre-funded the loss of rate base. So I think about these proceeds as effectively paying off what has been pre-funded, enhancing the balance sheet, and putting us in a position of continued strength moving forward.

Q - Constantine Lednev {BIO 20877967 <GO>}

Excellent. That makes sense. And do you have any thoughts on the cadence of future updates, especially as you look to optimize around Texas' resiliency, just would you look at any kind of periodic updates or what to expect?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes. No, thanks for the question. As you -- hopefully appreciate at this point, I think we're building a track record of consistent updates throughout the year. I don't think we're going to be, the management team, that waits kind of annually for a cycle. As we have news, we'll share it. And we're constantly looking at enhancing a plan and have built that track record of continuous updates quarter-after-quarter.

I think stepping back more broadly, though, I think as we get to the other side of these rate cases in '25, I look forward to hosting another Investor Day where at that point, we will likely put forward a new 10-year plan into the mid-2030s, just reflecting our long-term confidence in the growth that we have here at CenterPoint. And so, expect periodic updates in between now and then. And then on the other side of these rate cases, a much more comprehensive update underpinning the long-term growth that we have in front of us.

Q - Constantine Lednev {BIO 20877967 <GO>}

Wonderful. Looking forward to it. And maybe just one last cleanup question following up on the regulatory side. Any lessons learned in the active cases, especially as you're considering the Houston filing now in March, and any thoughts on settlement prospects or partial settlement of issues?

A - Jason P. Wells {BIO 19168211 <GO>}

A little fun fact on this Houston Electric rate case that as we are putting the final touches on the filing, it'll be the smallest revenue requirement increase requested in the history of CenterPoint or its predecessor companies back to 1975. And so, I think it's really --I think reflective of the hard work that we're doing to maintain affordable service for our customers despite significant increases in improving system resiliency and reliability. So, in that way, I hope we're putting forward, and I think we are a very constructive revenue requirement increase.

As I look forward on that procedural schedule, there's the possibility of potentially settling a Houston Electric rate case sometime mid-summer, kind of in between intervener testimony and hearings. But again, I think our focus is on filing a compelling case for all stakeholders and then working constructively through that process.

Q - Constantine Lednev {BIO 20877967 <GO>}

Excellent. That's very helpful. Thank you for taking the questions today. Take care team.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks, Constantine.

Operator

(Operator Instructions) The next question comes from Durgesh Chopra with Evercore. Your line is open.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey guys, good morning. Thanks for giving me time. Can I just quickly clarify the rate base number on the two gas LDCs that we're selling? Is it $700 million or $800 million?

A - Jason P. Wells {BIO 19168211 <GO>}

It was roughly $800 million of rate base that we have invested in Louisiana and Mississippi. The $700 million is what we increased our capital expenditure plan in 2023, effectively pre-funding the anticipated rate base that will go with that sale of Louisiana and Mississippi.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. Thanks so much. And then maybe just as we think about future capital raises, Jason and/or Chris, what's the cadence of equity -- potential funding to equity in future capital raises here as we look to out years?

A - Christopher A. Foster {BIO 19186909 <GO>}

Sure, Durgesh. And we're going to be consistent here with where we have been and that is as we look at the potential for incremental growth CapEx opportunities. You should think about them funding -- us funding them in line with our regulated cap structure. So again, just directionally about 50-50 there.

And again, as we look even just here in the Houston area, we continue to see really growth on all fronts, the residential side, including housing starts increasing year-over-year, and then substantial opportunities as it relates to the industrial side. In particular, most recently, you probably have seen that the Department of Energy identified a series of hydrogen hubs across the country. No surprise that one of those is here in Houston.

And really what's compelling about it is, is not only the opportunities that it presents for economic growth for the communities and overall load growth, but the fact that it creates permanent jobs, right, to the tune of over 30,000 to 35,000 jobs is what they've identified there. So that's really the type of growth that we're excited about there, and it could be hydrogen, it could be residential, it could be small and medium business. We're really just appreciative of the community that we have the privilege to serve.

Q - Durgesh Chopra {BIO 20053859 <GO>}

I appreciate that color. Thank you very much. And I apologize, but just one last one. The $115 million a year in cash taxes, Chris, that you alluded to, was that incremental or higher cash taxes payments versus your previous plan, or is that inclusive of this whole new AMT? Is that a total amount, or is that just the incremental amount?

A - Christopher A. Foster {BIO 19186909 <GO>}

I would think about that, Durgesh, as the incremental amount.

A - Jason P. Wells {BIO 19168211 <GO>}

So, Durgesh, just a little bit of color around this. As we've talked about, CenterPoint has historically been a federal cash taxpayer. The last couple years, we talked about adopting the repairs tax and really minimizing that bill, right about the time that our cash taxes would be coming down, it's right about the time it will be subject to the mid-tax. And so think about this as kind of incremental as we had worked down that federal cash tax payment position.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. Thanks so much. I appreciate the time again.

A - Jason P. Wells {BIO 19168211 <GO>}

Thank you.

Operator

(Operator Instructions) The next question comes from Sophie Karp with KeyBanc. Your line is open.

Q - Sophie Karp {BIO 19699392 <GO>}

Hi. Good morning, guys. Thank you for taking my question, and congrats on a strong quarter and the year.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks. Good morning, Sophie.

Q - Sophie Karp {BIO 19699392 <GO>}

So, I can ask you a question about the, I guess, the new filing and the new resiliency filing in Texas under the new law, right? So you already have most of your CapEx in Texas recovered through contemporaneous mechanisms. So what kind of an impact do you anticipate from, I guess, separating some part of your capital there into this resiliency trackers potentially?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes. Thanks for the question, Sophie. I wouldn't necessarily think about this resiliency filing as changing the mechanism of recovery. I think we'll continue to pursue the constructive distribution and transmission capital trackers that we have currently. I think the real benefit, outside of really putting forward a three-year plan that will look at the cost-benefit analysis of these investments to make sure that we're prudently investing on behalf of our customers. The real benefit financially is that the distribution capital that is subject to that approved three-year plan. Effectively, we will minimize regulatory lag associated with that investment. That regulatory lag is effectively when we put that capital into service, we begin depreciating it, we begin to record interest in taxes on it. Those amounts today fall to the bottom line in the form of regulatory lag before the capital is put into rates.

As we look forward now, we have the opportunity to defer those post and service carrying costs until we start collecting the capital investment in rates. The way that I think about this from a rule-of-thumb standpoint is about every $300 million of eligible distribution capital is worth about $0.01 of savings in terms of regulatory lag. And so think about this less as a new mechanism for recovery and more about helping minimize regulatory lag on our system investment.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. That is super helpful. Thank you. And then another question was on the capital plan increase, right? The incremental $4 billion that you guys are showing. Should we think about this as more or less like a ratable increase over the 10 years, like over the remainder of the plan rather, or is there some shape to it?

A - Christopher A. Foster {BIO 19186909 <GO>}

Sure thing. Hi, Sophie. I think it's fairly ratable. I think maybe a couple of the exceptions relate specifically to a few things that we're looking at in Indiana in particular related to some generation projects there. Those tend to be just inherently a little bit larger as we work those into the plan. But otherwise, really across the plan, I think the thing to emphasize here is we don't -- there's no real big bets that we're looking at here. This is very straightforward, just base utility CapEx that we're looking at.

Q - Sophie Karp {BIO 19699392 <GO>}

Great. Thank you. That's all from me.

A - Jackie Richert {BIO 22513026 <GO>}

Operator, I think we have time for one more question, please.

Operator

Okay. The last question will come from Julien Dumoulin-Smith with Bank of America. Your line is open.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey, good morning, team. Thank you guys very much. Appreciate it.

A - Jason P. Wells {BIO 19168211 <GO>}

Good morning, Julien.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey, excellent. So, I just wanted to close this out, if you don't mind, on the next quarter here as we think about the multi-year resiliency filing that you're going to be coming forward with. I just want to clarify this. We've talked a lot about the ATM, the $250 million here. We've talked about the asset sales. How do you think about, especially the asset sales side of this, effectively pre-funding any portion of that resiliency plan to come here in the next quarter? Just want to really clarify how much incremental equity could be coming as part of a yet higher CapEx number associated with a fully dispositive resiliency filing?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes, Julien, thanks for the question. I mean, I think what we're trying to do is lay out kind of the pieces here. We've been investing, as you know, in improved resiliency for the community here in Houston over the last couple of years, starting with kind of resiliency now, and part of the $700 million that we increased our CapEx plan last year in 2023 by were investments directly attributable to improving system resiliency. And then as well, when you think about this transaction, there's the approximate billion dollars in after-tax proceeds, which really helps fund that pre-investment that I've been speaking about.

But the other opportunity that I want to stress is, in our previous 10-year capital plan ending 2030, we had about $1 billion of incremental investment earmarked for Louisiana and Mississippi. Upon closure of those, we'll obviously continue to invest through the close of the sale, but after that sale closes, we'll be able to take that billion that we had allocated to Louisiana and Mississippi and redeploy back here largely into Houston Electric for resiliency programs.

So there's an opportunity there to get the improved recovery that I just mentioned in my answer to Sophie. I think there's also the opportunity, we were under-earning in Louisiana and Mississippi, so by redeploying that capital back in Houston Electric, redeploying it in a jurisdiction where you have a higher earned return, so there's that kind of enhancement. So I wouldn't necessarily look at this as incremental equity coming out of this resiliency filing. This is, again, ways to support the pre-funding, the increases that we've seen, as well as reallocating capital to support those programs and enhancing our long-term EPS growth plan.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Got it. Excellent. And I know you commented on the Houston Electric ability to settle here, but the gas side of it, assume the same, in terms of broad sentiments, maybe you can speak to that a little bit more on timing, too.

A - Jason P. Wells {BIO 19168211 <GO>}

Yes, no, thank you for that question. We've got our third settlement conference in the Texas gas rate case here at the end of the month in February. That was a -- what we believe is a relatively modest rate increase, and as we've talked about in the past, a number of customer classes are experiencing a significant rate decrease. And so, we're optimistic that given the constructive nature of the request that we can kind of find a settlement.

To the extent that we can't, we would anticipate a decision in that case probably mid-summer this year. So, we'll continue working the settlement front according to that settlement schedule, and then as I said, we have the opportunity with the Houston Electric rate case sometime mid-summer to potentially settle that as well.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

All right. Excellent. All right, best of luck guys. We'll speak next quarter. Cheers.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks, Julien.

A - Christopher A. Foster {BIO 19186909 <GO>}

Thank you.

A - Jackie Richert {BIO 22513026 <GO>}

Great. Operator, with that, that will conclude our Q&A for today's call.

Operator

This concludes CenterPoint Energy's fourth quarter and full year earnings conference call. Thank you for your participation. You may now disconnect.