Q1 2024 Earnings Call

Company Participants

- Christopher A. Foster, Executive Vice President and Chief Financial Officer
- Jackie Richert, Senior Vice President, Corporate Planning, Investor Relations and Treasury
- Jason P. Wells, President and Chief Executive Officer

Other Participants

- Constantine Lednev, Analyst, Guggenheim Partners
- Durgesh Chopra, Analyst, Evercore
- James Thalacker, Analyst, BMO Capital Markets
- Jeremy Tonet, Analyst, JPMorgan Securities
- Nick Campanella, Analyst, Barclays
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Good morning and welcome to CenterPoint Energy First Quarter 2024 Earnings Conference Call with senior management. During the company's prepared remarks, all participants will 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, Senior Vice President of Corporate Planning, Investor Relations and Trustee [ph]. MS. Richert, you may begin.

Jackie Richert {BIO 22513026 <GO>}

Good morning and welcome to CenterPoint Energy's first quarter 2024 earnings conference call. Jason Wells, our CEO; and Chris Foster, our CFO, will discuss the company's first quarter 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 or uncertainties. Actual results could differ materially based upon various factors as noted in our Form 10-Q, other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statements.

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 a reconciliation of the non-GAAP measures used in providing guidance, please refer to our news release and presentation on our website. We will 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 the call over to Jason.

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Jackie, and good morning, everyone. As many of you likely saw from this morning's earnings release, we are off to a strong start in 2024 despite the mild weather and the general trend of higher for longer interest rate environment our sector has experienced. This quarter is yet another illustration of why we believe we have one of the most tangible long-term growth plans in the industry, which we plan to consistently execute and thoughtfully enhance for the benefit of all of our stakeholders.

On this morning's call, I'd like to address three key areas of focus before handing the call over to Chris to discuss our financial results in more detail. First, I'll briefly summarize the strong first quarter financial results I just alluded to. Second, I'll touch on the details of our most recent filing at Houston Electric related to our resiliency investments, including the potential for incremental CapEx. And lastly, I'll provide an update on where we stand with respect to our regulatory calendar, including an overview of our pending rate cases and an important update on the settlement of our Texas Gas rate case where we are hopeful for an eventual constructive outcome for our stakeholders.

First, turning to our financial results for the first quarter. This morning, we announced non-GAAP EPS of $0.55 for the first quarter, which represents over a third of our full year non-GAAP earnings guidance at the midpoint. As a reminder, our full year 2024 non-GAAP EPS guidance range of $1.61 to $1.63 represents 8% growth at the midpoint from our 2023 actual results of $1.50 per share and reflects our continued focus of delivering value for our investors each and every year. Beyond 2024, we are reaffirming our guidance where we expect to grow non-GAAP EPS at the mid to high end of our 6% to 8% range annually through 2030, as well as targeting dividend per share growth, in line with earnings per share growth over that same period of time. Chris will provide additional details regarding our financial results and earnings guidance shortly.

Now, I'll turn to the recent announcement we made regarding Houston Electric's resiliency plan filing. There's been a tremendous amount of collaboration by the public and private sector to align our focus on greater resiliency across the state of Texas. I want to applaud the state for its continued support for providing additional tools to help improve resiliency of the electric grid, all of which serves to support the continued economic growth here in Texas. This legislation is a recognition of investments needed to strengthen the resiliency of the grid for the increasing risk of disruptive, extreme weather related or security related events, while at the same time accommodating load growth across Texas. Through these filings, we anticipate achieving a faster pace of investments to support higher levels of resiliency for our customers, while also utilizing a recovery mechanism that is expected to enable smoother and more efficient recovery of certain distribution related costs for the benefit of our customers and our investors.

Our focus on delivering a more resilient grid that serves approximately 2.8 million metered customers across the Greater Houston area has been underway for some time. The sequence of our work portfolio began with enhancing our electric transmission system and related substation, which comprised the backbone of our electric grid. This work included upgrading our transmission structures to better withstand extreme winds, elevating our substations to mitigate flood risk and converting our older 69 KV transmission lines to a more robust 138 KV standard. We will continue this work on the backbone of our system and when the first three-year cycle proposed in this filing is complete in 2027, we believe we will have finished the vast majority of work associated with these programs.

With that series of measures well underway, we're now complementing these program elements by expanding our targeted investments to improve outcomes closer to the customer. Our work articulated in our resiliency filing has 24 individual resiliency measures that are focused on advancing the overall resiliency of our system. The three-year plan is expected to significantly improve customer outcomes from the most severe system events associated with extreme wind, flood, temperature changes and wildfires. Additionally, measures are being undertaken to bolster physical and cyber security. Examples of some of the solutions we'll deploy include composite poles, TripSaver devices and intelligent grid switching automation technology. All of these are proven to help the system respond more favorably in extreme conditions, resulting in a reduced number of sustained interruptions that our customers experience.

In fact, we've steadily deployed similar system automation in recent years, saving our customers over 300 million minutes of interruptions over the last five years. With the investments included in our resiliency plan filing, we could more than triple that figure over the next few years. In aggregate, our filing includes a range of investments of approximately $2.2 billion to $2.7 billion over the three-year period of 2025 to 2027. The high end of our filing, if approved, would increase our total capital expenditures from $44.5 billion to $45 billion over our 10-year plan ending in 2030. Consistent with how we have historically incorporated incremental investment opportunities in our base plan, the $500 million of additional capital will be formally included in our capital investment plan when we believe we can efficiently execute, finance and recover these investments.

We will also align our execution with the feedback and final resolution of the resiliency plan proceeding, which we anticipate will be towards the end of this year. While we have factored the majority of this resiliency investment within our updated CapEx and financing plans discussed last quarter, Chris will describe thoughts on efficiently funding the incremental $500 million of capital investment opportunity, including pursuing various state and federal incentives. We are excited to work with the Commission and other stakeholders to get feedback on the plan we proposed and most importantly, executing this work to create a more resilient electric grid for our customers.

I now want to turn to an update on our broader regulatory calendar. I'll cover these sequentially from the dates filed, starting with the Texas Gas rate case where we have recently announced an all-party settlement. Although this settlement is still subject to Railroad Commission approval, we believe the settlement agreement reached with parties is a constructive outcome for our customers and all other stakeholders. In its current form pending approval, the case will result in an annual revenue requirement increase of approximately $5 million, which results in an average increase of well under one-tenth of 1% for our Houston area residential customers. This very modest customer bill increase is a great illustration of the power of organic growth, coupled with our continued focus on reducing O&M across our businesses.

The Texas Gas rate case filing included nearly $500 million of new capital investments and an increase to its authorized cost of capital that I'll briefly touch on in a moment, all while resulting in a very modest increase for our customers. Since the last rate case, we have invested a total of $1.4 billion in CapEx to continue to improve system safety and reliability for our customers. These investments have translated to more than 1,800 miles of pipe replacement and more than 300,000 advanced meter upgrades, all helping to modernize our gas network. As I just mentioned, our $5 million settled revenue requirement proposal includes an increase to our authorized capital structure and return on equity. The proposed settlement includes an authorized equity ratio of approximately 61% and an authorized return on equity of 9.8% across our entire Texas Gas jurisdiction.

In comparison, we are currently authorized on average for a 55.5% equity layer and a 9.64% return on equity across the four historic divisions. Increasing both our authorized equity ratio and our authorized return on equity is vital to the Texas Gas business as well as our other regulated businesses as we continue to compete for capital to make critical investments for our customers. In addition to the minimal impact to our customer bills, the settlement combines our four historic Texas Gas jurisdictions into one jurisdiction for future capital recovery mechanisms, which will benefit all stakeholders through reduced administrative burden and the ability to spread future investments over a broader growing customer base. We appreciate the effort of various parties involved in the rate case to this point and expect Railroad Commission consideration of the settlement this summer.

Moving to the filed Minnesota gas rate case. As a reminder, we filed our rate case on November 1st of last year with a requested revenue increase of approximately $85 million and $52 million for 2024 and 2025, respectively. As discussed on the last call, the interim rates for 2024 were approved in mid-December and went into effect on January 1st of this year. The Commission will consider interim rates for 2025 toward the end of this year depending on how far along we are in the case. At this stage, we anticipate hearings to occur in the middle of December this year. Ahead of those hearings, we intend to engage parties to the case in settlement discussions. As you may recall, we have settled our previous three rate cases in our Minnesota gas jurisdiction.

Now turning to the Indiana Electric rate case, which we filed in December of last year with a requested revenue requirement of $119 million. As we've discussed previously, much of this revenue requirement increase is associated with our investments in connection with our electric generation transition plan as we move away from coal to more efficient and cost-effective fuel types such as renewables and natural gas. We have slightly delayed the start of the hearings in this case to determine if a settlement is possible with parties. Absent a settlement, we would expect a final decision in this case in the fourth quarter of this year.

And finally, I'll touch on our largest jurisdiction, Houston Electric. As many of you saw, we have filed our rate case last month with a requested revenue requirement increase of 2.6%, which is approximately $60 million. This revenue requirement increase results in a relatively nominal residential customer charge increase of about $1.25 per month or less than 1%. This revenue requirement increase is premised on the filing seeking an authorized equity ratio of approximately 45% and an authorized return on equity of 10.4%. As a reminder, we've been funding the Houston Electric business with a 45% equity ratio as we believe this is the minimum amount of equity with which this business should be capitalized, even though we are currently authorized at 42.5%.

The modest revenue requirement request truly exemplifies the strong advantage we have here at CenterPoint as it's driven by, one, our relentless focus on reducing O&M 1% to 2% per year on average; two, prior securitization charges rolling off the bill in October of this year; and three, the nearly unparalleled growth that Houston Electric and surrounding areas experienced each and every year. To put these combined factors into perspective, since our last rate case in 2019, Houston Electric's rate base has nearly doubled, while the average residential charges were nearly the same amount at the beginning of 2024 as they were all the way back in 2014. As a management team, we are acutely aware of the advantage we have to serve a growing economy like Houston, but we also understand the tremendous responsibility that accompanies it. We are tasked with serving and supporting the dynamic growth of Houston's vibrant and diverse population.

One recent tangible example of Houston's continued expansion can be seen from the nearly $6 billion in Department of Energy grants awarded a little over a month ago. Nearly one-third of these grants were awarded for projects in the Greater Houston area. If completed, we believe these projects associated with these grants could contribute well over 500 megawatts alone in new [ph] load in the Houston Electric service territory. And this is just one of many examples of the explosive load growth potential in this region. We look forward to working with our stakeholders as we continue to support this incredible growth story here in Houston.

Before moving on, I want to briefly mention that we have one other rate case that we will be filing in 2024 related to our Ohio gas business. We anticipate filing this rate case in August of this year and we'll provide more details as we get closer to the filing. We look forward to continuing to work 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 filings as we've made prudent investments on behalf of our customers and have made concerted efforts to reduce controllable O&M for the benefit of the communities we serve. Those are all of my updates for now.

With a strong start here in 2024, we have laid the foundation to once again meet or exceed expectations for the benefit of all of our stakeholders. I'm proud of the early milestones already achieved in 2024 and look forward to being able to provide progress on our cases and how the resiliency plan filing and other opportunities may influence incremental investments in the future. I am confident in our path forward and our ability to continue as we reaffirm our commitment to our proven strategy into our non-GAAP EPS guidance target range of 8% in 2024 and at the mid to high end of our 6% to 8% non-GAAP EPS guidance target range annually from 2025 through 2030. And as we've mentioned in recent quarters, we'll be prepared to update a new 10-year plan through an Analyst Day following the conclusion of our rate cases next year.

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

Christopher A. Foster {BIO 19186909 <GO>}

Thanks, Jason. Today, I'd like to cover three areas of focus. First, the details of our strong first quarter financial results. Second, I'll touch on our capital deployment progress this quarter and the potential for incremental capital related to Houston Electric's System Resiliency Plan filing. And finally, I'll provide an update on where we stand with respect to our current financing plan and credit metrics.

Let's start with the financial results shown on Slide 6. As Jason highlighted earlier, the first quarter of 2024 was yet another strong quarter of financial performance here at CenterPoint. On a GAAP EPS basis, we reported $0.55 for the first quarter of 2024. On a non-GAAP basis, we also reported $0.55 for the first quarter of 2024 compared to $0.50 in the first quarter of 2023. With these first quarter results, we have now earned over a third of our full year 2024 non-GAAP earnings guidance at the midpoint. Diving into more detail of the earnings drivers for the quarter, growth in rate recovery contributed $0.09, which is primarily driven by the ongoing recovery from various intro mechanisms for which customer rates were updated last year. In addition to those capital recovery mechanisms, interim rates in our Minnesota gas business went into effect on January 1st of this year. These rates reflect a revenue requirement increase of approximately $69 million, which when combined with our requested 2025 revenue increase represent an approximately 5% average bill increase over the next two years.

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. A great illustration of this continued growth can be found in the impressive job creation we've observed in Houston over the last year. According to the US Department of Labor, the Houston metro area added the second most jobs in the entire US from February of last year to February 2024. Weather and usage were $0.02 favorable when compared to the same quarter of 2023. And despite the mild weather, the $0.02 favorable variance was largely driven by more favorable weather when compared to an extremely mild Q1 of 2023.

Partially offsetting the favorable items from rate recovery and usage were increases in O&M and interest expense. O&M was $0.02 unfavorable for the first quarter. This unfavorable variance was driven by additional work pulled forward in the first quarter of this year as well as storm response recovery efforts. However, we remain on track to achieve our target of reducing O&M 1% to 2% per year on average through 2030. Interest expense was $0.04 unfavorable, primarily driven by the new debt issuances since the first quarter of last year at a higher relative cost of debt. However, the impact of this increase was partially offset by the redemption of all outstanding shares of the Series A preferred for $800 million last September, which eliminated the approximately $12 million quarterly dividend. I'll discuss our long-term financing plan and balance sheet in greater detail later.

Next, I'll touch on our capital execution thus far in 2024 and the state of our 10-year capital plan target, which you can see here on Slide 7. In short, we are right on plan. The first quarter of 2024 represented yet another quarter of solid capital investment execution as we invested $800 million for the benefit of our customers and communities. This represents a little over 20% of our 2024 capital expenditure target of $3.7 billion. Our approach to incorporating customer-driven capital has resulted in a capital investment plan of $44.5 billion and potentially more, which represents an increase of over 10% since our 2021 Analyst Day. This increased capital plan is expected to drive a nearly 10% rate base CAGR through 2030, which supports strong earnings growth through the remainder of the decade.

We continue to estimate our growth in customer delivery charges at Houston Electric to be equal to or less than the historical inflation rate of 2% through 2030 with its capital investment profile. We have confidence in our ability to achieve this given the size of Houston Electric's customer base and the underlying tremendous organic growth, securitization charges that are rolling off the bill later this year and our plan to reduce O&M as I referenced. In addition to enhancing the customer experience through our capital investments, we remain focused on affordability both from an O&M and ongoing targeted capital perspective. A great illustration as to why we are confident that we can continue to prudently invest while keeping customer charges modest can be found by looking at our utility delivery charge increases over the last 10 years. Since 2014, Houston Electric's average monthly delivery charges have stayed essentially flat. That's a truly remarkable outcome for our customers. And as Jason mentioned, our capital has potential for further incremental revisions driven by our resiliency filing in Texas.

The System Resiliency Plan filing could drive incremental customer-driven opportunities of up to $500 million at the high end range of our proposed investment. And I want to reiterate that over the past couple of years, we have been increasing our capital investment plan through 2030 as we identify incremental investment opportunities that we believe we can efficiently execute, finance and recover. Let's spend a moment on the potential for funding the incremental resiliency investment opportunities of approximately $500 million, which Jason mentioned. We are applying for various federal dollars through multiple avenues and have already applied for $100 million of grant applications through the Department of Energy Grid Resilience and Innovation Partnerships funding opportunity and that was submitted a little over a week ago. These funds, if approved, would primarily assist in providing a lower cost of borrowing for our resiliency initiatives around distribution circuit rebuilds and substation resiliency innovations.

In addition, we will also seek other efficient funding opportunities through federal and state matching programs such as the DOE loan guarantee program. CenterPoint has three separate loan applications working through the process in various stages for over $2 billion in aggregate. While these are loan dollars, not grant dollars, the relative cost savings versus traditional debt can be substantial, around 100 basis points, representing meaningful savings for customers. As Jason alluded to, we are actively pursuing these avenues of funding as we believe these are incredibly valuable initiatives for customers. To the extent that we are not successful, our consistent growth capital investment rule of thumb holds, which is funding in line with our consolidated capital structure.

Finally, to highlight the balance sheet and credit strength, as of the end of the first quarter, our calculated FFO to debt is 14.6% based on our calculation aligning with Moody's methodology as shown on Slide 20. On a full year 2024 basis, we still anticipate delivering on the 100 basis points to 150 basis points cushion we continue to emphasize when applying Moody's methodology. As you can see on the slide, we've also included S&P's calculation on the slide this quarter and we'll continue to do so going forward. As the computations illustrate, we've adjusted our calculations for one-time items, mainly driven by Winter Storm Uri. We have had two years of one-time items related to the over $1 billion of extraordinary gas costs associated with that storm.

We don't believe that this debt nor the eventual receipt of the proceeds and associated taxes were indicative of the fundamental credit health of the company and adjusted accordingly. For comparative purposes, you can see on the slides that we put our calculated 14% in the middle of the 18.5% FFO to debt that Moody's derived, in the 11.2% calculation that S&P derived. To be clear, we see no need to change our current financing plans we shared with our rating agencies earlier this year to improve the outlook from S&P on our credit metrics. In addition, we've made good progress against the modest $250 million at-the-market or ATM equity program year-to-date.

We have completed approximately 75% of our equity sales through today, leaving only around an expected $60 million of equity remaining to be issued this year. As a reminder, we continue to have slightly elevated parent debt to total debt as we are continuing to carry over $400 million of debt at the parent to support what we believe is the proper capitalization of the CE and CERC operating companies through rate cases. We plan to continue to carry that through the CE rate case, supporting its approximately 45% equity layer today. On the solid footing of a strong first quarter, we continue to reaffirm our non-GAAP EPS target of 8% this year and the mid to high end of 6% to 8% annually thereafter through 2030. This growth is supported by differentiating factors that we enjoy, including consistent customer organic growth, which has averaged 2% per year over the last 30 years in the Houston area, Texas' pro-business environment, which continues to attract new investment, especially in the Gulf Coast region, and lastly, our relentless focus on O&M discipline. We believe these factors will allow us to sustainably grow for years to come.

The last thing I want to mention is that we are making good progress related to the sale of our Louisiana and Mississippi gas LDCs. We, along with the buyer, have now made all required regulatory filings, including filings with the Louisiana and Mississippi Public Service Commission, and we look forward to working constructively with the Commission to facilitate the approval proceedings. We still anticipate closing the sale late first quarter 2025 and is anticipated to result in after-tax cash proceeds of approximately $1 billion, which equates to an earnings multiple of nearly 32 times 2023 earnings. This will be a terrific outcome for all stakeholders.

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 continuing not only to execute on what I believe to be one of the most tangible long-term growth plans in the industry, but also enhancing it for the benefit of all of our stakeholders in both the near and long term.

Jackie Richert {BIO 22513026 <GO>}

Thank you, Jason. Operator, we're now ready for Q&A.

Questions And Answers

Operator

Thank you. At this time, we will begin taking questions. (Operator Instructions) And the first question will come from Shar Pourreza with Guggenheim Partners. Your line is open.

Q - Constantine Lednev {BIO 20113787 <GO>}

Hi, good morning, team. It's actually Constantine on for Shar. Congrats on great quarter.

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

Thanks, Constantine. Good morning.

Q - Constantine Lednev {BIO 20113787 <GO>}

Good morning. Appreciate the updates on the call today, especially with the resiliency filing and I see that it was largely embedded in the 4Q update. But as we think about the $500 million upside, just how are you thinking about in terms of accretion versus the 10% rate base growth and maybe any specific threshold or incremental on the incremental updates in CapEx? And how are you kind of planning to announce any kind of financing optimization there?

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

Yeah, thanks, Constantine. Pretty comprehensive question there. Let me kind of start at the highest level. And I think there's three main points to this CapEx update. You know, the first is, we've got a great base plan, 10% rate base growth through the end of the decade. And the second point I'd make is, we've been spending significantly on resiliency because it's the right thing to do for our customers. And case in point, you know, we've increased our CapEx plans over 10% since our 2021 Analyst Day. That was largely to support increased resiliency efforts. And so this is, again, spend that has been already incorporated in this plan.

And then importantly, I do think, third, we have a significant amount of opportunities in front of us. Those take the form of continued resiliency investment, particularly on the distribution side. One of the things that I'm probably most excited about is the industrial electrification opportunity that we have here, particularly in the Greater Houston area. Just as one quick example, there's about 10 gigawatts of hydrogen production in development to come online before 2030. That hydrogen production requires significant increases in electric transmission capacity, substation capacity also carries with it significant jobs, which will help continue to drive residential load growth. And on the gas side of things, we continue to see significant opportunities for incremental CapEx, particularly around maybe local gas transmission pipeline capacity in the Greater Houston area.

We're one of the few gas LDCs in the country that don't have localized gas transmission capacity and I think it can help our customers, help mitigate the cost and severe weather events. And so the short of it is, you know, we've got a great base plan, we've been spending on resiliency and we have significant increases in CapEx still in front of us. You know, in terms of being accretive to the plan, we wouldn't spend it if it wasn't the right thing to do for customers, wasn't the right thing to do for shareholders and for all of our stakeholders. I think we've developed a track record of executing upon that. In terms of financing, maybe I'll turn it over to Chris to share some thoughts about funding any incremental CapEx from this point forward.

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

Sure. Happy to hit it, and good morning, Constantine. I think if you look at the larger incremental potential CapEx that Jason was just referencing, you should think about it as just the prior approach that we've referenced, which is continuing to incorporate that into our capital plan as we can execute it, finance it and recover it. And the way in which we would do it would largely be to fund it in line with our enterprise cap structure. As you look specifically at the roughly $500 million opportunity we referenced this morning around the resiliency filing, we did reference that we're going to go after some potential both federal and state-based loans and cost matching programs. But to the extent that we're not successful on those, again, the simple way to think about it is we'd be funding in line with the enterprise capital structure.

Q - Constantine Lednev {BIO 20113787 <GO>}

Excellent. Appreciate that. And maybe a quick follow-up on that. You kind of highlighted the path on credit metrics and how are you thinking about options of refinancing needs on both floating rate exposure and kind of near-term maturities? And is there any optimization opportunities there with convertibles, hybrids, any of these kind of federal loan programs to supplement?

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

Sure. Happy to touch on it. And I have to say, you know, we're pleased with where we are today. You saw us reported 14.6% in terms of FFO to debt based on the Moody's calc and consistently are seeing as we go forward a good trajectory both on the Moody's and S&P calculations. As we think about the different financing alternatives, it is certainly the case that we are already pursuing some DOE loan program dollars to the tune of just over $2 billion already. So those have already been filed. Really, that's just a cheaper alternative for better financing costs for customers. As we look at the financing plan throughout the year, certainly, we've got a few maturities here that are coming up. We've hedged against a portion of the current offering that's probably closer here in front of us at the parent level.

And then as you look at hybrid alternatives, I think you referenced there, that's certainly something that we're evaluating, you should assume. We kind of like the profile there, but we are looking really at a couple of alternatives, both for some tax alternatives this year and some hybrid opportunities if they make sense. And it's just my way of saying, Constantine, that we're always going to be pursuing the most efficient financing we can as we go forward.

Q - Constantine Lednev {BIO 20113787 <GO>}

Okay. So everything is on table. And just a quick one on Jason's comments around demand growth that you mentioned. And cost shift has kind of become more of a prominent issue with the inflection in load that we are seeing. Do you see any issues in Texas or even Indiana where you would need to adjust kind of cost allocation and would those be addressed in the current rate case process or any kind of separate proceedings?

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

Hey, Constantine. I think it's a great question. Probably less kind of an issue directly in the service territories that we serve, largely because the growth that we're seeing, both the potential for it up in Southwest Indiana as well as here in the Greater Houston area is really driven by industrial load growth that comes with significant jobs. You know, much of the discussion over the last couple of quarters has been around data centers, AI growth. That's, you know, some of the toughest electric load growth to serve, right, low margin, doesn't necessarily come with the jobs, and so it does put, to your point, sort of pressure more largely on cost allocation. I think here, again, where I think it's a clear differentiator for CenterPoint, we serve load that, you know, it's not only growing from a residential standpoint and industrial standpoint, but it keeps that cost allocation issue sort of, you know, less impactful than maybe some of the peers that have data center growth really driving their electric sales.

Q - Constantine Lednev {BIO 20113787 <GO>}

Thanks. That's really helpful. Really appreciate the questions today.

Operator

One moment for the next question. The next question will come from James Thalacker with BMO Capital Markets. Your line is open.

Q - James Thalacker {BIO 1794957 <GO>}

Good morning, guys. Thanks for the time.

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

Hey, good morning.

Q - James Thalacker {BIO 1794957 <GO>}

I just wanted to follow up on Constantine's question on the System Resiliency filing. The plan is $2.2 billion to $2.7 billion, which I think is roughly almost double the $1.3 billion you've been spending over the last couple of years. But if I heard you correctly, the $500 million of incremental capital is kind of in line with the higher end of the filing. So if we kind of run this forward, if the PUCT ultimately decides to approve a spending that's, you know, say, near the bottomness or even below the range, could you talk a little bit about where you see other investment opportunities and how would this change your financing plan, if at all?

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

Yeah. Maybe a couple of quick points on that, Jim. So the $2.2 billion, the low end of the range is consistent with a $44.5 billion. The upper end of the resiliency filing, that incremental $500 million would put us to $45 billion overall through 2030. You know, look, I think that there is pretty strong alignment across the state here in Texas around investments to keep the grid resilient and going to help the economic growth that we're experiencing in Texas. I also think what's important part of this filing and what is maybe different than some of the historical resiliency spend is, as part of the filing, we have to prove the benefits of the incremental resiliency mitigation measures exceed the cost. So, you know, part of this filing really demonstrates that on a net basis, this is still in the customer's best interest for us to make these investments.

And so, you know, I feel like there's going to be strong support for our filing, the other filings of the transmission distribution utilities. That being said, to your point, if there is concern around the proposed mitigation measures that we have in our filing, as a quick reminder, this is about 15% of our total CapEx plan. And as I alluded to in my answer to Constantine, I think we have plenty of incremental CapEx opportunities outside of this, whether they be on the gas side of the business, I talked about local transmission pipeline there, potential to accelerate our next-generation smart meter deployment.

And then on the electric side, I just -- I cannot reiterate enough the opportunity with this exponential load growth driven by industrial electrification and electrification of commercial fleets. So, you know, I think that there are an abundant set of opportunities of incremental CapEx. And I don't know, Chris, if you want to continue to reinforce thoughts on financing plan.

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

And -- sure, just to build on that, again, as we look at the base plan at the low end of the resiliency filing, that would just support the $44.5 billion with the ongoing very modest ATM program that we've got through 2030. And again, as we look beyond that for some of these incremental opportunities, it really would be finally [ph] in line with the existing cap structure.

Q - James Thalacker {BIO 1794957 <GO>}

Got it. Great. Thank you so much for the update, guys.

Operator

One moment for the next question. The next question will come from Steve Fleishman with Wolfe Research. Your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah, hi. Good morning. Thanks. Just on the Indiana update that you mentioned on the settlement or get delayed in the hearing, just maybe a little more color on how long it's delayed and just likelihood of an agreement?

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

Good morning, Steve. Thanks for the question. You know, we pushed the start of the hearings by a day, you know, as we continue to explore the potential here for settlement. You know, it's hard to handicap kind of expectations. I think we're working hard with stakeholders to find what we believe would be a constructive path forward. And as a quick reminder in this case, a lot of the CapEx that's included in the Indiana Electric filing has been in front of the IREC [ph] and our stakeholders in previous forums, whether that's the cost of coal transition or the transmission and distribution investments that we are making to improve reliability and resiliency in that area.

And so a lot of the issues of the case have kind of been seen by stakeholders in a number of different forums. And so we continue to try to work constructively towards the settlement and you know, we'll update you as we have, you know, more information.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. And then just on the kind of S&P negative outlook, I just want to clarify, just is your -- I mean, I think these things usually take, you know, like a year or so to go through, but just are you -- your intention is just these metrics will get better just as the Uri impact goes away and that should be sufficient to meet the targets there? Is that how to think about it?

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

Good morning, Steve. That's accurate. Really what S&P was looking at was the past, right, as they evaluated and arrived at that outcome. Our general assumption, it is that roughly year-long period. And as we look at the plan going forward, as we look over the next few years, you'll see naturally that Uri impact roll-off and we'll see ourselves really as we see even just in 2024, looking at the year, you're going to see us at Moody's continuing to target that 100 basis points to 150 basis points cushion, that won't change. And additionally, you're going to see us grow into a greater cushion at S&P as we walk into the subsequent years. So comfortable with the base financial plan and what it informs for the years ahead.

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

I think, Steve, if I could add to that, obviously, as Chris said, we're comfortable, but I think it's important just to highlight the core difference in methodology here because it is transitory in nature. You know, the way that -- the issue I'd add is, you know, we've received securitization proceeds from Winter Storm Uri with [ph] significant cash inflow. We have to pay taxes on that cash outflow. S&P's methodology excludes that significant inflow, but includes the associated cash outflow, right. That's sort of a transitory effect. And as Chris said, as we look forward, we feel comfortable about the trajectory that we're on. And so just a very sort of idiosyncratic impact from their calculation.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then last question, just on Texas, and I know you kind of answered this and the hydrogen hub sounds exciting. That just feels like that just takes time, but there's just so many other dynamic economic things, whether it's data centers or other industrial. Just could you just give maybe a little more flavor of kind of CenterPoint's ability to get to opportunity set related to the growth in Texas?

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

Yeah. Thanks, Steve. You know, what I would say is, I don't think you can find a more dynamic setting anywhere in the country, particularly on electric sales growth than you can here. Residential load growth continues to be best in class, right. We continue to see the industrial load growth that I mentioned, transportation electric load growth. And I think that's really reflective in our sales numbers for the first quarter. On a quarter-over-quarter basis, when we adjust for weather, sales are up 8% over first quarter last year, driven by strong residential, commercial and large industrial growth. There's electrification at one of our nation's largest ports here in Houston. You know, we continue to see incremental growth in the petrochem complex. We're becoming, you know, one of the dominant areas in the country for life sciences.

And so what I would say is, basically, the growth that you see in any one sector, including data centers around the country, we see it in all of those sectors here in the Greater Houston area. And so I see it showing up in the numbers this quarter and I see it driving continued growth, you know, at least through the remainder of the decade, if not well beyond.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Thank you.

Operator

One moment for the next question. The next question comes from Nick Campanella with Barclays. Your line is open.

Q - Nick Campanella {BIO 20250003 <GO>}

Hey, Good morning. Thanks for taking my questions. A lot of things have been answered, but I guess just on your comment about kind of pursuing state and federal incentives for this plan, you know, it sounds like some of this is grants, but some of it's also DOE loans. But can you just kind of talk, I think it's very helpful from a financing benefit and from a customer affordability benefit, but how do we kind of think about the contribution from EPS if you were to kind of pursue state programs rather than kind of traditional financing?

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

Hi, Good morning. I think about it, just to be clear, very small, right. We're really talking about a component here where we're looking at the federal programs from the loan standpoint, as you mentioned, as well as the specificity that we provided around the GRIP program that's there, which has already been filed. We've also got some Texas Department of Energy -- excuse me, emergency management funds that we've also asked for on the state level. Those would be in the form of grants. Again, just a situation where we can get better outcomes in total for customers. I don't know, Jason, if you want to give kind of color on higher level how it informs the EPS guide?

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

Yeah. Thanks, Chris. What we've consistently said, Nick, is that we'll come back after these rate cases next year and provide new 10-year plan, you know, well into the mid-2030s that are reflecting our continued confidence of long-term growth. What I want to highlight though are, you know, there's been a handful of things that we've been able to accomplish since we rolled out that guidance, the long-term EPS guidance, which is, you know, again, 8% growth here in 2024 and then the mid to high end of the 6% to 8% range through 2030. And what I would say is, you know, that we certainly have more tailwinds than we have headwinds. You know, from a tailwind standpoint, we had some success in the legislative session helping reduce some regulatory lag in key jurisdictions. You know, as I mentioned previously, we've increased CapEx since we've issued that guidance by more than 10%.

You know, the third thing that I'd point to is, you know, last quarter when we announced the sale of Louisiana, Mississippi and the recycling of that capital, that's moving what is nearly $800 million of rate base and $1 billion of CapEx into jurisdictions that earn a higher return. And I'd be remiss to say that, you know, obviously interest rates are a little higher and we've announced a modest equity program. But suffice it to say the tailwinds here exceed the headwinds. And as we get to the other side of these rate cases, we'll be in a better position to give a kind of a long-term comprehensive update to the earnings guidance for the company.

Q - Nick Campanella {BIO 20250003 <GO>}

That's great. And I guess just a kind of a follow-up on, you know, high-grading the plan here. You mentioned in your prepared remarks the higher for longer interest rate environment and you know, expectations I think across the market have certainly changed, you know, from January to today on the trajectory of rates. Can you just kind of remind us on, you know, not necessarily what you're assuming if you don't want to comment, but just how the plan is kind of provisioned into the back half of this year and then going forward, if we do kind of continue to be higher for longer here?

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

Sure thing, Nick. And I'll just say, you know, as we are building the plan heading into 2023, and I don't know that any of us really could have perfectly predicted the impact there, but I think you saw the company execute well and overcome that pressure. As we look into 2024, walking into the year, we definitely plan conservatively there. And I -- you know, it's hard for me to be too specific, but just know that as you look across our plan, I hope that you've seen we're consistently bringing forward conservatism so that there are no surprises in the end. I think it's the same thing on our capital programs, right. As we folded in CapEx over time, we're making sure we're doing so conservatively as we see the opportunity to execute it, to finance it and recover it. So it really holds on the same side in terms of higher for longer. We walked into this year assuming this was going to be the case.

Q - Nick Campanella {BIO 20250003 <GO>}

That's really helpful. Thank you.

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

Thank you.

Operator

One moment for the next question. The next question comes from Jeremy Tonet with JPMorgan Securities. Your line is open.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

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

Good morning, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wondering, going back to the SRP here, if you could frame overall wildfire mitigation needs relative to the $140 million in the SRP filing? And looking more broadly, how might SRP capital composition evolve over time from this first application? And what does the SRP investment runway look like at this point?

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

Yeah. Thanks for the comprehensive question. Look, from a wildfire standpoint, as you highlighted, $140 million isn't a significant driver of the overall $2.2 billion to $2.7 billion plan. I think it's important to understand why. You know, 60% of our system is currently underground. You know, and Jeremy, as I know you know, we have high relative humidity here. So all things being equal, we have significantly lower wildfire risk than our peers. That being said, obviously, we haven't sat on our hands. We've been addressing this risk with changes in operations, shutting off automatic reclosers, enhanced inspections during periods of higher wildfire risk. But this plan basically addresses about 1% of overhead miles that are in higher fire risk areas. And so this is probably under the current set of conditions sufficient to mitigate our wildfire risk.

Now obviously, we're going to continue to look at weather patterns, drought patterns to see how that evolves over time. But I don't really see the wildfire mitigations being a significant long-term driver of CapEx. Where I do see further opportunity beyond this plan is really on the distribution side. As I said in my prepared remarks, we have been really focused on hardening the backbone of our system, the electric transmission and the substation flood control efforts. We will largely be through those programs by the end of this first cycle. And so the real opportunities I mentioned is on the distribution side going forward and really creating kind of a more resilient, reliable overhead electric system for our customers. So more to come on that front. We're happy to make this first filing and I see the opportunity for continued CapEx growth as we make subsequent filings in the future.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Makes sense. If there's one thing we know is that Houston is humid. I'll leave it there. Thank you.

A - Jackie Richert {BIO 22513026 <GO>}

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

Operator

Okay. One moment. And the last question will come from Durgesh Chopra with Evercore. Your line is open.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, thanks for giving me time. I appreciate it. I'll ask two very quick questions and I'll ask them together. Just first, can you help us sort of pin out a timeline for the resiliency plan approval, what to look for there? And then, second, Jason, in your comments, you mentioned regulatory lag as a tailwind opportunity. Can you just quickly remind us what your earned regulated ROEs are as of the end of the first quarter? Thank you.

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

Yeah. Thanks, Durgesh, for the questions. On the first side, the timeline for approval of the resiliency plan, I think the legislation called for about a six-month approval period. What I will say is this is first-of-its-kind legislation. So we'll have to kind of get in the middle of it. I'm sure there will be a number of parties sort of intervening, but I would look towards the tail end of this year, calendar year to, you know, get a final decision on the resiliency plan that we filed. You know, on the question on regulatory lag, you know, we've historically seen, particularly here in the Texas business, about 150 basis points on average regulatory lag. And what I would say is we've sort of meaningfully reduced that amount. But it's an odd time to really be calculating kind of what regulatory lag is at the end of the first quarter just because we're in the middle of our rate case filing. And as a result, we don't have access to the full complement of capital recovery mechanisms that we will have sort of on the other side of this rate case. And so just know that we've taken steps to begin to reduce that historical regulatory lag, and I think we'll be in a place that gives sort of a more normalized view of that on the other side of the rate case.

Q - Durgesh Chopra {BIO 20053859 <GO>}

That's very helpful. Thank you so much again. Appreciate the time.

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

Yeah. Thanks, Durgesh.

A - Jackie Richert {BIO 22513026 <GO>}

Okay. Operator, with that, that concludes our call for the quarter. Thanks, everyone, for joining.

Operator

This concludes CenterPoint Energy First Quarter 2024 Earnings Conference Call. Thank you for your participation. Have a great day.