Q4 2021 Earnings Call

Company Participants

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

Other Participants

- Anthony Crowdell, Mizuho
- Insoo Kim, Goldman Sachs
- Julien Dumoulin-Smith, Bank of America
- Richard Sunderland, JPMorgan
- Shar Pourreza, Guggenheim Partners
- Stephen Byrd, Morgan Stanley
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good morning, and welcome to CenterPoint Energy's Fourth Quarter and Full Year 2021 Earnings Conference Call with Senior Management. During the company's prepared remarks, all participants will be in a listen-only mode. There will be a question-and-answer session after managements remarks. (Operator Instructions)

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

Jackie Richert {BIO 22249352 <GO>}

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO; and Jason Wells, our CFO, will discuss the company's fourth quarter and full year 2021 results. Management will discuss certain topics that will contain projections and other forward-looking information and statements that are based on management's beliefs, assumptions and information currently available to management.

These forward-looking statements are subject to risks and uncertainties. Actual result could differ materially based upon various factors as noted in our Form 10-K, other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statement. We will be discussing non-GAAP measures on today's call. This will be the last quarter in which we will discuss utility EPS, which is a non-GAAP adjusted diluted earnings per share guidance measure. Utility EPS excludes earnings from midstream among other exclusions.

When providing guidance for 2022, we will use the non-GAAP EPS measure of adjusted diluted earnings per share on a consolidated basis referred to as non-GAAP EPS. Jason Wells will provide further details. For information on our guidance methodology and a reconciliation of the non-GAAP measures used in providing guidance, please refer to our earnings news release and presentation, both of which can be found under the Investor section on our website. As a reminder, we may use the 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 discussion over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Thank you, Jackie. Good morning and thanks to all of you for joining us for our fourth quarter 2021 earnings call. As we wrap-up a very busy 2021 at CenterPoint, I'll run through our annual highlights and headlines. To say the least, it's been quite a year. First, we continue to build on our consistent track record of earnings delivery with now seven straight quarters of execution by the current management team.

We raised our utility EPS guidance 3x throughout 2021 and then delivered on that guidance, reporting $1.27 on a full year basis and industry-leading 8.5% increase as compared to 2020. And as we discussed, we continue to grow our dividend in line with EPS growth and accelerated the increase in that dividend in Q4 of 2021. This growth is supported by our underlying rate base growing at 11% year-over-year.

In 2021, we also saw a continued 2% customer growth for electric and 1% for natural gas. And as we have said before, this organic growth is a luxury many other utilities just do not have. And even after pulling over $25 million of O&M spending opportunities forward from 2022 into 2021, we achieved a 1% decrease in our controllable O&M and we're sticking with our plan to have annual average reductions of 1% to 2% in O&M over the course of our 10-year plan. We also listen to our shareholders regarding two key action items in 2021 and executed on both of them. First, we enhanced our Board governance structure, eliminated the executive chair position and established an independent Board share.

And secondly, made substantial progress toward exiting midstream all together with the completion of the Enable, Energy Transfer merger and the sale of 70% of our interest in Energy Transfer in 2021. With the exit of our interest in Enable, we became more focused on being a pure play regulated utility. We then became even more weighted toward electric with the sale of our Arkansas and Oklahoma gas LDC businesses earlier this year. With the sale of these gas LDC businesses, we are now over 60% electric in our rate base. This electric versus gas business mix now puts us within the range of some of our premium utility peers.

We also unveiled our new ESG strategy in 2021. Our goal to transition to net zero on direct emissions by 2035 was particularly well received. This effort has already resulted in a significant ratings and improvement by sustainalytics for CentrePoint. I am pleased to say that we are now rated in the top quartile of the utilities industry, nearly 30% better than the average utility. A result that will only improve as we execute on our generation transition plan and other ESG initiatives. As stated, we reported $1.27 for full year 2021 utility EPS, which is an 8.5% increase over 2020, this was an industry-leading outcome.

Today, we are also reaffirming guidance for 2022 at $1.36 to $1.38 for non-GAAP EPS, with the midpoint of this range being 8% growth. And of course, for this year and through 2024, we are still targeting an industry-leading 8% annual non-GAAP EPS growth each and every year. Let me be clear on one thing now. We don't need the benefit of nor are we counting on the remaining Energy Transfer units to achieve this 8% non-GAAP EPS growth. And to reinforce this, we plan to exclude the midstream activity from our non-GAAP results in 2022. And Jason will cover more on this in a moment.

I strongly believe CenterPoint has the right management team in place to execute on our strategy. I and the Board continue to have regular dialogue on management succession, how to best develop, cross-train and retain the top talent that we have here at CenterPoint. I feel that CenterPoint leadership is among the best in the industry.

Let's move on to Capital Investments. Let me summarize our current capital spending plans and Jason will then provide more details. First, we executed our 2021 capital plan. We said we would catch up on our 2021 capital spend in the fourth quarter and we did. To benefit our customers, we invested $3.6 billion in 2021 to support growth, resiliency and safety across our system. This included an incremental $100 million above the capital spend we communicated to you on our last Analyst Day.

Overall, as detailed in our September Analyst Day, we anticipated capital spending of $18 billion plus over the next five years and a $40 billion plus over the next 10 years. The five year $18 billion plus plan from Analyst Day included up to a $1 billion for the additional tools we were provided by the Texas Legislature coming out of winter storm Uri. In addition to the incremental $100 million of capital we spent in 2021, so far to-date in 2022, we have also been able to accelerate an additional $200 million of capital spend from the 2023 capital spending plan, this is now increased our 2022 capital plan to $4 billion, up from $3.8 billion.

And more importantly, we have already identified the $200 million of additional capital opportunities required to fill the capacity created by this acceleration of spend from 2023. This now increases our total capital spend for the five year plan from $18 billion plus to $19.2 billion. This ability to identify and spend incremental capital in 2021 identify and accelerate capital spend in to 2022 from 2023, and then identify the capital to back fill 2023 capital spend with even more spending opportunities is a really great outcome. Included in the accelerated spend are the capital leases for 500 megawatts of mobile generation capacity, this fleet is deployed across our greater Houston area electric footprint.

Mobile generation has become an important part of of our overall resiliency strategy and Texas Governor, Abbott has also recently highlighted the importance of these tools as part of his plan to combat severe weather events. In fact, these mobile backup generation assets were strategically deployed across our service territory and in working with ERCOT we're ready to be energized in case of a load-shed request during the recent winter storm Landon.

As Jason will explain, we expect to begin recovery of these costs in our DCRF filings in 2022 and 2023. We highlighted the growth of Houston in our recent Analyst Day, and two weeks ago, the city of Houston and CenterPoint jointly launched the first of its kind long-term strategic power resilience initiative called Resilient Now. As part of this effort, we are working with the city of Houston to develop a master energy plan which will identify the future capital opportunities to help the community handle its continued economic growth, help meet the challenges of more frequent and destructive weather events, support the build out of its EV infrastructure and advance its environmental goals. This will include grid and infrastructure hardening and modernization, residential weatherization and investments around renewable energy infrastructure.

We are now working with other cities within our electric footprint for similar initiatives as well. We will keep you updated on the development of these opportunities and the initiatives in the coming quarters. As you may remember, I recently assigned Jason Wells the additional responsibility of managing our Indiana generation transition efforts, so he will cover that in a few minutes. In values added, I'll also have him provide a regulatory update as well.

So in summary, we've had seven consecutive quarters of improved performance and are now executing against the strategy we laid out in our September Analyst Day. In 2021, we achieved industry-leading 8.5% utility EPS growth and grew our rate base at 11%. We have recently executed two large strategic transactions and are continuing to find ways to increase our $40 billion plus in capital investments over the course of our 10-year plan. All to benefit our customers and our investors.

And lastly, we've listened to you and as you will hear from Jason, we are simplifying our earnings reporting structure going forward. And as you can tell, we moved our earnings call date earlier into the reporting season. 2021 was a great year for CenterPoint, with quarter-after-quarter of meeting or exceeding expectations. I firmly believe we are becoming a premium utility and will consistently extend our track record of delivering on our strategy.

Looking ahead, I'll reiterate that we plan to grow our non-GAAP EPS at 8% year-over-year 2024, with no help from the midstream. In the mid-to-high end of our 6% to 8% annual range thereafter to our 10-year plan. We intend to invest $40 billion plus in capital to support growth, resiliency and clean enablement for the benefit of our customers, and will look to accelerate investments where appropriate. And lastly we remain focused on achieving our value proposition, which is sustainable earnings growth for our shareholders, sustainable, resilient and affordable rates for our customers and a sustainable positive impact on the environment for our communities.

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

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Dave, and thank you to all of you for joining us this morning for our fourth quarter call. As Dave mentioned and hopefully some of you have noticed, we move this call a couple of days earlier than reporting calendar. We heard your feedback last year and are committed to continuing to advance our reporting date over the course of this year and next. Also with the sale of 70% of our interest in Energy Transfer and resulting elimination of separately reporting midstream results, we are now able to simplify our reporting and focus solely on non-GAAP EPS in 2022 and beyond. This is another important step in further simplifying our story.

Turning to our financial results. On a GAAP EPS basis, as shown on Slide 5, we reported $1.01 for the fourth quarter of 2021, and $2.28 on a full year basis. This includes a net after-tax gain of approximately $550 million from the merger of Enable and Energy Transfer, partially offset by losses on the sale of Energy Transfer securities.

Looking at Slide 6. We reported $0.36 of non-GAAP EPS for the fourth quarter of 2021 compared to $0.29 for the fourth quarter of 2020. Our non-GAAP EPS was comprised of $0.27 from utility and another $0.09 from midstream in the fourth quarter of 2021. Our utility EPS results included favorable growth and rate recovery contributing $0.04 this quarter, while weather/usage and other added another $0.02[ph] when compared to the fourth quarter of 2020. We are also reaffirming our guidance range of $1.36 to $1.38 of non-GAAP EPS for 2022, which reflects 8% growth over the $1.27 utility EPS results for 2021.

As Dave mentioned, achieving our 8% growth is not contingent on any benefit from the remaining Energy Transfer securities we own. For 2022, we plan to exclude among others all impacts associated with our Energy Transfer interests, as well as all impacts associated with our Arkansas and Oklahoma gas LDC sales and the ongoing mark-to-market on our ZENS securities from our non-GAAP results. Beyond 2022, we continue to expect to grow non-GAAP EPS 8% each year through 2024 and then at the mid-to-high point of 6% to 8% each year through 2030. Our focus is delivering strong growth each and every year.

Turning to Slide 7. Our capital expenditures for 2021 were $3.6 billion, inclusive of the mobile generation long-term leases which is approximately $100 million more than what we indicated in our September Analyst Day. I want to spend a moment describing the investment in mobile generation and resulting update to our forecast. This investment gives us an important tool that is in place currently to help mitigate the risk of extended outages for our customers in Texas.

In the event, we're asked to shed load by the ERCOT market or in response to certain other widespread power outages. We procured 500 megawatts of mobile generation valued at approximately $700 million of capital, spread across 2021 and 2022, which was previously in our Analyst Day capital plans for $600 million spread across 2021, 2022 and 2023. The increase in cost and acceleration of the investment over our previous plan shared at Analyst Day result in following; first, it contributed to approximately $100 million more in capital in 2021.

Second, the acceleration will result in an increase of $200 million of capital in 2022. As a result, we are increasing our 2022 capital expenditure guidance to $4 billion, and increasing our year end 2022 rate base guidance by $300 million to $20 billion. And finally, we have already identified $200 million of incremental capital to replace the capacity in 2023 created by the acceleration of the mobile generation investment.

Overall, this results in a $300 million increase in our five year capital expenditure plan, which is now expected to be $19.2 billion. Approximately $200 million of this mobile generation investment will be included in the upcoming distribution capital recovery tracker or DCRF filing planned in 2022, with the remaining $500 million balance expected to be included in our 2023

DCRF filing. That means, from an earning standpoint, we expect the entire mobile generation capital will be included in rates and earning return on equity by September 2023.

As a reminder, we will not be eligible to earn an equity return on this investment until the amounts are included in rates. Overall, this is a great example of the state of Texas providing additional tools to help mitigate the risk of an extended outage and our team moving quickly to implement these changes for the benefits of our customers and our shareholders.

Turning to the Indiana transition plans for a moment as Dave mentioned. We still continue to work with stakeholders in Indiana for the successful transition from coal generation. We recently completed hearings on our proposed simple cycle gas plant and anticipate the associated decision in the third quarter of this year. We also recently reduced the size of our initial solar project in Posey County from 300 megawatts to 200 megawatts, as a response to the recent materials cost increases and community feedback, and we'll be going back to the commission for approval of this modification later in early second quarter.

We anticipate filing the certificates of public convenience and necessity for the remaining solar and wind builds transfer projects during the second and third quarters respectively. Overall, we continue to work towards a goal of owning 50% of our renewable generation needs contracting for the remaining 50% through power purchase agreements and owning the simple cycle gas plant for reliability purposes. This progress on a renewable generation transition is a key driver in achieving our industry-leading net zero direct emissions goal by 2035.

We are further demonstrating our alignment to our net zero goal by adding an emission reduction component to our long-term employee incentive compensation program this year. And as Dave mentioned, we've recently received a positive update on our ESG rating score from sustainalytics that now places us in the top quartile of the utility industry. We are very proud of the enhancements we've made towards our environmental, social and governance commitments and we look forward to continued progress.

Now I want to provide a broader update on our regulatory progress. We're going through a full rate case in Minnesota and are optimistic that we will reach a settlement before April evidentiary hearing. Additionally, all of the gas utilities in Minnesota have a separate docket outstanding for the prudency of incremental gas costs resulting from last year's winter storm. This is our only jurisdiction with an open prudency review. Turning to the state of Texas. The Railroad Commission issued a financing order for the statewide securitization bonds. We expect that this will provide 100% recovery of the $1.1 billion gas costs incurred during last year's winter storm, as well as carrying cost with the recovery spread over a longer time period to minimize bill impacts for our customers. These bonds are expected to be issued before mid-2022.

Now turning to to strategic transactions. As Dave mentioned, we are very proud of the effort of our employees for completing two major strategic transactions that position us as a purely regulated utility, while recycling capital to efficiently find our industry-leading growth. The closure of the Enable transaction in December is a great example of what the current CenterPoint team is capable of.

After closing the transaction, we completed sale of a portion of our Energy Transfer securities in inclusive of the previously announced forward sale of common units, we have now sold approximately 70% of our interests in Energy Transfer, which includes half of the Energy Transfer Series G preferred units and a 150 million common units for nearly $800 million of net after-tax proceeds, which were used to pay down parent level debt. We expect that our remaining energy transfer position of 51 million common units and approximately $190 million of Series G preferred units will be sold well before our target timing of year-end 2022.

Turning to the Arkansas and Oklahoma LDC transaction, which closed in January, we received over $1.6 billion of net after-tax proceeds, including approximately $400 million related to the remaining outstanding incremental gas costs. A portion of those proceeds were used to pay down $300 million of CERC level debt to right size our capital structure and another $425 million of floating-rate notes associated with the incremental gas cost from last year's winter storm. We plan to use the remaining proceeds to efficiently fund our industry-leading rate base growth.

At the CenterPoint parent level, we also pay down $500 million of CentrePoint senior notes and reduced our commercial paper balance. These actions are in line with our goal to reduce parent level debt to approximately 20% by year end 2022. Our current liquidity remain strong at $2.9 billion, including available borrowings under our short-term credit facilities in unrestricted cash. In addition to the previously mentioned debt pay down associated with strategic transactions, we now have the order in place for the state level securitization in Texas to recover our remaining $1.1 billion of gas cost for last year's winter storm. We plan to use the proceeds from the securitization to pay-off the remaining balance of our floating rate short-term notes in a portion of the fixed rate notes due September 2023.

Our long-term FFO-to-debt objective remains between 14% and 15%, aligning with Moody's methodology and is consistent with the expectations of the rating agencies. Now with the statewide securitization in place, Moody's has revised CERC's outlook to stable. This now means that all of our rate identities have a stable outlook with all three agencies, underline a significant credit supportive actions we have taken over the past year and a half. With the near complete exit of midstream, we continue to engage with the agencies on improved business risk profile and aggregate for a lower down grade threshold.

We believe that these improvements in the balance sheet coupled with our efficient recycling of capital put us in the position of being able to offer industry-leading growth without the need for external equity. As we continue to express, we take our commitment to be good stewards of your investment very seriously and realize our obligation to optimize stakeholder value. And with that, we look forward to more of these shorter earnings calls in the future.

I'll turn the call back over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Thank you, Jason. As you heard from us today, we've had seven quarters of meeting or exceeding expectations and have checked the box on executing under strategic transactions. We are nearly a pure play regulated utility and we are demonstrating the pathway to a premium.

Jackie Richert {BIO 22249352 <GO>}

Thank you, Dave. We're now ready to turn the call over to Q&A.

Questions And Answers

Operator

(Question And Answer)

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

Q - Shar Pourreza

Hey. Good morning, guys.

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

Good morning, Shar.

Q - Shar Pourreza

So thank you, David. I think you drilled down fairly well on the drivers with sort of the near-term CapEx increases. Do you still see more spending acceleration opportunities, let's say, in the '22 to '24 timeframes. And could this higher CapEx be included in the master energy plan in Houston? Or that collaboration with Houston will be purely incremental to the spend?

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

No, I think the -- as we tried to walk the tightrope of our words here today, I mean, clearly, the Resilient Now opportunity is a really good one for CenterPoint, but it's early days. We have to complete the master energy plan, which we believe we'll do some point in the latter part of this year. That should identify the incremental capital that's there. I also think that as you think through what we have said over the past seven quarters about the build and our ability to spend capital, remember our first was $16 billion plus, then it was $18 billion plus, now it's $19.2 billion. But keep in mind, throughout all of this, we also have said we have $1 billion in reserve capital that we can always look to spend or accelerate and that billion and reserve capital has not gone away.

So as I said, it's early days, but we're really excited about the opportunity in and around Resilient Now and what it can do for our customers here in Houston. But I'm not going to sort of tip our hand as to what that might look like until we're a little bit further down the road.

Q - Shar Pourreza

Got it. And then just lastly for me, Dave. Just what's the timeline for the master energy plan? And I just want to just reiterate one point or just confirm it, whatever comes out of the master energy plan or the resiliency now, are you still sticking with no need for equity to fund the incremental CapEx?

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

Yes. That really is our North Star at this point in time. I think given what has transpired with the company over the last couple of years, not needing to go back into the equity market is something that is really, really important to us. And so we have other options to fund an acceleration of capital or incremental capital that's out there. We've talked about a number of them over the past several calls. Continued sales of gas LDCs, for instance, would be one. And so the short answer is no, we do not see a need to have to go back in the equity markets and our plan that we outlined here is not predicated on doing that at all.

Q - Shar Pourreza

Fantastic. That's all I wanted to confirm. Thank you, guys. Congrats.

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

Thanks.

Operator

Your next question comes from the line of Steve Fleishman with Wolfe Research.

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

Hey, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, good morning. Thanks. Maybe just following up on that last question on kind of funding. The -- Jason, I think you mentioned the potential of kind of your credit rating, I guess, thresholds coming down fully. Could you give us a sense of what might happen there in terms of those thresholds one year fully out of maturing? Good morning.

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

Yes, happy to. Currently with Moody's our downgrade threshold is 14% and we're strongly advocating for a decrease to 13%, which we think is more consistent with what our dual fuel peers have today. When we looked at this over the last year or so, one of the reasons we've had a higher downgrade threshold was because of a higher business risk profile with respect to our investment in Enable. Now that's been converted to Energy Transfer or 7% out of that position, we're advocating strongly to be held consistent with our peers. The intention behind that advocation of the lower downgrade threshold though is not to utilize it for funding purposes. We want to retain that and couple that with the fact that we see ourselves sort of in the upper half of the 14% to 15% FFO to debt range really provide about 150 basis point plus cushion between where our credit metrics are and our downgrade threshold.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. And then just, Dave, maybe just you brought up the gas LDCs being a potential another source of capital if needed. I think you called them the prepaid debit card so to speak. Just is it possible that the Houston resilient plan, Resilient Now could be enough to kind of tap that?

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

Yes. I think as I said, I'm not going to try to front run our thinking on this, Steve. Obviously, we have -- one, we're really excited about the Resilient Now opportunity because I think it's going to be great for not only the city of Houston but the all of the surrounding communities and cities that really are in our territory, but as I said, it's early days. But I think the advantage we have with our gas LDCs is they're of various sizes. So at this point in time, we're not essentially headed down any specific path. It's just a great option to have as we look at our ability to spend more capital here in what is essentially one of the crown jewels of CenterPoint, which is Houston Electric.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. And just on, I guess, lastly on Indiana. How are you feeling on just conviction on getting your approvals of the various power generation plants? Just overall conviction getting approvals.

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

Short answer, very positive, but I'll let Jason elaborate on that since it's part of his (inaudible) now.

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

Thank, Steve. And I'll reiterate the strong conviction that Dave expressed. We continue to work broadly with our stakeholders in Indiana. We think we have a plan that balances stakeholder interests. We see a significant amount of support for this cold transition with respect to a number of our industrial customers in Greater Evansville area, who themselves have their own ESG commitments. And so we've taken a feedback from the commission and continuing to work with our customers. We feel like we have a plan that has broad stakeholder support.

We anticipate we'll continue to see approvals on each of the tranches we filed throughout the course of this year, likely the solar PPAs in this upcoming second quarter, the simple cycle or gas CT plant in Q3. And then we'll be making a filing for the balance of the generation transition a little later this year. So we think each quarter, you see a positive data point. We remain strongly convicted that this continues to have strong stakeholder support.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

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

Thanks, Steve.

Operator

Your next question comes from the line of Jeremy Tonet With JPMorgan.

Q - Richard Sunderland {BIO 20365913 <GO>}

Hi, good morning. It's actually Rich Sunderland on for Jeremy. Can you hear me?

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

We can hear you loud and clear.

Q - Richard Sunderland {BIO 20365913 <GO>}

Great. Thank you. Maybe just circling back to the master energy plan, can you speak a little bit more to what that will actually evaluate? And similarly, do you expect subsequent plan updates after the initial filing this year?

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

Yes. I think what is -- it's basically it is what it says it is. It's the master energy plan for the city of Houston. But also as we said, we are now enrolling some of the surrounding communities into some of the potential outcomes. But as I said in our prepared remarks, it's really focused on what does the power grid need to look like in Houston and the surrounding areas going forward, given the continued fantastic growth that we're seeing in this market. The continued impact of sort of distressed weather patterns either hard freezes or rains or floods or hurricanes. So getting the system more resilient and more hardened, getting the city ready for basically the EV infrastructure that it needs.

And I think if you'll recall back to our Analyst Day, the city only has like 30,000 or 40,000 EVs and it today with mayor whining $0.5 million here relatively quickly. That's going to be quite a load on the system with respect to what we need to do. And then there's obviously a number of social and community efforts that will come out of this. So I mean I think it's focused in those areas. All of that I think will drive investment opportunities to support our customers and make sure that we continue not to have a major impact on bills.

Q - Richard Sunderland {BIO 20365913 <GO>}

Great. Thank you for the color there. And then I know you touched on this in the script, but just what are the guardrails on selling the remaining ET stake? Is there anything more you can give on timing there?

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

I'll let Jason handle that one because he's living it by the day.

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

Good morning, Rich. I'm not going to talk about specifics, but I'll try to provide a little bit of color. The lock up from the market at offering that we undertook in December expired kind of early February. So now we are free to transact on the remaining position. We do retain flexibility to work with energy transfer on another market offering. We also retain discretion to dribble those shares sort of -- under sort of an equivalent of at the market equity program. So we have a lot of different tools to dispose of this interest. And what I would say is we've obviously moved expeditiously to this point. We will continue to do so and we will be well within our goal of exiting the position before the end of this calendar year.

Q - Richard Sunderland {BIO 20365913 <GO>}

Great. Thank you for the time today.

Operator

Your next question comes from the line of Julien Dumoulin-Smith with Bank of America.

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

Hey, good morning, team. Thanks for the time.

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

Hey, Julien.

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

Hey, congratulations to you too.

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

Appreciate it. Thank you so much. Hope to see you guys soon. Maybe if I can I know a lot of questions here around Houston. But what about the Natural Gas Innovation Act in Minnesota here? I mean where do you stand on that process? I think there's some mid-year filings here. Can you talk about how that could impact the plan as well to a certain extent?

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

Sure. I'll let our renewable energy transition master Jason Wells handle that one.

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

Hey, good morning, Julien, and congrats as well. We're excited about the Natural Gas Innovation Act. To your point, we will have a filing about the middle of this year outlining our plan. We have green hydrogen pilot project coming online here and we look to build on that success with this upcoming filing. I would say at this point, I wouldn't see it as a material driver of CapEx in the short run, call it, the next few years of our 10-year CapEx plan, but there is some opportunity when we look at sort of the back end of the 10 years. We want to make sure that we're starting to develop kind of expertise around alternative fuels, but doing so in a -- at a prudent pace so that it's cost effective for our customers in Minnesota. And we look forward to working with the commission on finding that balance and kind of growing into this opportunity, as I said, over the course of the full 10-year CapEx plan.

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

Thank you very much, I appreciate that. But if I can going back to the tone on the master energy plan in Houston. I mean as I understand it a lot of this is dealing with storms and resiliency. How near term of an opportunity is this, especially when you think about developing transition plans that might require permitting undergrounding, et cetera? It could very well be extended. How near term could we see some of these impacts be realized? And then maybe, Lesar, if you can elaborate a little bit, how long does this extend here? I mean it seems like the analog with South Florida and urban growth in the face of storm seems a reasonable parallel here if you collaborate as well?

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

Yes. I'll let Jason, I think, Jason handle the question. But I think go back to our Analyst Day, Julien, where we said, we have decades of spending ahead of us in Houston. So although the master energy plan will sort of set the direction and Jason can talk about sort of the near term and short term, this will set the direction for what should be a decade spend in terms of upgrading the system here in Houston. So I think the South Florida analog actually is a pretty good one.

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

Yes, I think it's a great analog and maybe I'll reinforce a couple of the points that Dave made and then try to unpack this with a little bit more detail about front running the plan. Every day that the Greater Houston area is without power, it cost our GDP $1.4 billion. And so it's really looking at how do we provide a more resilient economy here in the Houston area. As Dave pointed out, it is also about a concerted effort to support the adoption of electric vehicles, both for light-duty vehicles for our customers as well as medium and heavy-duty vehicles for the city of Houston. And then as Dave said, there's also the need to address social equity and the impacts these storms have on certain communities here in the Greater Houston area.

And so with that in sort of the goals behind the master energy plan and you look at kind of what we've done to date. We've made a lot of really great progress on the transmission side of the business. We are in the final stages of converting our entire transmission system to an extreme wind standard over the next few years. We've made a lot of progress with respect to our substations after Hurricane Harvey. We embarked on a 10-year project to essentially raise our substations that were prone to flood risk, and we're well underway there. Where I see a real opportunity for us is on the distribution side of the business.

We have about 35,000 miles of overhead conductor that has the opportunity to be hardened. Whether that's undergrounding or changing to stronger poles shorter spans. We have the opportunity to really I think increase some resiliency and improve reliability around the distribution system. And we think about the context of 35,000 miles that is, to Dave's point, kind of decade-long program. And so you'll see hardening of the distribution system. You'll see increases in distribution system capacity to handle electric vehicles. And we're really excited about what this can mean for our customers. We just really want to work with the city and likely will be in a position of unveiling this master energy plan towards the end of this year.

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

All right, guys. Thank you again, speak soon.

Operator

Your next question will come from the line of Stephen Byrd with Morgan Stanley.

Q - Stephen Byrd {BIO 15172739 <GO>}

Hey, good morning. Congrats on a constructive update.

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

Good morning, Stephen.

Q - Stephen Byrd {BIO 15172739 <GO>}

I wanted to talk about another part of Texas growth potential, which is electric transmission and just thinking about the potential to bring more clean energy into your load centers and just there's some challenges that I think the renewable energy community had around interconnection and actually getting the power to where it's really needed, and I know you all are quite focused on this. But just curious if you get your latest thoughts on the opportunity there, some of the key challenges and bringing renewables into your load centers?

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

Yes. I think it's a good question because it's something that we deal with every day. Here is some sort of anecdotes to put things in context. Our service territory is only about 2.5% of the geographic footprint in the State of Texas, but we're almost a quarter of the load in the State of Texas from electric standpoint. So having adequate transmission in from the rest of the state into what's a relatively small geographic footprint is really, really critical. I think you're seeing a couple of issues sort of evolve around that. One is, as we said at our Analyst Day, we're seeing more renewables basically built inside of our service territory so that the interconnect to the system is shorter and it's easier to do.

But there's also I think a focus at the new PUC in Texas in terms of getting more transmission into sort of the high-demand areas and that is a dialogue that we've got going on with them right now. But there clearly is a recognition generally that the renewables are going to be in West Texas and the demand is in the eastern side of the state, and having more access points into where our load center is and the load centers around Dallas and places like that is really critical. And I think you'll see some move in that area over the next year or so. Jason, you got anything you want to add.

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

I would also just say that we've seen an increase in the number of developers that are trying to say utility scale solar closer to these load centers to sort of Dave's point. So we're not having to build extended transmission lines. And this year we have about 4.4 gigawatts of renewable projects that will be tied into our system here close to city of Houston. We've got about 14 gigs of proposed projects in the queue. And so we see the opportunity for generation interconnects in and around our service territory to be a growth driver. In the short run and as Dave said, some of these longer transmission lines to continue to provide flexibility and resiliency to our electric transmission grid as long-term drivers as well.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's really helpful. And is it fair to say you're encouraged by the dialogue you're having with the PUC teams in terms of the recognition of the need for this?

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

Absolutely.

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

Absolutely.

Q - Stephen Byrd {BIO 15172739 <GO>}

Okay. That's great. That's all I had. Thank you.

Operator

Your next question will come from the line at Anthony Crowdell with Mizuho.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey. Good morning, Dave. Good morning, Jason.

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

Hey, Anthony.

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

Good morning.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hopefully, two easy questions. Just I believe I heard you correctly, Jason, but in Texas on the recovery of the mobile generation I believe you said through the DCRF, you get recovering, you start earning order in September, was that in 2023?

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

That's right. The full balance will be September 2023. We'll make a detailed filing that we'll make here shortly. We'll include the first $200 million, so some of that will fold into rate and we'll begin earning an equity return on it in September 2022. We will make a filing for the balance the $500 million for the DCRF filing next year. And so think about this as the full earnings power really coming into rates, and therefore, into earnings in September 2023 and beyond.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Got it. So I think of it more of a two-step process, some of it comes in '22 in the filing September '22, other the remaining in '23?

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

That's right. Yes.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. And just a last question and I know it's not a part of the core business. Just on the one of the earlier slides you talked about excluding, I guess, ZENS from the ongoing number. Any thought to -- or is there an ability to monetize your ownership in that? Or is that in your 10-year plan, do you still see the company having ZENS throughout the forecast?

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

Yes. It's a great question around ZENS and this was originally attached to (inaudible) strategy from the late 1990s and the securities that we own we account for on a mark-to-market basis. And so what we exclude is essentially the mark-to-market volatility since it's not reflective of the ongoing earnings power of the company. However, those securities basically offset debt that we also have on our books. The deferred tax bill will be due in 2029 and we are looking at ways to monetize the underlying investment the fees to that and address that deferred tax liability so that it's not something that sits out there until the end of 2029.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. That's all I have. Thanks for taking my questions.

Operator

Our final question comes from the line of Insoo Kim with Goldman Sachs.

Q - Insoo Kim {BIO 19660313 <GO>}

Thank you. Just a couple of clean-up questions if I may. One on that 2022 guidance range. I know it's still excluding midstream, but how should we think about any of the drivers that go into the consolidated non-GAAP versus how you were thinking about it before? Is that really no change or is there something in there that's actually making you incrementally more positive from making this change?

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

Yes. Insoo, thanks for the question. I mean this is really about trying to simplify the story. We had as part of sort of what I would consider to be a transition year in 2021 really focused on utility EPS is sort of the ongoing earnings power the company. Now that we're out of 70% of the ET segment, we can focus on a consolidated basis. We're still reaffirming that 8% growth of the utility segment. I think that when you look at what we're excluding from our earnings related to energy transfer, it will actually be a net positive. But we want to make sure that the market continues to focus on the underlying earnings power of our utility businesses as we fully exit that position this year.

Q - Insoo Kim {BIO 19660313 <GO>}

Okay. Yes. That makes sense. And then, secondly, just I think we have talked in the past sort of try to figure out that difference between your rate base CAGR or the five or 10-year period and then the 8% EPS growth. Just for our modeling purposes, how should we think about the earned dollar raise trajectory versus allowed in this five-year period? Are we assuming kind of stable you earned dollar raise in '22 through '25 or just to continuously increasing I guess earned ROE, so closing the gap versus allowed?

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

Yes. I think we have the opportunity to continue to close the gap on earned dollar raise. It depends on the jurisdiction, but generally speaking, in some of the larger jurisdictions we're earning slightly less than our allowed return on a pure sort of I'll call it rate-based map basis. We make up that small amount of under earning with, I'll call it, below the line activity whether it's (inaudible) earnings or incentive revenues that are more that are below the line costs. So as we continue to focus on driving to earning the allowed return in each of our jurisdictions, continue to minimize corporate impaired overhead. I do think we have the opportunity to continue to improve on that earnings growth profile over the course of the next five years.

Q - Insoo Kim {BIO 19660313 <GO>}

Got it. Thank you and congratulations.

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

Thank you.

A - Jackie Richert {BIO 22249352 <GO>}

Yes. Thank you, operator. If you would -- I think that's going to be all on the queue for now. If you don't mind to go ahead and give the replay detail. Operator, with that if you mind--?

Operator

Today's call will be available for replay running through midnight Eastern Time on March 2. This does conclude today's call and you may now disconnect.