Q3 2023 Earnings Call

Company Participants

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

Other Participants

- David Arcaro, Morgan Stanley
- Durgesh Chopra, Evercore
- Julien Dumoulin-Smith, Bank of America
- Shahriar Pourreza, Guggenheim Securities
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good day, ladies and gentlemen and welcome to the Constellation Energy Corporation Third Quarter 2023 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. As a reminder, this call may be recorded.

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

Emily Duncan {BIO 19245511 <GO>}

Thank you, Abigail. Good morning, everyone, and thank you for joining Constellation Energy Corporation's third quarter earnings conference call. Leading the call today are Joe Dominguez, Constellation's President and Chief Executive Officer; and Dan Eggers, Constellation's Chief Financial Officer. They are joined by other members of Constellation's senior management team who will be available to answer your questions following our prepared remarks. We issued our earnings release this morning, along with the presentation, all of which can be found in the Investor Relations section of Constellation's website. The earnings release and other matters, which we discuss during today's call contain forward-looking statements and estimates regarding Constellation and its subsidiaries that are subject to various risks and uncertainties.

Actual results could differ from our forward-looking statements based on factors and assumptions discussed in today's material and comments made during this call. Please refer to today's 8-K and Constellation's other SEC filings for discussions of risk factors and other circumstances and considerations that may cause results to differ from management's projections, forecasts and expectations. Today's presentation also includes references to adjusted EBITDA and other non-GAAP measures. Please refer to the information contained in the appendix of our presentation and our earnings release for reconciliations between the non-GAAP measures and the nearest equivalent GAAP measures.

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

Joseph Dominguez {BIO 16668698 <GO>}

Thanks, Emily. Thanks to the operator for getting us started. Good morning, everyone. Thanks for joining our call. I apologize if the quality of the audio wasn't great. We are all, if you could believe it, sitting around Emily Duncan's cell phone here because we lost a trunk line into the building. But as you could see from our numbers, pretty much everything else is going well around here. I want to begin by thanking the good people of Constellation for delivering an awesome third quarter. They continued the strong performance from the first half of the year and they are the best at what they do. For the third quarter, we earned $1.199 billion in adjusted EBITDA. As a result of this continued strong performance, we are again raising our full-year guidance range to $3.8 billion to $4 billion. The strength is not limited to 2023 and you will see in our disclosures that we have raised our 2024 gross margin by $250 million.

I want to emphasize here that STP is not yet in our final disclosures for 2024. As you recall, we estimated the average STP EBITDA contribution to be an incremental $190 million per year, with 2024 a little lower due to the fact that we have an extra outage every third year, and as it so happens, 2024 is one of those years. However, we believe that the impact of that extra outage will be offset by the higher Texas energy prices we have seen since we've announced the transaction. So we're back to an estimated $190 million for 2024, with 2025 looking even better. We will provide all of the STP and other updated financials in our fourth quarter call. We talked about this before, but it bears repeating. Constellation owns the largest and most reliable clean energy fleet in the country and has the best C&I and commercial platform in the business. We strategically couple these businesses with a strong balance sheet that in turn gives us a powerful competitive advantage across retail and wholesale channels.

It translates into a unique ability to give our customers the certainty and visibility that they want on energy costs as well as to provide to them sustainability solutions. All of that ultimately leads to margin expansion and creates value for you. Before I turn to the operational performance, I want to talk about some exciting developments since our last call. First, as I noted earlier, we closed ahead of schedule on our acquisition of 44% of the South Texas Project, expanding our clean, reliable annual nuclear production to approximately 180 million megawatt hours. We're looking forward to working and forging a strong relationship with our new co-owners, Austin Energy and CPS. This includes working to resolve both pending litigation and explore mutually beneficial opportunities to improve performance. I talked last quarter about the fact that an average outage at STP lasts around 31 days. At Byron, we just completed an outage for a very similar machine in 17 days. And if you think that's amazing, consider that we just completed the Peach Bottom outage in 13 days.

I was happy to see that Bryan Hanson, our Chief Generation Officer, was named as Chairman of the STP Board and will begin immediately to realize some of the opportunities we see in that asset. The second development I want to highlight is that the U.S. Department of Energy awarded a $1 billion grant to the Midwest Hydrogen Hub, which includes our hydrogen project at LaSalle. A portion of this award will offset our cost for the project. The award is proof that the DOE and the administration want existing nuclear energy to play a vital role in jump-starting domestic clean hydrogen production. However, it remains critical that the Treasury Department guidance confirms that using existing nuclear energy to produce hydrogen qualifies for the full clean energy production tax credit. Certainly, we think that the Hub award is a good sign, but we need to see the right rules or the Hub won't happen.

Third, we signed a deal with ComEd to power its facility with hourly matched clean, free -- carbon-free energy, which I'll cover in more detail in a few minutes. And finally, probably the most exciting thing is that we earned a 2023 Great Place to Work certification. I'm really proud of this because it's based on how our employees rate their experience at Constellation. 5,000 of our colleagues participated in the survey and 81% of them said that Constellation is a great place to work. That's 24 percentage points higher than the average U.S. company. Our people are talented, hardworking and they're passionate about what they do and that shows up in our results over and over again. Our culture and our mission is also an asset in attracting the best talent in the market. We've onboarded 3,000 new colleagues since separation. That's pretty incredible for a workforce of about 14,000 people.

Now I'll turn to the quarterly operational updates starting on Slide 6. During the hottest summer on record, our fleet helped to support the grid and ensure that American families could cool their homes and that businesses had the electricity to power our economy. Our nuclear plants had a third quarter capacity factor of 97.2%, but they ran at nearly 100% during June, July and August. The only reason we're at 97.2% is that in September, we started our planned refueling outages. Our power and renewable assets also ran extremely well. Our Texas fleet, which includes state-of-the-art CCGTs, produced 1.4 million megawatt hours more this year than last year, supporting ERCOT during an extremely challenging summer. This summer, ERCOT was affected not only by extreme heat, but by unprecedented load and the impacts of a changing resource mix.

For example, during the summer, ERCOT had 49 days with a peak higher than 80 gigawatts, exceeding the all-time summer peak demand set in '22 and exceeding 2021's peak by nearly 11.8 gigawatts or an incredible 16%. The system is constrained not just at peak, but in the hours after peak due to the intermittent output that comprises much of its generation portfolio. As the grid continues to change, we expect these conditions to amplify and challenges could occur at any hour. The changes in the ERCOT stack and the hours of challenging operating conditions will increase the importance of dispatchable generation, and particularly clean, reliable, dispatchable generation. The quality of our gas fleet coupled with our newly-acquired STP assets sets us up for great success. I want to send a special thank you to the people who operate our nuclear and power fleets for all that they do.

Now let me move to Slide 7. The success of the commercial business is the foundation for our financial performance. This year, they knocked the cover off the ball. We're able to optimize our positions across the both the generation and customer portfolios to create additional gross margin. And we can provide our customers certainty on energy bills in volatile times, which leads to margin expansion. We're also leading the way on sustainability solutions. In the second quarter, we spent time talking about the Microsoft deal, where we use nuclear and renewable energy to produce a time-matched clean energy product. We continue to see very strong interest in this product. This quarter, we're excited to announce an agreement with one of the largest utilities in the country, ComEd, to power its facilities with hourly match carbon-free energy from nuclear power.

Microsoft and ComEd are both sustainability leaders, and we're thrilled to be able to help them move forward in their efforts to address the climate crisis through the recognition of the importance of 24/7 carbon-free electricity made by nuclear energy. Matching regionally produced clean energy to the exact moment when a customer uses energy is essential to reaching carbon reduction goals, while maintaining electric reliability and affordability. That is why our nuclear fleet is essential today and will be even more valuable tomorrow.

With that, I'm going to turn it over to Dan for the financial update.

Daniel L. Eggers {BIO 3764121 <GO>}

Thank you, Joe, and good morning, everyone. Beginning on Slide 8, as Joe mentioned, the business continues to perform extremely well. We earned $1.199 billion in adjusted EBITDA in the third quarter, which compares to $592 million in the third quarter of last year. Our commercial organization continued with the success we have seen over recent quarters. Our renewal rates have been strong and margins remain above historical levels as market volatility and the desire of customers to control their budgets have created opportunity for our team. As we've discussed on prior calls, the volatility in commodity markets and higher interest rates are leading to more appropriate risk pricing by our competitors. These market conditions create opportunity for us to optimize our combined portfolio of generation and load, which we see in results for 2023, and as we look out to '24 and '25 with favorable gross margin uplift that I'll talk about in a moment.

On the generation front, our nuclear and power fleet performed extremely well during a record setting hot summer. As Joe said, our nuclear fleet ran full out during June, July, and August. And as a result of the extreme heat and load growth in Texas, ERCOT set 10 new peak demand records during the summer. In addition to record peaks, we observed more significant operating conditions in the subsequent hours after the peak load due to low intermittent output and a stretched thermal fleet, which at times resulted in prices above $1,000 a megawatt hour and with a $5,000 cap for a few hours. Investments we made in our Texas fleet in advance of summer ensured we were ready to help support the grid when the plants were needed, and they ran more than they did the previous year. Through September, our Texas plants ran 13% more than they did last year.

Turning to Slide 9 and our gross margin outlook. We have increased our gross margin forecast for 2023 and 2024, incorporating the continued strong execution and performance Joe and I have discussed. For 2023, total gross margin increased by $400 million to $9.2 billion. Our projected gross margin is now $850 million higher than our expectations when we began the year, reinforcing the unparalleled operating environment we have seen this year. In 2024, our total gross margin, including PTCs is $9.45 billion. Total gross margin increased by $250 million from our last update. Market prices increased across the major regions relative to last quarter. As a result, we expect to earn less nuclear PTC revenues at our four plants without state support due to higher expected gross receipts.

Turning to our commercial business. As we renew existing contracts and enter into new ones, we are seeing the favorable margin trends with our C&I customers and load auctions extending out into 2025. We have seen some moderation in margins from highs earlier this year and more participants in load auctions, but see opportunity for these margin trends to continue for some time as we anticipate sustained commodity market volatility, in part due to the changing composition of the generation stack. With the strength of our balance sheet, along with our integrated generation and load business, we are well positioned during this volatile environment to continue meeting our customers' needs, while also creating value for our shareholders.

Moving to Slide 10. We are raising our full-year adjusted EBITDA guidance outlook by $400 million to a $3.9 billion midpoint and narrowing the range to $3.8 billion to $4 billion. This upward revision reflects the significant increase to our gross margin forecast since the beginning of the year. And as we flagged last quarter, the gross margin upside is somewhat tampered by an increase to O&M, driven primarily by increased compensation for our employees, including stock compensation, due to the strong financial performance of the company. I should note that just considering -- considering that we just closed the STP acquisition last week, our gross margin and cost forecast do not yet reflect STP. We'll layer that plant into our year-end disclosures. That said, our updated EBITDA guidance for 2023 includes STP for November and December, which is a relatively small part of the increase to our guidance.

And as Joe mentioned in his remarks, we anticipate contribution from STP to at least meet the $190 million of EBITDA starting in 2024, which again is not reflected in the gross margin or cost disclosures in our earnings materials today. Turning to the financing and liquidity update on Slide 11. To help fund the STP transaction, we issued $1.4 billion of debt, including $900 million of 30-year and $500 million of 10-year senior unsecured notes. We saw significant demand with order books peaking at seven times across both tranches. We also achieved very tight pricing when we look at both spreads to treasuries, and between the 10 and 30-year tranches, pricing competitively with recent utility holding company transactions. We appreciate the support from our fixed-income owners and the vote of confidence in the long-term need for our assets into the 2050s and well into their next licensed lives to 80 years.

As we stated at the time of the announcement, the transaction will be credit-neutral and a debt issuance did not strain our forward credit metrics. In fact, our credit metrics are now projected to be at or above the 35% in Moody's and 45% in S&P that we laid out at the beginning of the year, due to the additional cash flows captured in our earnings guidance. We continue to execute on our commitment to return capital to our shareholders, completed another $250 million of share buybacks during the third quarter. When we look at the opportunities ahead of us, we still see our stock is attractive at current levels and we'll continue to be opportunistic with the remaining $250 million authorized by our Board.

As we discussed in June, we have $1.2 billion of unallocated capital for 2023 and 2024, which will be used to create additional shareholder value through growth investments, M&A or return of capital to our owners. I should remind you that this $1.2 billion is based on our disclosures at year-end 2022 that we shared on the fourth quarter call and does not reflect any additional cash created by this year's outperformance and upward revisions to next year's expectations. We will provide an updated view of all this on our fourth quarter call.

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

Joseph Dominguez {BIO 16668698 <GO>}

Thanks, Dan. So the management team here remains focused on creating value for our shareholders. You know our business is unique, and we continue to have many unique opportunities in front of us. As you know we're the best operator of nuclear plants and the largest producer of carbon-free electricity in the U.S., and now with STP, we will make more than 180 million megawatt hours annually just from our nuclear fleet. Our commercial business serves more than 22% of the competitive C&I market in the United States and is helping customers like Microsoft and ComEd meet their sustainability goals through products like our hourly matching product.

Our businesses are essential to addressing the climate crisis and our assets are durable. The IRA provides long-term commitment to nuclear energy as part of the national security of this great nation. We have many ways to grow and bring even more value to our shareholders against a baseline earnings level supported by the PTC, and over the life of the PTC, we'll benefit from price war inflation. We have opportunities ahead of us to create additional value for the clean, reliable nuclear energy that we provide, like hydrogen, data centers and expanding our hourly matched product. We have the ability to relicense our nuclear fleet to run at least 80 years without needing to replace it. We have many ways to grow and bring more value to shareholders. We generate strong, free cash flow that could be used to fund robust organic growth at double-digit unlevered returns, pursue disciplined M&A, support our growing dividend, and buyback our stock.

Each of these opportunities will create additional value for you, our owners. And we're executing on that strategy. We closed the STP deal. We announced $1.5 billion in growth spend in operates, hydrogen, and wind repowering. We doubled the per share dividend, and we bought back approximately $750 million of our own stock as part of an authorized $1 billion buyback plan. And there's more we can do. We have significant unallocated capital in '23 and '24, as Dan just outlined, and we could use those monies to further enhance our earnings growth and provide value to you. Constellation cannot be matched anywhere in the market. Our large, clean, carbon-free nuclear fleet paired with our customer-facing business and strong balance sheet provides us with unparalleled opportunities to create value for you, and that's what we're focused on.

Now we as a management team stand ready to address your questions. Thanks, operator.

Questions And Answers

Operator

(Question And Answer)

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

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning, David.

Q - David Arcaro {BIO 20757284 <GO>}

Hey, good morning. Thanks for taking my questions. Wondering if you could elaborate a bit on what you're seeing in the competitive environment in retail, just in terms of churn and any changes in market share as you're experiencing higher margins there?

A - Joseph Dominguez {BIO 16668698 <GO>}

Dan, I'm going to -- Dan covered a bit of this in his prepared remarks and I'll let him elaborate.

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

Hey, good morning, David. I would say that we've continued to see a strong market backdrop for our commercial business, both on kind of the C&I side we talk about a lot and also on the load auction side. Margins have been strong this year, particularly strong earlier in the year. Market volatility created opportunity for us, as we saw some competitors pull back and get less active, as you saw them put a higher price on risk capital for them to be involved in the business. So we've done a good job of maintaining and in some areas expanding our win rates where we've seen opportunity at yield, quite strong margins relative to history.

I would say probably in the last few months as the year has moved on, we've seen a little more pressure on margins, so well above historical norms, but kind of off the highs we saw earlier this year as people start to engage a little bit more in the markets. And as I said, in the load auction side, there hasn't been a huge amount of activity, but we are seeing more participants show back up again now than we had seen in the past. Again, all margins better than history, but we're keeping a close eye on that trend as we go through the rest of this year.

Q - David Arcaro {BIO 20757284 <GO>}

Got it. Yes. That's helpful color. And just the latest guidance update, does that kind of fully reflect the patterns that you're seeing so far in 4Q? If the dynamics that you experienced in 3Q continue here, are there further opportunities to kind of bolster the outlook into 2024?

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

Yes. As we continue to add business, I think we've taken a reasonable approach to our expectations for margins next year. As I said, we're assuming the world stays better than it has been historically, but we have embedded some moderation in margins from what we're seeing, which I think probably makes sense given kind of movements and making sure that we meet our expectations for all of you. As we go through the balance of this year, the fourth quarter is an important one to watch. We'll see how much more we can add to backlog for '24 and '25, so we're hopeful we'll continue to find opportunity.

Q - David Arcaro {BIO 20757284 <GO>}

Yes. Okay. Great. Thanks so much. I appreciate the color.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thanks, David.

Operator

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

A - Joseph Dominguez {BIO 16668698 <GO>}

Hi, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes. Hey, good morning. Good work, Emily, with your cell phone there. So just on the remaining IRA things that we're kind of watching here, the hydrogen PTC rules, and then, of course, the nuclear PTC, could you just give us latest thoughts on timing of those? And then also maybe more color on how much we should interpret the hydrogen hub announcement as kind of hinting at where the hydrogen PTC comes out with respect to nuclear?

A - Joseph Dominguez {BIO 16668698 <GO>}

Steve, I'll take the last question first. We're obviously in a lot of dialogue with other stakeholders, directly with the White House, quite a bit. I'm very happy with the way the conversations are going. But there's a lot of detail that needs to be in the rule and be right in the rule. So I would say, I'm cautiously optimistic. I think a big part of that isn't just the Hub Awards, but the fact that I think they're realizing that really jumpstart this hydrogen economy, we're going to need reliable time-matched clean energy to get both the environmental benefits on the grid side as well as produce hydrogen in the most economic way and transition the economy.

So look, I'll leave it at that. I think the conversations have been really constructive. We've spent a lot of time on them, but we've got to kind of land this thing. In terms of when it will land, I think there's an understanding within the administration that a lot of people are waiting on the hydrogen rule and they need to come out with some guidance. Again, not just for the hubs, but generally, we indicated in article in Bloomberg that I was interviewed in that we are slowing down on a lot of contract signings and other things pending this. And obviously, we're not alone in this ecosystem doing the same thing. So I think they're working to kind of get this all nailed down. There just -- there was a ton of work that needed to come out of Treasury for the IRA implementation.

And so, look, I don't -- I hear the rumors that they're delaying things and all that. I'm not sure I believe that. I think they're working diligently to get this thing done. I don't think the nuclear PTC piece of this is really at least, insofar as I could detect, controversial in any regard. But it also only applies to a limited handful of players like us that have nuclear assets who doesn't have the broad application of hydrogen or domestic content rules and some of the other things that have taken Treasury's time. So I think, those things -- the production tax credit for nuclear is going to come in, as we expected, but I wouldn't be surprised to see that come close to the end of the year or even in the first quarter. I am hopeful that we will see some guidance before the end of the year on hydrogen, and that it will categorically address the use of existing nuclear to make hydrogen in the right pace.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Thanks. And then one other question just on the 24/7 clean product and the like. Just how should we think about kind of pace of adoption here and interest levels you're seeing and this part you probably can't really answer, which is just the type of premium that you might be getting for this type of product versus just normal power sales? Yes, thanks.

A - Joseph Dominguez {BIO 16668698 <GO>}

Yes. I think just normal power sales volatility and everything else we factor into the sales of the power. We've talked about historic margins of $2 to $4 and we've been clear that we're towards the top of that as this kind of market has reset itself. The sustainability offering is going to be considerably north of that because it's a new product and provides new value to the customer. Beyond that, for competitive reasons, we haven't really gone into the details of how big the margin is. And I think at the end of the day pace is something that we yet to fully understand in terms of adoption.

We've got 180 million megawatt hours of power, so we've got a lot of this to sell. It's not all going to be deployed through CFE. There's going to be other things like hydrogen, hopefully, data centers that will take on the load. The customer piece of this is going to be a big part, but policy is going to play a role as states and others think about how they want to procure carbon-free time-matched energy. And at this point, I think we're just -- we're hitting every opportunity and pushing everything, but it's hard for me to sit here and say that we have enough data to talk about how quickly we're going to be able to deploy all of it or a significant chunk of that 180 million megawatt hours. So it's -- I would say, it's an incomplete at this point.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. Thank you.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thanks, Steve.

Operator

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

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning, Shar.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning. The EBITDA, obviously, was raised again, but we didn't get sort of that update on free cash flow guides or incremental buybacks. Dan, I guess, can you maybe just provide some sort of an update; why not move on incremental buybacks? I mean, we got past the key quarter. Is there any sense on -- are you saving anything for dry powder, et cetera? Just maybe a little bit of an inkling would be great.

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

Yes, Shar. We had a $1 billion program in place. We've gotten through $750 million of it, and now, without a decoder ring, you can kind of see it's been about $250 million a quarter thus far. And so we still have some money to deploy. You can imagine we'll be having conversations with the Board as far as our updated budget plan and how strong, '23, '24, and the forwards look beyond that to inform kind of the next wave of capital allocation. Getting STP done was a great deployment of capital this year and kind of looks better by the day with ERCOT prices having moved as they have. Then we want to keep looking for opportunities like that and other things along that way to deploy meaningful amounts of capital if they come available. So we do want to keep dry powder, but we certainly understand that as we get this program worked down, we've got a lot of capital still around and getting it back to our owners has always been a priority and we can't find investments that exceed that double-digit unleveraged return.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. And then another quarter of obviously outsized marketing portfolio gains, right? I mean, can we just maybe unpack that $760 million year-over-year gain a little more? I guess what percentage is durable margin expansion versus maybe opportunistic trading or more one-time e-items like ERCOT Sparks? Thanks.

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

Yes, I mean, I think it's probably hard to dismantle that as much as you would like to have, to be totally honest. If you think about how we run the portfolio, the commercial business becomes responsible for managing our generation business once we get in the calendar, right? So working with the team on dispatch, how we set up positions will change. It's kind of hard to say who is a generation dollar or a commercial dollar at some point in time, the way you're thinking about it. But obviously, the Texas plants running as well as they did this summer, with prices where they were, we have outpaced our production expectations. So there was some real contribution we got in the quarter or really in the year from ERCOT. So that's going to be a piece of it.

But a piece of it is the fact that margins have been quite strong, right? I think part of that is we've seen outsized margins. We talked about the load auctions, right? And we've seen in the first half of this year what I fairly say is unprecedented margins in that business. And so that's been great. We would expect that in normal courses, those moderate (inaudible) time, and we're seeing a bit of that, right? So there's some that was going to be situational to this year. On the kind of the C&I markets and the mass markets, we've seen very good margins this year that are going to sit in the book for this year and next year and carrying into '25. But as I said to David earlier, we expect some moderation in those margins as we think about what has not yet been committed or was not in our pockets at this point in time.

And then the last part and it's not going to fully get into, but as we have had with volatility, there's been opportunities to maximize our portfolio in the physical markets and we've done well on that front again this year to our size probably this year and last year.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. And then lastly, again, for me. I know you realize you guys are still working through your capital planning before the next roll, but there have been a lot of recent data points around upgrades for, in light of like the IRA, especially for BWRs. Can you just get your updated thoughts here on sort of maybe the quantum of opportunity and potential timing there? Thanks.

A - Joseph Dominguez {BIO 16668698 <GO>}

Sure. I think we've basically said that we think the total universe is less than 1,000 actionable, somewhere between 500 and 1,000 megawatts that make a lot of economic sense. Bryan and his team have, pretty much at this point, identified every opportunity we see. We're recosting those. I think they'll roll into the fleet by the end of this decade and some of them will drag out even a little bit longer. But we'll announce those as we complete the work and start ordering the parts for them. But we see opportunities certainly beyond that, which we've already announced. We just -- we don't have an update on that, but this is one of those where the duck looks calm on the surface, but there's a lot of paddling underneath in Bryan's organization, and we'll continue to work those opportunities. We think they're pretty good opportunities, spectacular results.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Fantastic, guys. Thank you so much. Appreciate it.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thanks, Shar.

Operator

(Operator Instructions) Our next question comes from Julien Dumoulin-Smith with Bank of America. Your line is open.

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning, Julian.

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

Hey, good morning to you. Thank you, guys, very much for the time. Appreciate it. Maybe I can go back to where some of the last questions were going and speaks to the timing and holding back on hedge commitments, et cetera. I mean, to the extent to which you get a thumbs-up, thumbs-down or what have you on hydrogen, could we see kind of an outsized pace of commitments in the start of next year and whether that's tied to data centers or whether that's tied to capital allocation in terms of buybacks considering maybe the hubs do or don't move forward, et cetera? So just want to try to, like, piece together the different pieces here both on timing? And then, also are you effectively waiting for clarity on hydrogen in order to pursue more of these firm commitments, if you will, on solar power?

A - Joseph Dominguez {BIO 16668698 <GO>}

Yes, sure, Julien. Look, I think hydrogen will occur for us in two different ways. One will be what we've called the behind-the-fence-line clean energy center opportunities where we'll make the gas. And what we're looking for in those circumstances when we make the gas behind the fence line of the plant is people that will take 100% of the offtake of that gas, so that we don't become somehow merchant hydrogen gas players. So certainly continuing those conversations and there are opportunities beyond LaSalle. But we'll probably focus on optimizing LaSalle and adding more megawatts there first, if we can. But I think that opportunity exists for a number of plants. The other way hydrogen will evolve is through what we've called hydrogen -- clean hydrogen by wire, right, where we're providing a contract very much like the Microsoft- and ComEd-type contract to a customer who will then use that contract to justify they are getting the tax credit for hydrogen production. And those are a lot of players kind of around the country, including many that exist in our customer base.

I would say that we've added a great deal of focus in talking to those customers and seeing what the opportunities can be. I don't know yet how fast they will be able to buy electrolyzers and integrate those electrolyzers into those facilities. So I can't tell you this is a '25 or '26-type of thing in terms of actually producing the energy and producing the gas in those systems. And it could be '27. I think if the rules end up the way that we are hopeful they will end up, you'll see a flurry of contracting opportunity for us. And you'll see us begin to scale LaSalle and look at the opportunity to do behind-the-fence-line hydrogen production at a lot of other places. We haven't stopped the discussions or the work. And in a certain sense, I would say this and data centers probably are enormous inbounds into the company right now, but both require, in the case of hydrogen, clarification from Treasury as to whether those projects will move forward. In the case of data centers, those just tend to be enormous things that require a great deal of discussion and we'll update them.

I think if the rules work out the right way. I expect we'll have an exciting '24 and '25 around that, and I'm hopeful data centers will play out the same way, but it's just -- it's too early for me to describe pacing, number of megawatts, impact on the financial outcomes of the company. I'd just say that in 25 years of being in this business, these are the most exciting opportunities we have, and I think they'll have great traction, but we've got to get the work done, and then we'll announce it to all of you and you'll see for yourself.

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

Right. But it's not as if you're waiting for one or the other here on, let's say, 4Q, right? Patience is a virtue as they say. And '27 is out there. And more to the point, it's not as if you're holding back on data centers or capital allocation ahead of a decision on hydrogen, just to set expectations?

A - Joseph Dominguez {BIO 16668698 <GO>}

No. That's right. I think you've described it well, and I've said it in response to Steve's question, it's not like we're yet confronted with a scarcity of the clean megawatt hours that we produce. We've got 180 million of these things, so that gives us the luxury of exploring multiple channels at once. There will be a point in time where we'll be looking at kind of the financial value of one channel versus another, but I think, in the early going year, we're going to be wide open and we're certainly working every angle and none are mutually exclusive at this point.

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

Got it. Excellent, guys. Best of luck. See you soon.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thank you.

Operator

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

A - Joseph Dominguez {BIO 16668698 <GO>}

Good morning.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning. Thank you for taking my question. I just have one question on the asset generation. Year-to-date, it's kind of been around that 80%, 83% range that hasn't moved. Last year, I was just looking at the Q3 2022 deck. For the next year, that would be 2023 back in Q3 2022, you were like 90%-ish. So this is just nuclear PTCs and sort of your willingness to stay more open? And next year, maybe you can just comment on that and how should we think about your hedging practice going forward into, like, '25 and beyond?

A - Joseph Dominguez {BIO 16668698 <GO>}

Let me start with that. I think the early questions we got last year, frankly, after the passage of the IRA is whether we'd stick with the hedging strategy that we had deployed for so many years at Exelon and in the early days at Constellation. It's been kind of generally described as a third, a third, a third. And what we've done is we've explored all the -- we're exploring all of the options that I just talked to Julien about. But we're not tethered to any kind of fixed hedging strategy where we're trying to get off a certain number of megawatts in a given year. We have the freedom now to explore different opportunities, to be patient and we have been. And I think, over time, the percentage of the fleet that's hedged and the disclosures that we've historically used will become less relevant because we've changed the hedging strategy.

And I think we'll talk a little bit more about that at the end of the year and as we update for next year and we look at these different opportunities. But at this point, the IRA effectively gives us the ability to wait and realize the $43.75 at the bus that we're entitled to under the policy. And so anything we need to do here has to be incremental for that opportunity. And that's the way we're looking at the business. That means -- that may mean we're holding on to more power or selling more power. It'll depend on how these channels ultimately work, but it's the flexibility that we have now and frankly the value that we offer to our owners is to get the best financial results for this fleet we have.

And look, I'll add -- it's already been a long answer, but I'll add to it. I just think the value of clean, reliable energy is just going to go up over time, and that causes me to want to be patient. Without commenting on the technology, I see obviously what's happening with offshore wind and I think all of our owners could appreciate just how difficult it is to add clean energy, let alone anything that resembles the reliability we have. So that encourages us to be patient as we walk through the transition, and the IRA gives us the policy support to be patient and get the best opportunities for us, for our customers and for the country.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. I appreciate that color, Joe. I did have one more question. You guys have talked about a different or added reporting metrics, not just EBITDA. Just any thoughts or additional color that you can share there?

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

Yes, we're still working through that, right? I think our plan is, at the year-end update, we'll probably provide a whole host of new measures and disclosures for all of you. We've had these hedge tables, I think, for going on something like 15 years. Moving out of the world of a third, a third, a third, as Joe mentioned, and getting into the structure where the PTC provides a very different revenue dynamic for us, it's going to make sense to refresh everything. I also think that with the PTC being an after-tax revenue stream, us probably talking about earnings on an after-tax basis will make more sense for all of you guys.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks, guys. Congrats.

A - Joseph Dominguez {BIO 16668698 <GO>}

Thank you.

Operator

Thank you. That concludes the question-and-answer session. At this time, I would like to turn the call back to Joe Dominguez for closing remarks.

A - Joseph Dominguez {BIO 16668698 <GO>}

Well, thanks, operator, for handling the call. And I'll just end the way I started. I want to thank our folks here at Constellation. When we -- when you separate companies, there's this kind of Harvard Business School thing that one of the values you get is that the management team has a good focus and is focused on one line of business as opposed to many, and that brings value. But kind of having lived it, the enormous value that it's brought to us is a clarity of mission not only for the management team, but for our employees. And super excited that they feel passionate about the business, the results we present are theirs, and I just want to end again by thanking them and thanking all of you for your interest in the company. Look forward to talking to you at the end of the fourth quarter.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.