Seeking Alpha

Transcripts | **Utilities**

Entergy's (ETR) CEO Leo Denault on Q3 2019 Results - Earnings Call Transcript

Oct. 30, 2019 4:58 PM ET
by: SA Transcripts

Q3: 10-30-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $2.52 beats by $0.24 | Revenue of $3.14B (1.17% Y/Y) misses by $-280.22M

Earning Call Audio

Subscribers Only

00:00 -39:07

Entergy Corporation (NYSE:ETR) Q3 2019 Earnings Conference Call October 30, 2019 11:00 AM ET

Company Participants

David Borde – Vice President-Investor Relations

Leo Denault – Chairman and Chief Executive Officer

Drew Marsh – Chief Financial Officer

Rod West – Group President-Utility Operations

Conference Call Participants

Praful Mehta – Citi

Julien Dumoulin-Smith – Bank of America

Greg Gordon – Evercore ISI

Sophie Karp – KeyBanc

Shar Pourezza – Guggenheim Partners

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Entergy Corporation Third Quarter 2019 Earnings Release and Teleconference. At this time, all participant lines are in a listen-only mode. After the speakers' presentation, there will be question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today, David Borde, Vice President, Investor Relations. Thank you. Please go ahead, sir.

David Borde

Thank you. Good morning and thank you for joining us. We will begin today with comments from Entergy's Chairman and CEO, Leo Denault; and then Drew Marsh, our CFO will review results. In an effort to accommodate everyone, who has questions, we request that each person ask no more than question and one follow-up.

In today's call, management will make certain forward-looking statements. Actual results could differ materially from these forward-looking statements due to a number of factors, which are set forth in our earnings release, our slide presentation and our SEC filings. Entergy does not assume any obligation to update these forward-looking statements. Management will also discuss non-GAAP financial information. Reconciliations to the applicable GAAP measures are included in today's press release and slide presentation, both of which can be found on the Investor Relations section of our website.

And now, I will turn the call over to Leo.

Leo Denault

Thanks, David, and good morning, everyone. We are pleased to report third quarter adjusted earnings per share of $2.52. Drew will go over the details, but the bottom line is that these are strong results that allow us to raise our 2019 guidance midpoint by $0.05

and narrow the range. We also remain firmly on track to achieve our longer-term outlooks. With three quarters behind us, we've completed many of our key deliverables for the year to keep us on track to achieve our goal to be the premier utility, including a few important milestones this quarter.

Furthering our orderly exit from EWC in late August, the NRC approved our license transfer application for Pilgrim Nuclear Power Station. And shortly after that we completed the sale to subsidiary of Holtec International. This is the second sale that we have successfully completed of a non-operating nuclear plant and the third in the industry. This is also the second time the NRC has determined that Holtec has the financial and technical capabilities to decommission nuclear plants. As a reminder, we have agreements to sell our last two remaining merchant nuclear plants to Holtec.

We've also had significant accomplishments at the utility. Providing added clarity to our investment plan, the Mississippi Public Service Commission approved our proposal to purchase the Choctaw generation station. We expect to close the transaction soon. The commission's order also included a stipulation supporting timely and full cost recovery of the asset. We expect the plan to be included in rates with minimal lag similar to how we have recovered costs of past acquisitions in Mississippi. Purchasing this clean and modern 810 megawatt combined cycle natural gas turbine is a good outcome for our stakeholders and is expected to result in approximately $100 million in net benefits for Entergy Mississippi's customers.

We also have a solid track record of completing major generation projects on time and on budget or better, supported by a solid capital projects management team. We are on track with Lake Charles Power Station and New Orleans Power Station, which are expected to come online next year. Montgomery County Power Station in Texas is also on schedule and expected to come online in mid-2021.

On the renewables front, construction has begun on one of the largest solar facilities currently planned for Louisiana. Capital Region Solar is a 50-megawatt solar project being built in West Baton Rouge Parish. Once completed, the facility will offset the equivalent of nearly 19,000 passenger vehicles emissions each year. We will purchase the output under a 20-year agreement. We are working with our regulators to expand and customize our portfolio of renewable energy solutions to meet our customers' expectations and to achieve our sustainability goals.

Turning to regulatory proceedings. Entergy Louisiana's new rates became effective in September. The company's annual FRP evaluation provides a simpler process, the lines, rates and costs, better than traditional rate cases. In Arkansas, we have reached an unopposed settlement on the company's annual FRP, which we are filing today. The settlement is in line with our initial expectations. We anticipated final decision from the Arkansas Commission by the end of the year.

In New Orleans, the City – the Council Utility Committee issued a resolution that if adopted, would set a revenue requirement that is below what we believe to be just in reasonable for Entergy New Orleans and our customers. We continue to work with council members to reach a fair outcome when the council takes up the matter in early November. This continued progress on regulatory proceedings is an important component of our success as it improves clarity on the recoverability of our investments and solidifies our financial commitments.

Another growing part of our company that we are excited about is our innovation center. This group is developing product and service concepts to meet the evolving expectations of our utility customers and the communities we serve. The team employees are rigorous work process focused on exploring customer frictions and feedback, product design, market opportunities and more.

For example, last quarter, I highlighted Entergy New Orleans new program that puts solar panels on low income customers' homes. Under this program, Entergy will install the rooftop solar system at no cost to the customers and give them a credit on their monthly bills. That idea came out of our innovation team. Another concept developed that is now being implemented is a customer sited backup generation solution for commercial and small industrial customers. The generators will be owned by Entergy and would allow those businesses to operate as usual during widespread outages. For example, retail businesses would be able to provide services to the general public during significant weather events. In other times, when needed, the resource can be deployed by the utility, which benefits all customers.

Entergy owned customers cited generation is an innovative win-win solution. It provides an economic alternative to businesses to remain open when our communities need them most and it provides us the utility and had a resource when the system needs it. Entergy Texas recently announced a pilot of this concept in its service area and Entergy Mississippi has a filing pending before the public service commission. Our plan is to eventually implement this idea that all operating companies. Innovation and new technologies will be an important part of our business as we continue to explore solutions to improve our customers' everyday lives.

As many of you know, there have been three significant storms in the last few months. Hurricane Dorian made landfall on the East Coast in early September. Entergy sent nearly 500 workers to the Carolina coast to help with the restoration efforts. Then a few weeks later, Tropical Storm Imelda made landfall in Texas, bringing 20 inches to 40 inches of rain over the impacted service area. We deployed more than 1000 workers, both from Entergy and from other utilities.

At the peak, we had approximately 38,000 customers without power. Service was restored to 95% of our customers within four days. Just this past weekend, Tropical Storm Olga moved through Louisiana. The storm brought heavy rain and winds in excess of 50 miles per hour. At its peak, Olga have disrupted electric service to more than 92,000 customers. The storm team of more than 1,000 workers restored the vast majority of outages within two days.

Entergy employees have a long history of working together after natural disasters. They work to restore power for our customers and to assist our communities after an event. They also help co-workers, who are impacted. In addition to volunteer support, the company has established employee assistance funds to provide financial assistance for affected employees.

Providing support in times of need, whether manpower or financial contributions, is important. Ongoing efforts that support our communities are also vital to our success. In September for the twelfth consecutive year, site selection magazine named Entergy as one of the nation's top utilities in the economic development. Entergy plays a vital role in the economic development efforts across our service area, which brings business, jobs and community support to our States.

Sustainability is a key focus here at Entergy. Once again, we were named to the Dow Jones Sustainability North America Index. We are very proud of this achievement. DJSI is one of the most respected independent sustainability measures in the world. We are the only electric utility to receive this honor 18 years in a row and for the past five years, we have made a perfect score in the climate strategy category. To be named to this respected list year-after-year is a clear acknowledgement of Entergy's commitment to implementing sustainability practices that serve our customers, employees, communities, and our owners.

Last Friday, our Board of Directors declared a quarterly dividend of $0.93 per share. This is the fifth straight year of steady, predictable growth in our dividend and with this declaration; we will pay a total of $3.66 per share in common dividends this year, just under 70% payout at our guidance midpoint. As we mentioned last quarter, we expect to grow our dividend each year and plan to increase the growth to be more in line with our earnings starting in 2021.

This has been another successful quarter for our company and our stakeholders as we continue to execute on our path to be the premier utility in every aspect of our business. We have among the lowest retail rates in the country, the States we serve benefit from strong industrial growth. We are an industry leader in sustainability. We invest in our communities and we invest in our employees and our culture.

The fundamentals that underlie our steady, predictable growth are strong. First, we have a robust capital plan, which benefits our customers and supports the growth of the business and economic development in our communities. We have no shortage of investment opportunities beyond our current forecast period. As the utility with some of the lowest rates in the country, we always remain diligent in managing the cost impact to our customers and we'll continue to do so.

Second, we have constructive regulatory mechanisms, which give us the opportunity for fair and timely recovery of our capital plan. As we've noted in the past, we have a unique line of sight with approximately 90% of our capital plan ready for execution from a regulatory perspective and approximately, 90% expected to be recovered through annual FRPs and riders. And third, we have a proven track record and ability to execute on major capital projects with cost and schedule certainty.

This clear line of sight on our ability to execute our capital plan on time and on budget, combined with the progressive regulatory mechanisms that ensured timely recovery of our investments, supports our outlooks today. And as we continue to identify sources of customers' savings including O&M and production cost efficiencies, energy efficiency, and industrial growth, we aspire to do even better.

And we'll now turn the call over to Drew.

Drew Marsh

Thank you, Leo. Good morning, everyone. As Leo mentioned, we had another successful quarter and with our strong results, we are raising the midpoint of our 2019 guidance by $0.05 and narrowing the range. Also, we remain firmly on track to meet our longer-term outlooks. As you can see on Slide 4, on a per share basis, Entergy adjusted earnings were $2.52, $0.17 higher than the third quarter of 2018, including the effective dilution.

Turning to Slide 5, rate actions in Arkansas, Louisiana, Mississippi, and Texas contributed positively to the quarter's results at the higher sales volume in the unbilled period. Overall, revenue was a little higher than we anticipated due to weather. Billed sales volume declined versus last year, which was in part due to fewer days billed, volume in the unbilled period was positive as they captured the offset, the fewer days billed as well as warmer weather at the end of September.

Other drivers for the quarter's results included regulatory charges last year, included regulatory charges last year to return the benefits and the lower federal tax rate to customers, higher other O&M due largely to higher spending on information technology and customer initiatives including distribution operations, partially offset by lower nuclear cost. Drivers related to our growth such as higher depreciation expense including the St. Charles Power Station, which came online at the end of may. Lower decommissioning trust fund returns. And lastly, the higher share count affected this quarter's results on a per share basis.

Looking at EWC on Slide 6 as reported earnings were $1.27 per share lower than the prior year. Drivers for the quarter included the absence of tax items recorded in the third quarter of 2018, lower revenue due to the shutdown of Pilgrim as well as lower capacity pricing, lower decommissioning trust fund returns and higher asset write-offs and impairment charges related to the sale of Pilgrim. Partially offsetting the decrease was lower other O&M due to lower spending on nuclear operations and looking ahead, we still expect EWC to provide slightly positive net cash to parent from 2019 through 2022.

Going to Slide 7, operating cash flow for the quarter was $1.065 billion, a $286 million increase from a year ago. The change was driven by a lower amount of unprotected excess ADIT returned to customers, lower pension contributions, and lower ARO spending at EWC, partially offsetting were higher severances and retention payments at EWC.

Turning to our guidance and outlooks on Slide 8. For 2019, we raised midpoint to $5.35 as a result of whether returning back to normal for the year and mitigating strategies we put in place earlier in the year. We expect our results to come in around the midpoint of our updated range. Our targeted adjusted EPS growth remains at 5% to 7% off of our original 2019 guidance midpoint. Our outlooks include a new year, 2022, which is in line with this growth rate. More information will be available in our EEI materials.

Moving to our credit metrics on Slide 9, our parent debt to total debt is 20.5% and our FFO to debt is 14.2%. this includes the effects of returning $469 million of unprotected excess ADIT to customers over the last 12 months. Excluding this give back and certain items related to our exit of EWC, FFO to debt would be 17.6% or we still have to return some unprotected excess ADIT to customers. I'm happy to report that the bulk of the credit impact is now behind us. We remain committed to our targets of at/or above 15% for FFO – for FFO to debt by 2020 and below 25% for parent debt to total debt as well as maintaining our investment grade profile.

This was another successful quarter with strong results. We were able to raise our 2019 guidance midpoint and we are firmly on track to achieve longer-term outlooks. We continued to execute on our plan to deliver steady, projectable growth in earnings and dividends through customer centric investments. and as Leo mentioned, we aspire to do even better as we continue to develop our culture of continuous improvement.

And now, the Entergy team is available to answer questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question is from Praful Mehta from Citi. Your line is now open.

Praful Mehta

Thanks so much. Hi guys.

Leo Denault

Good morning, Praful.

Drew Marsh

Good morning, Praful.

Praful Mehta

Good morning. Congrats on a good quarter. So, I just wanted to first understand in terms of nuclear operations, I know we haven't touched it – touched on it in awhile, just wanted to see where it stands today a lot of operations and are there any other NRC items to be watched right now?

Leo Denault

Hey, Praful. this is Leo. Effectively, everything is on track with what we've laid out a couple of years ago in terms of spending, staffing, capital investments in the plants. And so the performance is as we would expect. I think the last remaining thing you'll see from a NRC standpoint is the return of Grand Gulf to Column 1, using Column 2 at the moment, but we would anticipate that that would happen this year. Other than that, it's just a continuation of the plan we should start to see a leveling off of the cost structure there I mean as we've mentioned before, given the fact that we've done the ramp out in staffing and put the processes and procedures in place that we need to keep things on track.

So that's kind of – that's been the next thing that you'll see publicly as I mentioned. Before I think on the last call, the – we have one more outage at Grand Gulf that would be considered part of the ketchup in terms of investment profile. So, it'll be a long outage. Our next outage in 2020 in Grand Gulf will be the final one in terms of getting things back to where they need to be and then it's just a continued decline to excellence.

Praful Mehta

Got it. That's super helpful, Leo. And then maybe, on the operating cash flow, it's great to see this significant increase versus 2018, but I guess a part of that is the ADIT. Could you just talk about what portion of that increase was ADIT and what was just overall improvement in cash flow?

Drew Marsh

Hey, Praful. this is Drew. Yes. So, on ADIT, it's a little bit around $200 million, I think is the ADIT year-over-year element. And then a little bit of that is pension expense. The rest is continued improvement in our operating cash flow. And you could see that in our – well, you'll be able to see that in our three-year outlook on operating cash flow for EEI. It's actually the ADIT piece rolls off. So in, in our three-year outlook, we should be back up over $10 billion when we get to EEI.

Praful Mehta

Got you. And just a quick follow-up on that, which is, it's great that the ADIT is rolling off, because I look at the effort for the debt and you're still below your 15% target. So, I just wanted to see how that 15% target flows through over the next year or so once ADIT rolls off.

Drew Marsh

Yes. So, by the end of next year, we should be at that – around that 50% level. And as you looked at the number this year without the – this quarter without the excess ADIT, and it is up actually over 17%. So, we are on track to move towards that target.

Praful Mehta

Okay. Well, thanks so much guys and congrats again.

Leo Denault

thanks, Praful.

Drew Marsh

Thank you.

Operator

Thank you. [Operator Instructions] And our next question comes from Julien Dumoulin-Smith from Bank of America. Your line is now open.

Julien Dumoulin-Smith

Hey, good morning team.

Leo Denault

Good morning, Julien.

Drew Marsh

Good morning.

Julien Dumoulin-Smith

So, perhaps just pick up off of Praful's last questions here. Can you talk about through the forecast period, given the success that you see in this year in Arkansas, specifically in moderating the pace of just overall bill inflation in O&M, what you're seeing to the forecast period as best you look at your plan today? I just want to understand how sustainable some of the more moderate trajectory overall rate inflation is against your current capital budget. Just want to revisit that in light of the success. And then perhaps, I'll ask the second question at the same time, can you talk a little bit more about CapEx reflected in your outlook around both renewables in light of what AEP in Wind Catcher is doing in Arkansas and prospects to mirror that to any extent and also on – given your peers and MISO, if there's been any change in transmission? I suspect not, but I'd figure I'd ask. So, a lot to throw at you, but I figured I'd get it out all at once.

Drew Marsh

That was a very, very robust question, Julien. I'll go ahead and start, and I'll let others fill in our objective and we believe we'll continue to meet it has been to keep our bill inflation level consistent with inflation. And as you recall, even last quarter when we – when we were able to come up with some continuous improvement ideas and change our capital plan, the bill path actually went down from where it would have otherwise been. So, we think we're going to continue to be able to manage that with the current capital plan that we have going forward. On the – I'm not sure, I'm going to remember all of these, but I think on the renewables from a CapEx standpoint, we mentioned on the last – on the last call that we still see the need to replace the significant amount of our aging generation and that a portion of that will be gas, a portion of that could be renewables. We outlined a 7,000 to 8,000 megawatt need in a roughly 50/50 gas to renewables standpoint there.

We're not really doing anything outside of meeting our own customer's needs with the generation that we've got. So – and that's that 2022 to 2030 timeframe. So, that's still, obviously, we're adding some scale on the renewable front, but – and their scale economy is obviously first doing it. So, we continue to see that as a part of our resource plan, but it's really just part of the resource plan like everything else given the fully integrated nature that we have. as far as transmission and expenditures, nothing's really changed in that from the last quarter. I mean I'll open it up to my team to correct me or – and I think I answered all the questions.

Leo Denault

I don't have anything to add.

Drew Marsh

Okay.

Julien Dumoulin-Smith

Got it. Just to clarify quickly, I mean I suppose if I were to summarize what AEP's efforts in Arkansas seem to be with respect to Wind Catcher, it's something of an acceleration given the tax credit regime and obviously, they're focused on wind, depending on the receptivity from the commission and staff around those efforts on the second go around, could we see any pivot and how you guys are approaching the state and some of that resource need in the 2022 through 2030 period in light of the credit situation?

Drew Marsh

Julien, this is drew. So, we are still looking – Leo mentioned that we have 4,000 megawatts that we have in various stages of development and that we are looking at scale and what does that mean to us. and as renewables become a bigger portion of our portfolio, we think that there might be opportunities for us to take scale into consideration and have – and use that as part of a program. I don't know if that's going to take the same path as perhaps AEP is taking. there isn't – Leo mentioned, we want to have renewables near our customers. there isn't a whole lot of wind. there may be – there may be more solar oriented. But we are thinking about that scale opportunity and what that might look like for us as well.

Julien Dumoulin-Smith

Fair enough. I'll leave it there. Thank you all very much.

Leo Denault

Thank you.

Operator

Thank you. Our next question is from Greg Gordon from Evercore ISI. Your line is now open.

Greg Gordon

Thanks. congratulations, you guys having a great year.

Leo Denault

Thank you.

Greg Gordon

A couple of questions. The call earlier today, I know it's not your region, but – and you have different industrial drivers that they do, but Southern company was talking about how, they too are seeing a little bit of a slowdown and demand expectations versus their initial forecast. Can you sort of point to anything in particular that you're seeing as it relates to perhaps, global economic conditions, trade war or other things that might be driving things on power demand to the – below your prior guidance range. You give pretty good sensitivities in your – in the appendix of how we should think about those impacts, should they deviate from the forecast. But then again, we also see that you're under earning in Arkansas and there could be improvements there. So, as we think about how you sort of stay inside the skid sort of the high end or the low end of your guidance range through time. how are you adjusting to those conditions?

Drew Marsh

Hi Greg. this is drew. And I'll start and then rod can add in. The first thing I think from our perspective is that the macro fundamentals that we see that have been driving our industrial growth are still very much in place below inputs from an energy perspective, low gas prices, for example, our low power prices, the spreads of natural gas to oil or the spread geographically to Europe or Asia. those still remain very fundamentally sound along with, of course, some of our natural advantages here on the Gulf Coast, the access to the Gulf Coast; access to the river, the ready, willing and able workforce; the strong and supportive communities. All those things continue to be very supportive. And so – and then you take our industrial base it is some of the most modern and competitive in the world, and so we expect it to continue to run back, that's what we have seen for our large industrials this year.

We've seen our refiners, our core alkali facilities, our petrochem facilities continue to perform very well, where we've had challenges, our people that are coming up online. So, we have new construction that is in place or taking place and it's just not ramping up as fast as we anticipated. We've been talking about that for a couple of quarters. In the small industrial space – our small industrial space has been surprisingly strong despite all of the economic headlines except for one area in Arkansas, we've had some agricultural customers, which are seasonally oriented and typically, are pumping a lot of water, we have a lot of floods in the spring and that carried over into the summer and to our three – until this quarter. So, our small industrial sales were down, but that was two thirds of the driver right there. And so we continue to see opportunities in the industrial space and with all the fundamentals still in place. So, I'll turn it over to rod to talk about what we have been seeing.

Rod West

And this is Rod West. Good morning. because of the fundamentals that drew just mentioned and the fact that over the last five years, we have been upskilling and upscaling our commercial and economic capabilities. We're actually engaged with, not only our large existing customers, but we have direct line of sight with the pipeline that were probability waiting to determine how we think about our outlooks from a growth perspective. So today, we have approximately 1000 megawatts of projects that we probability weighted such that we're comfortable putting those in the plan. What we don't and we have not yet disclosed, because of where those potential pipeline projects are in the industrial development cycle. We have about four times that 1000 megawatts that's in the potential pipeline, but we're tracking that in real time with those – with those prospective companies, who have expressed an interest in locating our service territory, the significant ones being Louisiana and Texas, taking advantage of those macroeconomic advantages that drew just made reference to. But our line of sight gets clearer and clearer as we further refine our outlooks, because we've been successful in upskilling our internal capabilities.

Greg Gordon

That's fantastic. And then in terms of, you also gave a very good detailed list of all the rate activity and what your earned ROEs look like today, and it does look like, sort of deserve the opportunity to get better outcomes in Arkansas, do you expect the rate activity there should drive better earned returns in the next 12 months to 24 months?

Drew Marsh

Yes, Greg. this is Drew. So, when you look at our sort of trailing 12 months view in Arkansas, and you actually see this in Mississippi as well. last year, we overearned and in the fourth quarter, because of that, we took a charge to get us back down to the allowed return levels in both of those jurisdictions. We haven't overearned this year, but we still have the charge. So, you see our ROE than you would normally anticipate in both those jurisdictions. but I guess the short answer to your question is yes, we would anticipate the ability to earn our allowed return in both Arkansas and Mississippi.

Greg Gordon

Thank you, guys.

Drew Marsh

Thank you.

Leo Denault

Thanks, Greg.

Operator

Thank you. Our next question is from Sophie Karp from KeyBanc. Your line is now open.

Sophie Karp

Hey guys, congrats on the quarter. Most of my questions have been answered, so a very detailed discussion on volumes. So, I'll just jump back into the queue. thank you.

Leo Denault

All right. Thanks, Sophie.

Operator

Thank you. Our next question is from Shar Pourezza from Guggenheim partners. Your line is now open.

Shar Pourezza

Hey, good morning guys.

Drew Marsh

Good morning.

Leo Denault

Good morning, Shar.

Shar Pourezza

Let me just shift to Texas for a second and maybe, just around Montgomery County and obviously, it's progressing really well. Can we just get a sense on how we should think about the recovery i.e., GRC process or using the current rider that was approved? And more or less post Montgomery County, how we should – how we should think about the rider mechanism, because it was obviously approved after you guys came out with the original plan. So, as you guys think about adding additional generation in the rider, is that sort of incremental to your growth prospects?

Rod West

Yes, Shar. It's rod. as we stated in prior conversations, that rider was not going to create an immediate material difference in our outlook. What we talked about was, particularly given the schedule with Montgomery County that we would shape the rate case to the extent that we needed to ensure that the recovery of Montgomery County that's reflected in our existing plan. It was shaped with the timing of that rate case. that said, the rider that was passed, gave us an opportunity as we look beyond Montgomery County to have more contemporaneous rate recovery. from a regulatory process perspective, we still have to have the – remember the legislation only enabled the commission to provide that relief. We still have to go through the process of rulemaking through the PUCT to put that rider in effect and from our vantage point, as we think about the capital plan in Texas.

It's we have not yet determine how we wish to time the availability of the rate case as a mechanism and the contemporaneous rulemaking around that rider. We still have to go to the PUCT and candidly, that conversation is ongoing, because there are other parties, who would be a part of that regulatory process. But think about it this way, we would go to the commission to ask for rulemaking that would take advantage of the legislation to put the actual rider in effect for ongoing recovery. So, from a timing standpoint, we don't want to set an expectation that there's just immediate upside. So, we'll be shaping the rate case and the regulatory process around that rider as we make the capital plan for Texas in the generation space a little more clear. So, there'll be more on that, but it's not something immediate and I don't want to set that expectation.

Leo Denault

In terms of Shar, driving future capital, I mean the resource plan will be with the resource plan will be, I mean, that's the dynamic of our business across all the generation types is that we've got that aging fleet that needs to be refurbished and we've been doing that for over 10 years. And if you look them back in time, since we started our portfolio transformation, we've added and deactivated roughly equal amounts of capacity and we'll continue to do that going forward. Obviously, with the regulatory mechanisms do is provide them an opportunity for there, be more certainty for our customers and for our investors in terms of us having the financial flexibility to make sure that we continue to make those investments.

Same goes with the – on the renewable front, they will be part of the resource plan to meet the needs our customers have. We're not doing them outside of that customer base to meet any other needs. So, the regulatory process isn't going to drive a need for a new power plant, for example, that it will provide a lot of certainty around the financial flexibility we have to invest in those power plants.

Shar Pourezza

Got it. And minimum, I guess, improved some of the regulatory lag. Okay. Just – and I'm sure Drew is going to be excited to talk about this at EEI. but just maybe, just a little preclude as far as you know, equity needs. And do you – I guess, do you envision seeing a change from what you prior disclosure around equity being somewhere between 5% to 10% of your CapEx needs post 2020. Do you see that at all changing?

Drew Marsh

Hey, Shar. This is Drew. We don't anticipate any changes to that outlook from an equity needs perspective and it still remains the same as it was at our Analyst Day a little over a year ago, and those needs wouldn't kick in until 2021 and beyond.

Shar Pourezza

Terrific guys and congrats today. congrats.

Drew Marsh

Thank you.

Leo Denault

Thanks, Shar.

Operator

Thank you. At this time, I'm showing no further questions. I would like to turn the call back over to David Borde for closing remarks.

David Borde

Thank you, Gigi, and thanks to everyone for participating this morning. Our annual report on form 10-Q is due to the SEC on November 11 and provides more details and disclosures about our financial statements. events that occur prior to the date of our 10-Q filing that provide additional evidence of conditions that existed at the date of the balance sheet would be reflected in our financial statement in accordance with Generally Accepted Accounting Principles.

Also, as a reminder, we maintain a webpage as part of Entergy's Investor Relations website called regulatory and other information, which provides key updates on regulatory proceedings and important milestones on our strategic execution. While some of this information may be considered material information, you should not rely exclusively on this page for all relevant company information.

And this concludes our call. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.