Q4 2022 Earnings Call

Company Participants

- David J. Lesar, Chief Executive Officer
- Jackie Richert, Vice President, Investor Relations and Treasurer
- Jason P. Wells, President and Chief Operating Officer

Other Participants

- Durgesh Chopra, Analyst, Evercore
- Jeremy Tonet, Analyst, J.P. Morgan
- Nicholas Campanella, Analyst, Credit Suisse
- Shahriar Pourreza, Analyst, Guggenheim Partners
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Good morning, and welcome to CenterPoint Energy's Fourth Quarter 2022 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 Managements remarks. (Operator Instructions)

I will now turn the call over to Jackie Richert, Vice President, Investor Relations and Treasurer. Ms. Richert?

Jackie Richert {BIO 22513026 <GO>}

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO; and Jason Wells, our COO, will discuss the Company's fourth quarter and full year 2022 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 adjusted diluted earnings per share on a consolidated basis, referred to as non-GAAP EPS. For information on our guidance methodology and reconciliation of our non-GAAP measures used in providing guidance, please refer to our earnings news release and presentation, both of which can be found under the Investors section on our website.

As a reminder, we use our website to announce material information. This call is being recorded. Information on how to access the replay can be found on the website.

Now, I'd like to turn the discussion over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Thank you, Jackie. Good morning, and thank you to everyone joining us for our fourth quarter 2022 earnings call. It's been nearly 2.5 years since I was appointed CEO here at CenterPoint. They have certainly been eventful and I am pleased with the significant amount of progress that we have made, from managing through a global pandemic, to operating through historically extreme weather, to now navigating the highest rate of inflation the US has seen in the last four decades. I believe this is a Management team that can take on and overcome any challenge. Since I got here, there really hasn't been a dull moment, but make no mistake, I love leading this Company and its many great employees.

Through these unprecedented times, CenterPoint employees stepped-up and continued to deliver results for the benefit of our customers, communities and investors. And as most of you have seen, when Jason took over as CNP's President and COO on January 1st, we made a few more Management changes to make sure that we are creating a deeper bench and continuing to execute on our succession plan to create a Company where our employees have the opportunity to be challenged, grow in their careers and help us execute our winning strategy. We have a more diverse Leadership team than when I first started, and one that has certainly become well-regarded in the industry. I firmly believe that we have the right team to execute on what we believe is one of the most tangible long-term growth plans in the industry and of course, we continue to execute well.

I'm happy to share that the fourth quarter of 2022 is our 11th consecutive quarter of meeting or exceeding earnings guidance expectations. Today, we announced fourth quarter non-GAAP EPS of $0.28 and full year non-GAAP EPS of $1.38. This annual 9% growth rate over 2021 establishes a new higher base from which we will grow our annual earnings for the balance of our plan through 2030. Also keep in mind, we also grew non-GAAP EPS by 9% in 2021. At CenterPoint, we don't use CAGRs for our EPS growth, we are focused on growing off our delivered results each and every year. Today, we are also reaffirming our 2023 non-GAAP EPS guidance range of $1.48 to $1.50, an 8% growth rate at the mid-point from the new higher base of $1.38. Jason and I believe in having transparency with our business operations, so we can present our investors visibility into our performance by having one of the tightest guidance ranges and one of the longest duration growth rate targets in the industry.

I also want to highlight what else we accomplished just last year. We became a pure-play regulated utility with a complete divestiture of our investment in energy transfer in March of 2022. For the benefit of our stakeholders, we recycled those sales proceeds back into our regulated businesses. As a result of this divestiture, well over 95% of our earnings now come from our regulated utility operations. We closed on the sale of our Arkansas and Oklahoma LDCs for which we received a Landmark valuation. And once again, we were able to use the sale proceeds to further invest in our regulated businesses for the benefit of both our customers and investors. We completed the final few steps of our Vectren integration, which resulted in a better-aligned operational and financing structure to benefit customers and investors going forward.

Additionally, we've made great progress on our Indiana Integrated Resource Plan with the approval of the 460 megawatt gas plant earlier this year. The filings for several renewable projects, including our first wind project, and as Jason will discuss, the regulatory approval for the first-of-its-kind Indiana Securitization of the AB Brown coal facility in early-January of this year. As we progress on our IRP, we continue to advance towards achieving our net zero carbon emission goals. And finally, in the third quarter of 2022, we increased our 10-year capital plan by $2.3 billion, taking it from $40 billion plus through 2030, to now $43 billion through 2030. With a focus on additional investments in grid reliability and modernization, this $2.3 billion in additional planned capital should not only allow us to provide safer and more reliable energy for our customers, but should also allow us to continue to reduce O&M over the longer-term which additionally benefits both customers and investors alike.

As we have stated in the past, the current capital plan can still be executed with no external equity issuance. On top of the $2.3 billion we formally added to our capital plan, we've also identified an additional $3 billion of other potential capital opportunities. As we've said, we will fold-in this additional $3 billion of capital when we believe we can operationally execute it, efficiently fund it and minimize the regulatory lag associated in recovering it. 2022 was truly an exciting and productive year here at CenterPoint and we are confident that this strong momentum will continue into the new year.

Now turning to our earnings guidance. As I stated at the top of my remarks, we earned $0.28 of non-GAAP EPS for the fourth quarter of 2022, and $1.38 for our full year 2022. This represents a 9% growth rate when compared to our 2021 non-GAAP utility EPS. We continue to expect to grow non-GAAP EPS 8% in both 2023 and 2024 and then to mid-to-high-end of the 6% to 8% thereafter annually through 2030. This is an industry-leading growth rate. Jason will provide additional details regarding our financial results later.

Now let's move to capital investments. In the fourth quarter of 2022, we deployed a CenterPoint record $1.6 billion of capital across our various jurisdictions, bringing our total capital invested for the year to $4.8 billion. The $1.6 billion of fourth quarter capital was approximately $200 million above what we previously indicated on our third quarter call. Some of this increase was due to initial investments made to facilitate the expansion of an already world-class facility, the Texas Medical Center or TMC, as it begins its expansion to double it's size over the next five years or so. Over those next five years, we are anticipating investing over $200 million in the TMC and surrounding community.

These investments will consist of a large new substation and several system hardening projects impacting and strengthening the resiliency in the TMC area. This will also include reinforcing transmission and distribution lines and strengthening current substation equipment. The expansion of the TMC exemplifies the continued growth in the Houston area, as it remains an attractive city in which to live and work. So, for those of you that worried that our organic growth would slow post-COVID, it just has not happened.

Let's look at the numbers. Since the COVID recession, the State of Texas has added nearly 1.1 million jobs, a testament to the underlying fundamental strength of the Texas economy as a whole. Looking at things more locally, amazingly over the past year, the greater Houston area saw record employment growth, with an estimated 179,000 jobs added. It also saw it's population increase by almost 300,000 people to nearly 7 million. This is now like adding a city the size of Irvine, California to our footprint in just one year. We see this trend continuing as the Texas miracle keeps humming along.

Housing starts for the combined Houston and Dallas area over the last year saw a combined 153,000 housing permits in 2022, nearly 40,000 more units than the entire State of California during the same period, which has nearly 25 million more people. This business and residential organic growth continues to drive the potential for the additional upside to our existing $43 billion 10-year capital plan that I discussed earlier. Therefore, our plan also allows for flexibility and potential capital spend upside through 2030 and beyond, as we see additional opportunities to support our customers own growth plans. This growth is just one of the reasons we believe we are uniquely positioned as a Company.

Despite the many moving parts impacting our plan, we remain confident in our continued ability to execute this industry-leading growth plan. We've taken a conservative approach to estimating organic growth and weather trends, among other assumptions, which we see as potential tailwinds to offset the headwinds of higher interest rates, inflation and other potential unknown issues that always arise in business. Additionally, our regulatory return assumptions across all of our jurisdictions are generally consistent with what we currently have approved by our various regulators and we are using to manage our business today.

With all that being said, one of our key priorities is always to limit the impact of our investments on customer bills, especially during these times of high inflation, rising interest rates and a potential recession. We believe our capital plan not only benefits customers from a service reliability standpoint, but also from an affordability perspective as well. For example, in the Houston area, which has the highest concentration of our planned capital spend through 2030, we anticipate that these investments in combination with our O&M reduction goals and securitization charges rolling-off, should result in an average customer bill increase of only 2% or less per year, well below current inflation rates. We are also encouraged by the recent decline in natural gas prices, which should create some downward pressure on utility bills.

We believe our capital plan around modernization of the grid here in Houston will enhance the customer experience for both our new and existing customers. Will also help accommodate the immense residential and industrial growth the Houston region is now experiencing. These investments should help reduce widespread outages and in-turn reduce service calls. Fewer service calls, a more reliable system and a strong growing organic customer base in the Houston area is also the perfect combination for us to stay on our path of 1% to 2% average annual O&M reductions over the 10 years of our plan.

Next, I want to also briefly discuss where we are in our CFO search. First, Jason and I have been thrilled with both the number and quality of the applicants for the CFO position. So far, the process has confirmed what we already knew, this is a really attractive job at a really great Company. We are in the process of evaluating candidates to make sure we find someone who will provide a complementary skill-set and be a good fit with the rest of our great team we already have in-place.

And so to close, 2022 was a great year here at CenterPoint and all of our customers, employees and shareholders have a lot to celebrate. But we remain very much focused on building a long-term track-record of execution for our investors and maintaining affordability for our customers. We continue to believe we have one of the most tangible growth plans in the industry as we are uniquely positioned with great opportunities to better serve our growing customer base. Continued organic customer growth, especially in the Houston area and our opportunities to reduce O&M, give us confidence that we can execute our plan. I think I speak for all of us at CenterPoint, when I say that we are looking-forward to 2023 and building upon an already strong premium utility investment thesis.

Finally, I want to acknowledge and thank all of the CenterPoint employees for a job well done last year, especially those that worked through the year-end holidays to ensure that lights stayed on for our customers during the record cold weather that hit millions across the US and also the recent tornado that devastated the Cities of Deer Park and Pasadena and surrounding communities in the Houston area. This tornado stayed on the ground for 18 miles and cause more damage than any tornado in Texas in the past 30 years. This Management team and all of the employees here at CenterPoint understand our unique responsibility in all of our service territories appreciate the opportunity to serve our approximately 7 million metered customers.

With that, I'm going to turn the call over to Jason.

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Dave, and thank you to all of you for joining us this morning for our fourth quarter call. I want to echo Dave's thanks to all of our employees here at CenterPoint and express my sincere gratitude for the great work of our teams during these recent periods of inclement weather. For those who sacrificed their holidays, so that customers throughout our service territories can enjoy theirs, to those that helped recently restore service after the extreme tornado activity in late January, and now recently the crews who have helped with restoration efforts after the recent ice storms in other parts of Texas. It shows we have a committed and talented workforce dedicated to delivering for our customers and our shareholders.

I'll start by covering the financial results for the quarter shown on Slide 5. On a GAAP EPS basis, we reported $0.19 for the fourth quarter of 2022. As in previous quarters, our GAAP EPS results include a portion of the tax on the gain on sale of our Arkansas and Oklahoma gas LDCs, which we are required under GAAP to recognize over the course of the full year. The quarterly results also include a one-time non-cash charge of $0.06 net of tax related to the de-risking of our long-term pension exposure, which I'll discuss in more detail in a few minutes. On a full year basis, we reported $1.59 per share, which also included the gains from the sale of the previously mentioned gas LDCs in addition to the sales of the energy transfer common and preferred partnership units earlier this year.

On a non-GAAP basis, we reported $0.28 for the quarter of 2022 compared to $0.27 in the fourth quarter of 2021 and $1.38 for the full year of 2022 as compared to a $1.27 for the full year of 2021. This is 9% growth on top of 2021 in which we also grew 9%. This is an industry-leading growth rate. Growth in rate recovery contributed $0.06, largely driven by continued rate recovery through our electric distribution capital tracker, the DCRF and our electric transmission tracker, TCOS, in our Houston Electric territory. In addition, we continue to see strong organic growth in the Houston area with another nearly 2% increase in residential growth over last year.

Weather and usage for the fourth quarter was also a favorable $0.02 when compared to the same quarter of 2021, driven by a combination of extremely mild weather in the fourth quarter of 2021 as compared to a more seasonally normal weather in the fourth quarter of 2022. These favorable drivers were partially offset by higher interest expense of $0.06, primarily driven by higher interest rates and $0.01 related to absorbing costs previously allocated to our midstream segment in 2021.

I want to briefly touch on O&M for a moment. We continue to find savings opportunities to achieve our reduction target of 1% to 2% per year on average over the course of our 10-year plan through 2030. For the year, we were $0.02 unfavorable as compared to last year. However, as you'll remember, due to favorable weather during last summer's hot months, we were able to pull-forward O&M from 2023 for the benefit of our customers. This is consistent with the approach we used in 2021 and should we have weather benefits in 2023, we will certainly contemplate doing so again. Overall, I continue to remain pleased with our ability to drive efficiencies in our business and remain confident we can continue delivering on our goal of reducing O&M 1% to 2% annually on average.

As Dave mentioned, we are reaffirming the full year 2023 guidance range of $1.48 to $1.50 of non-GAAP EPS, which reflects 8% growth over the full year of 2022 non-GAAP EPS of $1.38, when using the mid-point of the previously increased guidance range. Beyond 2023, and from the re-affirmed 2023 guidance of $1.48 to $1.50, we continue to expect to grow non-GAAP EPS 8% in 2024 and at the mid-to-high end of 6% to 8% annually thereafter through 2030. Our focus continues to be on delivering strong industry-leading growth each and every year.

Turning to capital investments on Slide 7. As Dave mentioned, for the benefit of our customers, we invested $1.6 billion in the fourth quarter and $4.8 billion over the full year in 2022. This is a $1 billion or a 25% increase from the target we provided at last year's Analyst Day. Much of this increase was due to our nearly $500 million investment in our temporary emergency mobile generation units and the accelerated resiliency-related investments we pulled forward as part of the nearly $3 billion increase to our capital plan outlined on our third quarter earnings call. The capital that was pulled forward to 2022 included capital deployed in the fourth quarter to support the rapidly expanding Texas Medical Center. All of these investments are driven by our continued focus on safety, resiliency, reliability, growth and clean energy enablement of our service.

Turning to our generation related investments, we've made good progress on our current integrated resource plan, including the last filing for generation and owned wind project that we expect to come online sometime in 2024 or early 2025. And the IURC's approval of our 130 megawatt owned solar project and we refiled PPAs associated with two solar facilities to accommodate various developer price increases. These projects, in addition to the ones already in service, total approximately 800 megawatts of expected owned and contracted solar generation, which tracks well against our IRP goals that call for approximately 700 to 1,000 megawatts of solar and approximately 300 megawatts of wind.

As it stands for the current projects, we expect to own approximately 60% of our renewable generation and contract for the remaining roughly 40%. With that said, and with recent changes in law, namely the Inflation Reduction Act, the proportion of owned and contracted renewables may be different for additional projects included in our next IRP, which we plan to file in the middle of this year. This upcoming IRP should provide guidance on our remaining coal-fired assets. As we've mentioned before, as a foundation for this IRP, earlier this year, we conducted an all-source request for proposal where we received nearly 100 proposals from several dozen participants including wind, solar and battery storage, that will help inform our IRP process. We look-forward to working with stakeholders through the IRP process to develop a constructive outcome for our customers, that allows customers to achieve those savings through efficient renewable generation, rather than coal generation, which requires significant ongoing O&M expense.

Moving to a broader regulatory update on Slide 8. We have securitization efforts continuing in a couple of jurisdictions. We anticipate receiving securitization proceeds in the coming months in Texas, related to the incremental natural gas costs, related to winter storm Uri which will securitize approximately $1.1 billion of these costs. We had anticipated receiving these proceeds before year-end 2022, but it has been delayed. This delay has been driven by various stakeholders in Texas exploring alternatives including potentially appropriating State surplus funds to pay this off in whole or in-part for the benefit of our customers. We are supportive of this customer-focus process and anticipate resolution soon.

In addition to the Texas securitization, we recently received approval for our Indiana securitization for approximately $350 million for costs related to the retirement of two coal facilities. This is a first-of-its-kind filing in Indiana, allowing for more affordable transition to cleaner generation sources for the residents of Southern Indiana. We want to thank all stakeholders, including the Indiana Utility Regulatory Commission in working through this unique process to achieve a constructive outcome for our customers. Beyond the securitizations, we will continue to recover the $78 million in Texas related to the traditional distribution capital portion of the DCRF, which went into rates in September.

We recently received a proposal for decision from the Administrative Law Judges at the State Office of Administrative Hearings, an agency that is separate from the PUC, recommending to the PUC the disallowance of recovery of our temporary emergency generation units. We're disappointed in this proposed decision as we don't believe this is the correct reading of the law and now that the case is back in front of the PUC for a final decision, we look-forward to a constructive resolution in this case.

As a reminder, we invested in these units following winter storm Uri, where more than half of our Houston area customers were without power for extended periods of time. Texas lawmakers acted quickly and decisively after that event to enact certain measures that would mitigate the impacts of severe weather detections. The passing of the bill to allow Texas T&D companies to use temporary emergency mobile generation which can aid in reducing the number and/or duration of outages during significant load shed events was perhaps the most significant mitigation measure passed into law following winter storm Uri.

In fact, these units were deployed as recently as a few weeks ago to get children back into the classroom after previously discussed Tornadoes outages throughout the Houston Metro area and just last week we sent some of our units to Austin to be ready to assist in recovery efforts from the recent ice storms. We have and we will continue to advocate vigorously for the use of this critical tool for the benefit of our customers and in a manner that is consistent with the law. We expect a final ruling on our 2022 filing by the end of this first quarter.

Lastly, to cover some credit-related topics. As of the fourth quarter, aligning with Moody's methodology or FFO-to-debt as-reported was slightly below 14% and approximately 15% when adjusted for the $1.1 billion of outstanding debt related to winter storm Uri extraordinary gas costs. As a reminder, we are deferring the interest expense associated with this debt balance until the statewide securitization is issued. As I mentioned, we had anticipated receiving the bond proceeds associated with the Texas securitization before the start of 2023, which in-part is the reason why we're carrying higher-than-expected levels of commercial paper in floating rate debt at year end. When we receive those proceeds, we plan to pay-down a mix of floating rate debt at high-coupon debt. In addition, we also saw higher gas prices and usage during the December close down, which also led to elevated levels of variable rate debt that we believe will be transient in nature as we expect to collect the majority of this balance over the coming months.

To revisit the pension item I discussed a few minutes ago, we entered into an annuity lift-out whereby roughly a $140 million of pension plan obligations and corresponding plan assets related to previously divested businesses were transferred to an insurance company. This transaction allowed us to de-risk our future obligations for which we don't receive regulatory deferral. As we've previously mentioned, we get deferral on approximately two-thirds of our pension expense. As a result of this lift-out, we recognized a non-cash settlement charge of $47 million, which represented the acceleration of unrecognized losses deferred under the pension smoothing rules. Through a combination of an increase in discount rates and lump sum settlements, including the annuity lift-out, our total pension liability was reduced in 2022 by approximately one-third or $700 million.

Our strong cash flow from operations, coupled with our efficient recycling of capital, puts us in a position of still being able to offer industry-leading growth that doesn't require external equity to fund our current 10-year capital plan through 2030. Those are my updates for the quarter, as we continue to express, we take our commitment to be good stewards of your investment very seriously and realize our obligation to optimize stakeholder value.

Now with that, I'll turn the call back over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Thank you, Jason. As you've heard from us today, we have 11 straight quarters of meeting or exceeding expectations. We are a pure-play regulated premium utility and on a course of continuous execution of our plan, with incremental growth opportunities to support our customers.

Jackie Richert {BIO 22513026 <GO>}

Thank you, Dave, and thank you for all of you for joining. We'll now turn the call over to Q&A and ahead of this long holiday weekend, we'll try and limit it to one question and one follow-up. Operator?

Questions And Answers

Operator

Thank you. At this time, we are taking questions. (Operator Instructions) Thank you. Our first question is from Shahriar Pourreza with Guggenheim Partners. Your line is open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey guys. Good morning.

A - David J. Lesar {BIO 1519300 <GO>}

Hey, Shahriar.

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

Good morning.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Dave, just I wanted to start off with a question on the capital markets environment and how you're sort of thinking about debt metrics at this point. Deferred costs have obviously been elevated including fuel, you had a securitization delay in '22, you've seen around a $0.06 of incremental interest drag across the utilities and parent in 4Q. I guess how should we think about resolving some of -- some of these carry cost and managing the interest rate exposure and cost pressures in the near-term?

A - David J. Lesar {BIO 1519300 <GO>}

Let me, yes, let me ask Jason to put his CFO hat back on for a minute, and answer -- and answer that one.

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

Good morning, Shar. I appreciate the question. Obviously, we're not immune to the interest rate headwinds that everybody is facing these days, but we're confident we can manage through these challenges. We continue to have more tailwinds than we do headwinds overall. As it relates to kind of interest expense, let me make a couple of points. First is we saw interest rates rising last year. We embedded conservative assumptions around interest rate costs in the '23 guidance that we initiated in the third quarter call. So, I feel confident that we can accommodate some of the variability that we've recently have been seen.

The second thing is, I kind of touched on it in my prepared remarks, you know we ended the year with slightly higher elevated working capital balances due to higher gas cost that we were purchasing in late third quarter, early fourth quarter. You know as gas prices have come down now, we expect those working capital balances to turn pretty quickly. That should take a little bit of pressure off and then you know, as you mentioned, while we get to defer the interest expense on the extraordinary gas costs from winter storm Uri here in Texas, we still anticipate receiving that $1.1 billion in securitization proceeds in the coming future and that will really help reduce the overall variable-rate exposure. So again, we feel confident that we can manage through any interest rate headwinds.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Perfect. And then just lastly for me, just maybe touching base on sort of the expectations for the upcoming Texas rate case. I know we've had some data points from the Oncor process and despite the confusion with the PFT which was eventually rectified, there seem to be really a focus on finding rate relief for customers and other peers obviously in settlement discussions. Just maybe from a high-level, Dave, what are sort of the major categories of that revenue really if you anticipate seeking, is it primarily rate base, is it deferred cost, is it O&M true-ups? And do you anticipate a noticeable rate increase from the '24 filing or do you think you guys have enough levers and plan to show even a potential rate reduction despite the ask? Thanks.

A - David J. Lesar {BIO 1519300 <GO>}

Well, that's a -- that's a handful of a question. Let me -- let me just answer it by saying, I don't think it behooves us to try to front-run what might happen, what bills might get put in, where we're early in this session, Jason Ryan and his team are heavily engaged in Austin with respect to looking at opportunities that are going to be primarily focused on making sure we keep customer bills under control. But I don't think it would make any sense at this point to talk about specific efforts or bills that we would like to see put forward. I would just say, watch this space and I think when we come with our first quarter call, which will be later this spring, we'll be way more into the session at that point in time and I think you and all of us will have a better idea where that might be headed and what bills are likely to get passed. But for now, I just don't see any upside, save anything more on it.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Sure. (multiple speakers)

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

If I may add, you know obviously, as Dave alluded to, we're early in the legislative session. On the regulatory front, though, as we look at the upcoming rate case for Houston Electric, obviously customer rates are top-of-mind for all of us here at CenterPoint. I don't anticipate at this point much in the way of a revenue requirement increase. I'm proud of the work that the teams have done with respect to O&M and as you look at you know, where we set the test year for the 2019 rate case and kind of where O&M is currently trending, I think we can offer a fairly significant revenue reduction in the upcoming rate case.

That would offset any of the other things that we are trying to pursue like a more equitable equity layer and in addition I think we're pretty fortunate in the fact that maybe unlike Oncor, we have very little, relatively speaking in a way of deferred costs as regulatory assets and so I think we can again position the Company sort of to have a more equitable equity layer relative to some of the non-ERCOT T&D companies here in Texas. But at the same time, keep the revenue require rate very modest. So, we're you know in a I think a fairly fortunate place as we as we prepare for that filing.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Terrific. Thanks, Jason. That actually hit exactly what I was trying to ask. Appreciate it. Thank you, guys.

Operator

Thank you. Our next question comes from Nick Campanella with Credit Suisse. Your line is open.

A - David J. Lesar {BIO 1519300 <GO>}

Good morning, Nick.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Hey, good morning. I cut out there, but I think I heard my name, so, I hope everyone is doing well. I guess just on the -- on the CFO search, I just wanted to tie that off, when is your intention to have something more formally announced here? Is it by the next quarter call, or are you taking your time? Thank you.

A - David J. Lesar {BIO 1519300 <GO>}

No, I think by the next quarter call, we should have someone announced and on-board. We're down to a handful of finalist candidates. As I've said, part of it is just the process of getting an individual or individuals in, get them interviewed and more importantly for me, making sure that they have a complementary skill-set to not only Jason, but the broader Executive committee we have here. But, I think as we said in the call, we've been really pleased with the quality of candidates that we've talked to. This is a really great job, believe me. I think, Jason would attest to that. This is a great job and we're going to get a great CFO out of it.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Great. Thanks. Thanks for that. And then, I just thought the annuity lift-out comments were interesting, can you just maybe walk us through that strategic action, a bit more? And I guess if you weren't to pursue that, how would that affect your 6% to 8%, you know, presumably I guess it would be a headwind and could you quantify, you know that at all? Thanks.

A - David J. Lesar {BIO 1519300 <GO>}

Yes, let me ask Jason to put his CFO hat back on and answer that.

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

Good morning, Nick. What I would say, kind of overall the annuity lift-out was a strategic decision to de-risk our exposure to businesses that we disposed off. Think about this as part of the continued effort to focus CenterPoint on a strong set of regulated operating companies. You know we've been very active in exiting unregulated businesses and a handful of couple of -- of gas utilities in Arkansas and Oklahoma. And so this was really just a step to de-risk any of that tail exposure from those employees that are currently receiving pension annuity benefits. As I said, it was non-cash. You know there's a really kind of liquid market for this, insurance companies took the obligation, they took the assets, it has no impact on our pensioners. But to your point, we now don't have any P&L volatility associated with exposure to changes in interest rates, asset returns, etc. So, it's a great way to de-risk future earnings. It's a great way to continue to execute on our strategy of focusing on a set of high-quality utility assets and really proud that we could get this work done here in the fourth quarter.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Thanks for the color and have a great long weekend.

A - David J. Lesar {BIO 1519300 <GO>}

You too. Thank you.

Operator

Thank you. Our next question comes from Steve Fleishman with Wolfe Research. Your line is open.

A - David J. Lesar {BIO 1519300 <GO>}

Hey, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes, hey, good morning, Dave. Good morning, Jason, Jackie. So, just maybe high-level a little bit on Texas political regulatory, you know obviously the -- the backup generation has proven to be pretty valuable in the short-time you've had it and we still have this kind of disagreement on recoveries and just between that decision legislature, next rate case, just how are you feeling about you know both commission and political leadership recognizing the importance of certainty and the value of kind of what you're doing?

A - David J. Lesar {BIO 1519300 <GO>}

Yes, let me start and then I'll ask Jason to put his operations hat and provide a little bit of color commentary. But I think if you -- for those of you that sort follow Texas closely, as the legislation -- legislature, the governor, lieutenant governor came into this session, there is two main topics, gambling and the grid. I won't talk at all about gambling. But there is a big focus on the grid in Texas, making sure that the grid stays up with the economic development that is happening in the State. So, I think you are going to see sort of everyone rally around you know that aspect. Now what does that mean? It means different things for different people obviously in the State. You know the T&D companies while, one thing, the generator is another, the legislature another. I think I continue to go back to sort of our main mantra in this area, we're laser-focused on customer affordability. So, everything we do in and around capital deployment, O&M reductions, things that we're going to push for in Austin, are going to be focused and pivoted around customer affordability and -- and that -- those -- that set of topics.

So, maybe with that, I'll turn it over to Jason to see if he wants to say anything else.

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

Yes, thanks Dave, and good morning, Steve. You know overall, I would continue to echo Dave's comments on how constructive Texas is beyond the points that Dave raised, you know we continue to see significant amount of corporate relocations to the State and here, more specifically in the greater Houston area, we continue to see now a 30-year track-record of 2% annual average customer growth.

So, I think overall it continues to be very constructive. More specifically on the operational front, maybe just a couple of brief comments. We continue to -- there is a law in-place here in Texas, that requires us to provide power to customers within 12 hours of a load shed event. We continue to operate under that standard. You know as we saw with winter storm Uri, load shed events can exceed the way the system design and so these mobile generation units are critical to meeting our reliability and -- and power quality requirements under Texas law.

I think legislators understand that, I think the elected officials understand that and more importantly, as we continue to see the impact of more extreme weather, tornadoes, ice storms, potential for hurricanes, I think the communities are starting to have a better appreciation of how we can strategically deploy these assets as we did to bring kids back-to-school after the recent tornadoes, as we can power hospitals before our restoration efforts reconnect certain customers like that back to the grid and so I think these are really powerful tools to help keep our communities energized during periods of inclement weather. So, I think that's well-understood and as we said in our prepared remarks, we're going to defend the actions we took under the law that was passed here in Texas.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

Operator

Thank you. Our next question comes from Jeremy Tonet with JP Morgan. Your line is open.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - David J. Lesar {BIO 1519300 <GO>}

Morning, Jeremy.

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

Good morning.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted to touch a bit, I guess you know portfolio rotation has been a part of the CenterPoint story in recent years and asset sale attention appears higher now than ever across the space, but we've also witnessed kind of some mixed data points with regards to LDC asset sales. And so, as you're thinking evolved at all in this area, and what are you seeing in terms of interest relative to a year ago, granted you guys don't need to sell anything right now, but just the optionality I guess in future?

A - David J. Lesar {BIO 1519300 <GO>}

Okay. Let me ask Jason to put his CFO hat back on and answer that one.

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

Thanks, Dave and I appreciate the question, Jeremy. I just want to reemphasize the point that you ended with, you know right now we don't have any need to sell any gas LDCs to fund the $43 billion equity capital investment plan that we -- that we have announced. That being said, you know obviously given our previous efforts in this space, we continue to receive a significant amount of outreach. I would say there remains tremendous interest in I think moderately sized utility systems like the gas LDCs. We operate in a constructive set of of States, places where it either gets very cold during the winter or States that are incredibly supportive of natural gas.

So, I think the interest remains strong for our assets in particular. I also think maybe some of the transactions that you referenced sort of reflect a few things. First, you know there needs to be at least a moderate size to the asset sales to get sort of a strongest interest from the largest possible place of buyers. Some of the sales that have transacted recently have been on the smaller end. You know the size of the gas LDCs we have I think are sort of a sweet-spot for attracting the most significant amount of attention. And then as well as we've -- as we've talked about in the past, we think that there is benefit in terms of selling assets out right. There's a control premium that often gets lost as maybe some of our peer utilities pursue minority interest sales, and so, we don't need to do it, but we continue to see, the market is deep and strong given the high-quality of the assets we own.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. Thank you for that. And then kind of shifting gears here and you touched on this a bit a number of times, but maybe just kind of bringing it all together, if you could kind of quantify the bill relief you expect to see based on the decline in natural gas prices? Just wondering how quickly that flows back across your jurisdictions and I guess, how you think that rate -- you know that release could materialize over time?

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

Yes. I mean I think our customers should start to really see the impact of that in about February. You know we have obviously different time periods for our purchase gas adjustment clauses in each of the different States, but largely, they start to kick-in in February, some a little bit in March. I think kind of system-wide, on average, customers should really start to feel the benefit of that you know across our system in April. And we're seeing gas prices less than half of what we were kind of buying into the winter season at, so it should be pretty significant you know bill really for our customers as we head into the summer months, we're happy about that and hope it holds up.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Very helpful. I'll leave it there. Thanks.

A - Jackie Richert {BIO 22513026 <GO>}

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

Operator

Thank you. Our last question is from Durgesh Chopra with Evercore ISI. Your line is open.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning team.

A - David J. Lesar {BIO 1519300 <GO>}

Good morning, Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Good morning, Dave. All my questions have been answered. Maybe just one, the wind project that you mention in the Indiana IRP update section Slide 8, just any color you can share with us on that project?

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

Thanks, Durgesh. I appreciate the question. I think it's early days in the application there. So, you know, we anticipate that -- that project probably being approved kind of towards the end of

2023. But -- but just given kind of where we are in the stage of filing, as well as finalizing the bill transfer agreement, I'd rather keep the comments brief. I think overall, what we tried to highlight in the prepared remarks is that, you know when we set-out on this first phase of -- of this Integrated Resource Plan, we had an objective of owning about 50% of the renewables and we're proposing and contracting for 50% of the balance. And the way it's working out with this wind project that we will ultimately own, as well as the solar projects that we previously filed, I think we're on-track now to own roughly 60% of the renewables and contract for 40%, so a slight improvement versus our original objectives as we -- as we are executing on this first round of the -- of the Integrated Resource Plan.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks, Jason. I appreciate you wearing all the hats today. Thanks so much.

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

Thanks, Durgesh.

A - Jackie Richert {BIO 22513026 <GO>}

All right, Operator. That's going to be our last Q&A for this quarter. I want to thank everyone for joining the call today and I hope everyone has a great afternoon and a long weekend. Take care.

Operator

This concludes CenterPoint Energy's fourth quarter earnings conference call. Thank you for your participation.