S&P Global
Market Intelligence

CMS Energy Corporation NYSE:CMS

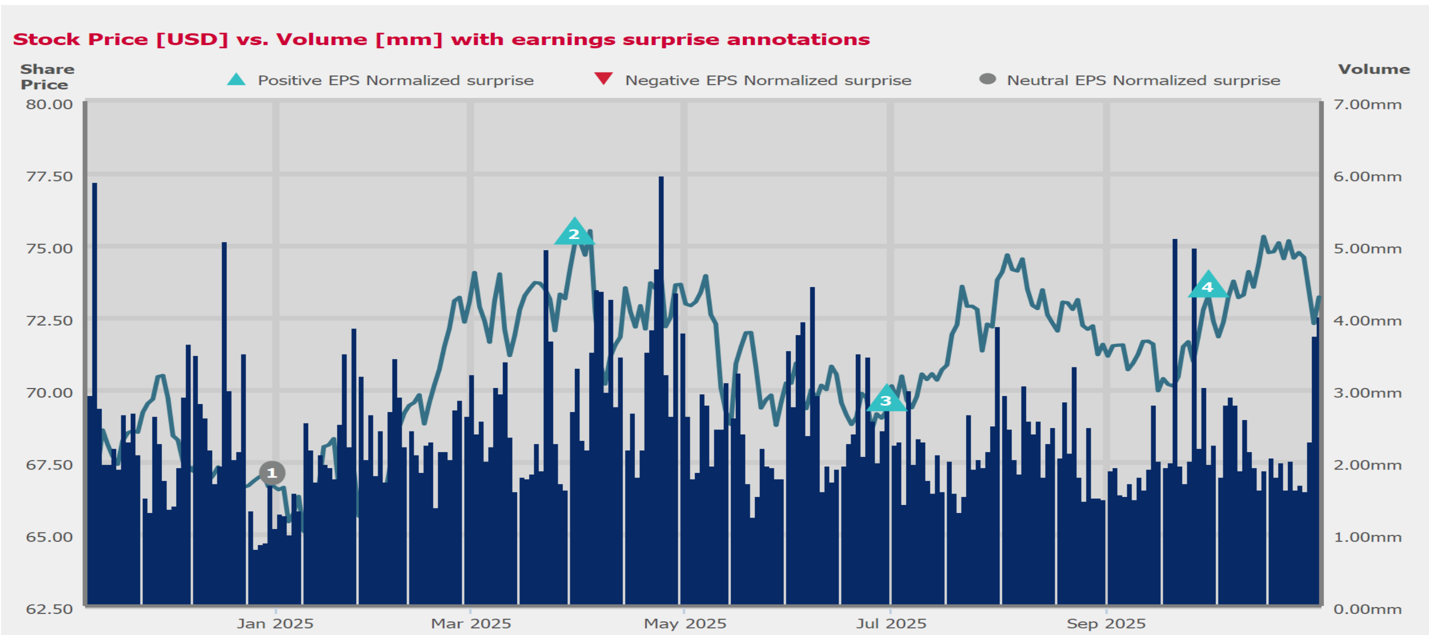
FQ3 2025 Earnings Call Transcripts

Thursday, October 30, 2025 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.86	0.93	8.14	1.01	3.59	3.85
Revenue (mm)	1814.32	2021.00	11.39	2017.60	8033.85	8418.24

Currency: USD
Consensus as of Oct-28-2025 5:52 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ4 2024	0.87	0.87	1 0.00 %
FQ1 2025	1.01	1.02	2 0.99 %
FQ2 2025	0.68	0.71	3 4.41 %
FQ3 2025	0.86	0.93	4 8.14 %

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EXECUTIVES

Garrick J. Rochow
President, CEO & Director

Jason M. Shore
Treasurer & VP of Investor Relations

Rejji P. Hayes
Executive VP & CFO

ANALYSTS

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Michael P. Sullivan
Wolfe Research, LLC

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

Travis Miller
Morningstar Inc., Research Division

Presentation

Operator

Good morning, everyone, and welcome to the CMS Energy 2025 Third Quarter Results. The earnings news release issued earlier today and the presentation used in this webcast are available on CMS Energy's website in the Investor Relations section. This call is being recorded. [Operator Instructions] Just a reminder that there will be a rebroadcast of this conference call today beginning at 12 p.m. Eastern Time running through to November 6. This presentation is also being webcast and is available on CMS Energy's website in the Investor Relations section.

At this time, I'd like to turn the call over to Mr. Jason Shore, Treasurer and Vice President of Investor Relations.

Jason M. Shore
Treasurer & VP of Investor Relations

Thank you, Alex. Good morning, everyone, and thank you for joining us today. With me are Garrick Rochow, President and Chief Executive Officer; and Rejji Hayes, Executive Vice President and Chief Financial Officer.

This presentation contains forward-looking statements, which are subject to risks and uncertainties. Please refer to our SEC filings for more information regarding the risks and other factors that could cause our actual results to differ materially. This presentation also includes non-GAAP measures. Reconciliations of these measures to the most directly comparable GAAP measures are included in the appendix and posted on our website.

And now I'll turn the call over to Garrick.

Garrick J. Rochow
President, CEO & Director

Thank you, Jason, and thank you, everyone, for joining us today. A strong quarter at CMS Energy from an operational, regulatory and financial perspective. I am very pleased with the results and continue to see us well positioned for the full year and in the long term. Our consistent industry-leading performance is rooted in our investment thesis that delivers for customers, coworkers and investors.

Speaking of strong performance and consistency, throughout the quarter, we delivered key regulatory outcomes, which highlight the positive and constructive regulatory environment in Michigan. We received a final order in our Renewable Energy Plan that approved an additional 8 gigawatts of solar and 2.8 gigawatts of wind through 2035 and ensures we will meet Michigan's clean energy law. A portion of these investments will be woven into our next 5-year plan. This order also provides further certainty and confidence for our long-term customer investments. And as a reminder, this Renewable Energy Plan is a key input into our Integrated Resource Plan that we will file mid-2026.

We also received a constructive order in our gas rate case, approving approximately 75% of the final ask and 95% of infrastructure investments for work like main and vintage service replacements, which are critical to ensuring a safe, affordable and cleaner natural gas system. Chair Scripps' comments from that meeting continue to support thoughtful and deliberate adjustments in ROE and suggested we have reached the floor for ROEs and, in his words, driven out any excess.

Recently, on the electric side, staff filed their position in our pending rate case, supporting approximately 75% of our revised and approximately 90% of our capital ask. This case includes investments supporting reliability and resiliency, which benefits our customers and are well aligned with our Reliability Roadmap and MPSC direction. Again, one of many proof points in our supportive regulatory environment and a strong starting position for a constructive outcome.

As shared in previous quarterly calls, we continue to see strong economic growth in Michigan. As I highlighted in the Q2 call, we have an agreement with a data center and continue to see growth with manufacturing as well as a robust pipeline. Year-to-date, we have connected approximately 450 megawatts of the planned 900 megawatts of industrial growth in our 5-year plan. I'm also pleased to share that we've been successful adding another approximately 100 megawatts of signed contracts year-to-date. This growth is coming from new projects, expansion from existing customers in the areas of food processing, aerospace and defense and advanced manufacturing. These projects bring jobs and supply chains, home starts and commercial opportunities to the state and create further visibility to our 2% to 3% forecasted annual sales growth over the next 5 years.

On the slide, we're showing our economic growth pipeline. You'll note we continue to move projects into and along the pipeline, bolstering our confidence in additional growth from data centers and other diverse industries. As I mentioned on our Q2 call, we have an agreement with a data center with up to 1 gigawatt of load planning to come to our service territory beginning in early 2030 and ramping up from there. You'll see that project in the final stage of our process at near final terms and conditions. I expect further progress, specifically contract signature, as the large load tariff is finalized in November when we expect an order from the MPSC.

You'll also see other large data centers in the final and advanced stages of development, which speaks to the robust nature of our pipeline. I continue to be confident and excited about the growth coming to our service territory. The data center and manufacturing pipeline is robust and advancing, and we are well equipped to serve and meet their needs as they advance.

On the left side of the next slide, you see our current 5-year $20 billion customer investment plan. On the right side, you see the robust and diverse additional investment opportunities we have going forward. Over $25 billion of additional customer investments supported by our Electric Reliability Roadmap, Renewable Energy Plan and Integrated Resource Plan. As a result of more load growth, we're focused on resource adequacy and the clean energy law, which means more renewables, battery storage and natural gas generation to meet growing demand. And as I shared earlier, our recently approved Renewable Energy Plan provides visibility and certainty on our plan for future investments.

Our Integrated Resource Plan that we will file in mid-2026 will also detail additional capacity needed to replace retired plants and support existing and future growth we are realizing. As we see that full plan come together, we anticipate needing more battery storage and gas capacity. And as a side note, you can expect further growth from capital-light mechanisms like our financial compensation mechanism on PPAs and our energy waste reduction program.

On our distribution system, we see a significant need for investment in pole replacement, undergrounding and system hardening as we work to significantly improve customer reliability and resiliency. And, again, well aligned with our Reliability Roadmap and MPSC direction. As I shared before, a robust and growing capital plan, which will continue to provide investment opportunities to serve customers and deliver value for investors.

Now this long runway of customer investments must be balanced with affordability. We have demonstrated our excellence in reducing cost, and we do this better than most through the CE Way, digital and automation, episodic cost-saving opportunities, load growth and energy waste reduction. This is a significant advantage for us to maintain affordability as we make needed investments in our system.

Today, our customers' utility bill remains roughly 3% of their total expenses or what is often referred to as share of wallet. This is down 150 basis points from a decade ago while investing significantly in our system to the tune of $20 billion. Our residential bills are solidly below the national average and continue to be over the 5-year plan period as we continue to make thoughtful customer investments across the system.

Affordability is an area where we will continue to focus and deliver cost savings for customers, keeping customer rates at or below inflation and bills below the national average. I am proud of the work we have done to develop excellence in this area. We have built strong cost management muscle across the company, and it continues to benefit customers today and well into the future.

As I shared in my opening, a strong quarter. For the first 9 months, we reported adjusted earnings per share of $2.66, up $0.19 versus the same period in 2024, largely driven by the constructive outcomes in our electric and gas rate cases and a return to more normal weather. Given our confidence in the year, we're raising the bottom end of this year's guidance range to $3.56 to $3.60 per share from $3.54 to $3.60 per share with continued confidence toward the high end.

We are initiating our full year guidance for 2026 at $3.80 to $3.87 per share, reflecting 6% to 8% growth off the midpoint of this year's revised range, and we are well positioned to be toward the high end of that range. It is important to remember, we always rebase guidance off our actuals on the Q4 call, compounding our growth. And like we've done in previous years, we'll provide a refresh of our 5-year capital and financial plans on the Q4 call.

With that, I'll hand the call over to Rejji.

Rejji P. Hayes
Executive VP & CFO

Thank you, Garrick, and good morning, everyone. On Slide 9, you'll see our standard waterfall chart, which illustrates the key drivers impacting our financial performance for the first 9 months of 2025 and our year-to-go expectations. For clarification purposes, all of the variance analyses herein are in comparison to 2024, both on a year-to-date and a year-to-go basis.

In summary, for the third quarter, we delivered adjusted net income of $797 million, or $2.66 per share, which compares favorably to the first 9 months of 2024, largely due to higher rate relief net of investment costs and favorable weather-related sales. With respect to the latter, we experienced a warm summer in Michigan, which in part drove the $0.37 per share of positive variance on a year-to-date basis. Rate relief net of investment costs resulted in $0.28 per share of positive variance due to constructive outcomes achieved in our electric rate order received in March and the residual benefits of last year's gas rate case settlement.

From a cost perspective, you'll notice in the third bar on the left-hand side of the chart $0.04 per share of negative variance versus the comparable period in 2024. Our year-to-date cost performance was largely driven by increased vegetation management expense due to higher spending levels approved in our March electric rate order and in accordance with our Electric Reliability Roadmap.

Before we leave the cost bucket, I'd be remiss if I didn't mention that given our strong financial performance to date, we put several operational pull aheads in motion across the business over the course of the quarter. These discretionary measures provided additional funding for gas system projects, electric reliability and programs catered to our most vulnerable customers. A portion of these costs were incurred during the quarter, while the balance will flow through our forecasted year-to-go operating expenses, delivering incremental value for customers while derisking our financial plan in the prompt year to the benefit of investors.

Rounding out the first 9 months of the year, you'll note the $0.42 per share of negative variance highlighted in the catch-all bucket in the middle of the chart. The primary drivers of the negative variance were related to the planned outage of our Dearborn Industrial Generation, or DIG facility, earlier in the year and the timing of select renewable projects at NorthStar, which I'll note remain on track, coupled with higher parent financing costs.

Looking ahead, as always, we plan for normal weather, which equates to $0.15 per share of positive variance for the remaining 3 months of the year, given the roll-off of mild temperatures experienced in the last 3 months of 2024. From a regulatory perspective, we'll realize $0.03 per share of positive variance, driven in large part by the constructive outcome achieved in our gas rate order in September, which will go into effect on November 1.

On the cost side, we anticipate $0.06 per share of negative variance for the remaining 3 months of 2025 due to our ongoing vegetation management efforts as well as the aforementioned supplemental spending on operational and customer initiatives at the utility.

Closing out the glide path for the remainder of the year in the penultimate bar on the right-hand side, you'll note an estimated range of $0.05 to $0.09 per share of negative variance, which largely consists of the absence of select onetime countermeasures from last year, partially offset by non-utility performance, fueled by achievement of key economic milestones on select renewable projects, among other items. As Garrick highlighted, we are well positioned to deliver on our financial objectives for the year and are establishing a solid foundation for 2026 through prudent contingency deployment as we head into the final 2 months of the year.

Moving on to the balance sheet on Slide 10. I'll note our recently reaffirmed credit ratings at the utility from S&P in September, and we anticipate a reaffirmation of the parent's credit ratings in the coming weeks. From a financial planning perspective, we continue to target mid-teens FFO to debt on a consolidated basis to preserve our solid investment-grade credit ratings as per long-standing guidance from the rating agencies. As always, we remain focused on maintaining a strong financial position, which, coupled with a supportive rate construct and predictable cash flow generation, minimizes our funding costs to the benefit of our customers and investors.

Slide 11 offers an update to our funding needs in 2025 at the utility and at the parent. I am pleased to report that we have completed virtually all of our planned financings for 2025, the latest tranche of which was our settlement of approximately $500 million of forward equity contracts at share price levels favorable to our plan. Given the attractive market conditions, we'll continue to evaluate potential pull-ahead opportunities for some of our 2026 financing needs at the parent.

As I've said before, our approach to our financing plan is similar to how we run the business. We plan conservatively and capitalize on opportunities as they arise. This approach has been tried and true year in and year out and has enabled us to deliver on our operational and financial objectives, irrespective of the circumstances, to the benefit of our customers and investors, and this year is no different.

And with that, I'll hand it back to Garrick for his final remarks before the Q&A session.

Garrick J. Rochow
President, CEO & Director

Thanks, Rejji. At CMS Energy, we deliver. A strong first 9 months of the year and well positioned for the full year. Our strong pipeline of new and expanding load bolsters our confidence in our growth and provides us with opportunity to invest in infrastructure across both our gas and electric businesses to serve customers with safe, affordable, reliable and clean energy. It is an exciting time in this industry, and CMS Energy is well positioned.
With that, Alex, please open the lines for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question for today comes from Julien Dumoulin-Smith of Jefferies.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Nicely done, continued progress here. If I can, team, can you elaborate a little bit on just what the timing is on the large load tariff? Just, again, I suspect that this is more mundane in process than anything else but just elaborate there.

And then more importantly, can you speak to the opportunity that exists behind this, right? Clearly, this is something of a gating item just to deal with process. What are those conversations looking like to the extent to which that something were to manifest itself here in the next couple of months?

Garrick J. Rochow
President, CEO & Director

There are -- Julien, it's great to hear from you. There are 3 large data centers in the final stages. That's up to 2 gigawatts of opportunity there. We've talked in Q2 about one of those, and you can see that at the bottom of that pipeline or at the bottom of that funnel, and we're really at final terms and conditions. It's important to get this gating item done, the tariff, the large load tariff. We expect that November 7. And that will be important. That obviously looks through the terms -- other terms and conditions, the length of the contract and minimum demands and those types of things. And so I would expect that, that one at the bottom of the funnel, the one we talked about in Q2, will move through that funnel and move through that pipeline in short order after that tariff is in place.

The other 2 large ones, I would also expect to move forward within that pipeline. Just to give you some clarity on those projects, they have land, they have zoning. We've worked through the red lines and some of the basic terms and conditions, continue to see good progress there. And they're also -- it's also important, this gating item on the tariff. And so I would expect them to move forward further in the pipeline. So hopefully, that helps, Julien. It's an exciting pipeline. It's an exciting time in this industry.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Absolutely. So it sounds like you could potentially see developments on all 3 here shortly after that were resolved here on November 7 or, again, focus first on the initial contract shortly thereafter and then in coming months on the others?

Garrick J. Rochow
President, CEO & Director

We like the direction of all 3. And certainly, there's one further in the funnel like we shared at the Q2 call. And so, again, plenty of opportunities for data centers here. But I'd also point to the funnel has semiconductors, it has manufacturing, and we continue to land those as well. And those bring with it, as we've talked in the past, a number of benefits. And so a really robust pipeline of opportunity here in Michigan and across our service territory.

Julien Patrick Dumoulin-Smith
Jefferies LLC, Research Division

Excellent. And maybe a little bit more of a strategic question, if I can clarify this. I mean, obviously, having this level of confidence potentially gives you more latitude within the plan in the 5 years. When and how do you think about being able to leverage that and reflect it in the plan?

And what I'm getting at is potentially maybe there's some upside even within the 6% to 8% or above the 6% to 8%? Or would you be thinking more about, again, doing something that would be more offensive in as much as you guys transacted on EnerBank earlier to improve the overall quality of your earnings. Could you do something similar to that again?

Garrick J. Rochow
President, CEO & Director

We've got a 5 -- if I just step back and look at our capital plans for just a minute, 5 years right now, $20 billion, and we got $25 billion plus knocking at the door, just wanting to get into that plan. And all this data centers would be incremental. So you can imagine that $25 billion growing. And so that's a great opportunity as we land these data centers, incremental to the plan from a capital perspective, incremental from a sales perspective as well.

We're delivering. Like CMS Energy, we deliver. And that is this context of -- for 22 going on 23 years, we've delivered industry-leading financial performance. Where others have been at 4% to 6% and 5% to 7%, I'm glad they're finally catching up with us, we've been at 6% to 8%. We've been at the high end of that, and we're compounding off that. That's pretty -- like compounding off actuals, you see that in other industries. That's pretty unique in this industry, and we do that. That's a higher quality of earnings we get and our investors see that.

So we're really playing the long game here. We have confidence in that in our guidance. But of course, we're competitive. We always look at our capital plan. We always look at affordability. We look at the ability to achieve that capital plan. There's a lot of things that go into that. And certainly, you'll hear more about that capital plan and further data center advancements in our Q4 call.

Operator

Our next question comes from Jeremy Tonet of JPMorgan.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

I was just wondering if I could pick up with that $20 billion of CapEx knocking on the door. Just wondering how quickly could the door be opened here. Over what type of time line do you think that could be folded in given all these opportunities?

Garrick J. Rochow
President, CEO & Director

Well, first of all, it's $25-plus billion knocking at the door. So it's even better than the $20 billion. And so you'll have like -- building a little suspense here for the Q4 call. You'll see that in the Q4 call. And here's what I anticipate. You're going to see more in electric reliability. We're already foreshadowing that in our current electric rate case. That's important to improve service for all our customers. We're committed to that. We've shared that. It's lined up with the Liberty audit report. It's lined up with the MPSC direction and our Reliability Roadmap. You'll see more in that plan in the electric distribution space.

We have approved Renewable Energy Plan. It is an additional 8 gigawatts of solar and 2.8 gigawatt of wind that's been approved through 2035. And you can imagine we're going to want to take advantage of tax credits and the safe harboring. So that's going to be -- that 5-year plan is going to be healthy with those type of investments. And so that will be evident in Q4.

And then we'll file our Integrated Resource Plan in '26, mid-'26. Of course, that will play out over the next 10 months, so an order in '27. But you've got to start stacking that plan to be able to do the capacity -- build the capacity that you need. So I would anticipate battery storage and as well as natural gas capacity will start to filter into that 5-year plan. So really across all 3. So hopefully, that's helpful, Jeremy.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

Got it. And just want to pick up, I guess, with the gas plant, as you mentioned there, the potential for that. Would that be simple or combined? Or any other thoughts there, especially with regards to turbine slots?

Garrick J. Rochow
President, CEO & Director

We continue to work through that. I want to be really clear about this. When we look at what we need in this next Integrated Resource Plan, it's both battery capacity and natural gas capacity. And that's for retiring facilities as well as existing load growth. And so the more we add in terms of data centers, that will continue to grow. And we're evaluating what that mix looks like from a simple cycle and combined cycle perspective. But you can expect, like we always do, that we're well planned, well prepared, and we're moving along in that direction.

Operator

Our next question comes from Shar Pourreza of Wells Fargo.

Garrick J. Rochow
President, CEO & Director

Oh my, Shar. You're back. You're back, Shar. I've been missing you.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

I just start -- just a follow-up on the prior two questions. I guess, the $25 billion you have there, does any of that $25 billion plus of upside, does any of that kind of overlap before the '29 time frame?

Garrick J. Rochow
President, CEO & Director

Yes. The short answer to that is yes. You'll see -- in our next 5-year plan, you're going to see some of that $25 billion move into the next 5 years.

Rejji P. Hayes
Executive VP & CFO

This is Rejji. Shar, just if I could add to Garrick's comments, all I would add is I'd be surprised actually in this next vintage of 5-year plan that we'll roll out in our fourth quarter call early next year, I'd be surprised if we're not dipping into each of those 3 components of that $25 billion. We're going to be in a steady march of reliability and resiliency-related work. And so that's part of that $10 billion bucket of electric distribution. We will continue to chip away at the renewable energy targets embedded in the clean energy law. And we have an upcoming milestone of 50% renewables by 2030. And so we will definitely be dipping into that 8 gigawatts of solar that Garrick noted, 2.8 gigawatts of wind that will certainly be incorporated into the plan.

And then with respect to the IRP-related opportunities, that $5 billion bucket, remember, as I'm sure you know, the harvesting period for building out, whether it's simple cycle or combined cycle, you really have to do a lot of work upfront. And so we've already done the siting work. We are in the interconnection queue, but you do have to start spending money to really get on the front end of the gas turbine procurement. And so there will be dollars associated therewith embedded in this next plan. And so it's a long-winded way of saying we'll be dipping into each of those buckets. And that will -- and those related costs and investments will be incorporated in this next, what I'll call a, '26 through 2030, 5-year plan.

Shahriar Pourreza
Wells Fargo Securities, LLC, Research Division

Got it. And then just, Rejji, maybe just help me bridge, I guess, because you're getting a lot of questions around the CAGR this morning and it's just the way the math works given the base plan already grows at the higher end. I guess, what is the offsetting factor on this CapEx being put into the plan potentially before '29? And it doesn't move the trajectory or accretive to this trajectory, I guess, what are the offsetting factors we should be thinking about?

Rejji P. Hayes
Executive VP & CFO

Yes, it's a great question, as always. So let me just start with just, as you know, how we build the plan. We always talk about the governors of our capital and our financial plan. And so we have to, obviously, chin the affordability bar and make sure that our rates are growing commensurate with inflation. And so there's a lot of hard work that goes into that. And so we'll lean heavily into the CE Way as we always do.

As Garrick noted in his prepared remarks, we've got a lot of continued opportunity in terms of episodic cost reductions. And we also think that this -- the third leg of the affordability stool is now these economic development opportunities, which we will certainly convert on over this 5-year period. And so look forward to having good news on that in the coming months and quarters. And so that's how we'll manage to deliver on the affordability side to, again, appease that governor.

From a balance sheet perspective, we'll fund the plan as cost efficiently as possible. So we've really done a nice job reducing or minimizing equity needs to fund the growth. And so we try to fund the plan as efficiently as possible from a balance sheet perspective. And then we're going to be really focused on workforce planning and productivity to make sure that while we're executing the capital plan, we're doing it in a thoughtful way in terms of staffing and things of that nature. And so that just speaks to the confidence of our ability to weave in more capital investment into the plan.

And I know the spirit of your question is, well, when will that lead to a higher growth CAGR? And I think the offsets we have to be mindful of is, first and foremost, as Garrick noted in his prepared remarks, we do compound off of actuals. And so we do take that quite seriously in delivering every year. When we say 6% to 8% towards the high end, which for all intents and purposes is 7% to 8%. We plan to do that every year. So '26, then '27, then '28. Think of it 7% to 8% for all intents and purposes toward that high end. And so we do have to take into account just the difficulty in achieving that. And so that is where we add in a little conservatism.

The other reality is when you think about the nature of our rate construct, we're not decoupled. We don't have any type of service restoration deferral mechanism, even though we effectively got one put in place this year. And so we do have to bake in a little bit of margin or contingency just given the uncertainty around weather, and that's both from a margin perspective as well as storm activity, which seems to intensify year-over-year. And so that has to be taken into account when we think about the offsets that would potentially prohibit us from growing at a higher clip.

That said, if I go down memory lane, remember, we were one of the first utilities to go to 6% to 8% in 2016 when it was a 5% to 7% world. So we're not afraid to grow at a higher clip if we can sustain it, but it has to be sustainable over a 5-year period. And so we have to be mindful of that. And, again, we have to take into account some of those natural offsets that impact our business that I just enumerated. Is that helpful?

Operator

Our next question comes from Andrew Weisel of Scotiabank.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

First, I just want to clarify something. The IRP-related spending opportunity of $5 billion, am I right, that won't be included in the February update for CapEx, right? I think that's what you said in the past given the timing of the regulatory approval. But the way you're talking about it this morning, I'm a little unsure. Is that still how you're thinking about it?

Garrick J. Rochow
President, CEO & Director

There has to be -- just like -- as Rejji enumerated -- like when you look at the -- what it takes to put a turbine in the ground and when you look at some of these longer-term items like that in terms of EPC contracts as well as MISO queue, you have to be investing right now to be able to deliver over that 5 years. And so I see a portion of that filtering into this 5-year plan on the IRP and particularly in the tail end of it, too, as you look to put some of this important equipment online.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Great. Good to hear, and that's helpful. Next question on the economic growth. You're still -- you have 450 megawatts out of the 900 megawatts in the plan. That certainly seems conservative. Maybe I'll just leave that as a comment. My question is, how much excess capacity do you currently have to serve that load? With a couple of gigawatts potentially coming soon, how much slack do you have in the system versus how much would you need to match megawatt for megawatt?

Garrick J. Rochow
President, CEO & Director

That's connected load. So that's not to be delivered or on the way, and so that's connected. And so we have the capacity to serve that today. And then there's a bit of excess capacity. And I'll just remind everyone, we continue to build out, as a result of the clean energy law, additional capacity. So we're upwards of 1 gigawatt of renewables we're building this year. It will be a similar pattern next year. We're -- there's a number of battery storage projects that are underway as well, both self-build as well as purchase -- power purchase agreements. And so a number of those things are already underway. So that capacity profile is expanding as we speak.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Very good. Then lastly, if I can, a question on Campbell. I know you haven't made any final decisions, but there have been some conversations about the plant potentially continuing to run maybe as long as the duration of President Trump's administration. So can you just kind of explain what kind of shape is the plant in? What kind of maintenance might be required if it were to run through 2028? And how does the accounting work for the economics?

I believe you're booking all the costs on the balance sheet, but maybe just kind of walk us through from a MISO perspective, from a tariff perspective, how does all that work in terms of cash and earnings impact for investors and for customers?

Garrick J. Rochow
President, CEO & Director

Yes, Andrew, great question. I'll start and then certainly hand it over to Rejji, too. And so I first want to start from a people perspective. And that team out there has been absolutely amazing. As you might imagine, think about this from -- you're thinking about retirement in the plant in your next role, wherever it might be in the company, some going to retirement. And we just had a very flexible workforce that is committed to the success of that plant and following through with this order through the Department of Energy. So I can't say enough about our people and how they've responded. We're really in a great space from a people perspective.

And so we continue to see orders from the Department of Energy through the Federal Power Act. We expect those to continue for the long term, and we're prepared to continue to operate the plant and comply with those orders. And I want to remind everybody that what we proposed was that those costs be shared because the benefits go to MISO and not just to our customers, they go to MISO, and the FERC supported that. And so those costs as well as the offsetting revenue are spread across 9 MISO states, the North and Central regions of MISO appropriately. And that order from the Department of Energy has laid out a clear path to cost recovery. And we're heading down that path and have great confidence in our ability to recover.

And so that's the nature of it. We'll continue to invest in the plant thoughtfully. Those costs would be incurred and we would recover those through that process. But let me hand it over to Rejji to talk a little more about this.

Rejji P. Hayes
Executive VP & CFO

Yes. Thank you, Garrick, and thank you, Andrew, for the question. Yes. So we're currently treating all the costs associated with operating the Campbell units as a regulatory asset. And so operating and maintenance expense, there have been minimal capital investment. But if we did incur capital investments, that would all flow through regulatory asset line item, which we've established. And then as it pertains to -- and that would amortize over time as we get recovery.

And so it's important to note, too, from a customer bill perspective, first and foremost, once we have started to receive recovery of the investments and of the spend from MISO North and Central customers based on the construct we outlined with FERC, which they approved in our 202 complaint, we would refund Michigan customers for their share that they've already contributed. And so I think it's important to note that we are trying our best to make sure that Michigan customers are held harmless as we continue to operate the plants to the benefit of the region, as Garrick noted.

And so, again, regulatory asset treatment that would amortize down as we get recovery on the spend, and we would be basically refunding Michigan customers who have already paid for some of those investments and some of that spend.

And that refund of Michigan customers would be funded by MISO North and Central customers. Is that helpful?

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Extremely. Yes. Thank you so much for the details.

Operator

Our next question comes from Travis Miller of Morningstar.

Travis Miller
Morningstar Inc., Research Division

So now that you have that REP in hand, I was wondering if you could characterize some of how you're thinking about the timing and the mix between self-build and the PPA. So can you walk me through -- obviously, you've got that $10 billion number out there, but what does that mean in terms of what you plan to build, timing, and then PPA mix?

Garrick J. Rochow
President, CEO & Director

We're very pleased with the outcome from that Renewable Energy Plan. As I stated, additional 8 gigawatts of solar, 2.8 gigawatts of wind. And just given the safe harbor provisions, we're going to want more of that in the first 5 years, right? That makes sense from a cost to our customers' perspective. And we've got those assets with those projects laid out. So we have safe harbor really out to 2029. And so that will be the plan. And it will be competitively bid. And we've been doing that for a long time. And more often than not, we win the competitive bid because of the projects we're putting together and our familiarity with Michigan. And so there's going to be a good portion of self-build in that mix.

But remember, I'm not opposed to a PPA either because I really view that as a capital-light way of earnings, right? We're going to earn roughly 9%. It's capital-light. It's a derisked process. I'll let a developer build an asset, build wind, build solar, it will be a mix. And we'll take the offtake of that. And so, again, that's going to -- that's kind of how we see it playing out going forward. And so when I say we're building about a gigawatt now and we'll have a gigawatt next year we'll be building, it will be a mix of self-build as well as developers.

Rejji P. Hayes
Executive VP & CFO

Yes. And Travis, this is Rejji. I would add to just give you some of the underlying assumptions that support the $10 billion that we have in that sort of CapEx or customer investment opportunity section of the slide. We're assuming, just for analytical purposes, about 50-50 owned versus PPA. And so that $10 billion assumes 50% of the solar opportunity. So think about that 8 gigawatts. We're assuming half of that we would own. And for the wind, the 2.8 gigawatts, it's a greater assumption of 50%. I'd say it's closer to 100%, but I don't want to split hairs here. And so that's the working assumption.

So clearly, if we end up owning more of that solar opportunity, there could be upward pressure in that $10 billion estimate. If we end up PPAing more through a competitive bid structure, then there could be some downward pressure on that. But as Garrick noted, there's just great financial flexibility inherent in the law, and it's nice to have the opportunity to earn in a CapEx-light fashion, and that gives us more balance sheet capacity to deploy potentially to the IRP opportunity, the $5 billion on the page and/or the $10 billion of distribution-related investment opportunities.

Travis Miller

Morningstar Inc., Research Division

Okay. Perfect. Rejji, you answered my follow-up question, so I appreciate that. I'll throw one more other follow-up question, different subject. The manufacturing growth, the new customers you're seeing there and the new pipeline customers, can you characterize that, not just industry, but are these expansion of existing? Are these brand-new customers coming from somewhere else? Are they onshoring, reshoring, however you want to say that?

Garrick J. Rochow
President, CEO & Director

Yes, it's all of the above. It's all of the above. And I mentioned -- here's a little surprising fact about Michigan. There are over 4,000 businesses in the aerospace and defense industry in Michigan. And so that's an example of where we're seeing new customers and existing customers grow in Michigan in just manufacturing. We're seeing advanced manufacturing. We're seeing a lot of food processing.

One of the unique facts about Michigan is the second most diverse state when it comes to an agriculture perspective, and there's been a general trend with food processing to move closer to the fields, to move closer to the farms. And so we're seeing everything from dairy products to baked goods that are continuing to grow in the state, which is a nice business for Michigan and really is a nice path to jobs, supply chains, home starts and the like.

Operator

Our next question comes from Michael Sullivan of Wolfe Research.

Michael P. Sullivan
Wolfe Research, LLC

Circling back on the data center or large load customer pipeline. Can we just get more of a feel for the time line of the ramp for some of these? I think you had said on the last call, the 1 gigawatt was like a '29, '30 type time frame, but maybe the rest of that final stage bucket, what sort of ramp time line are we looking at?

Garrick J. Rochow
President, CEO & Director

You're correct in what we shared on the one -- the Q2 one, the one that's the bottom of the funnel at the end of the pipeline there. Late 2029, early 2030 for the, I would call it, first electrons and then ramp up thereafter. I will share with you the other 2 that are referenced, they're a little earlier in the process in the 5-year window, and we're able to deliver on those from a supply perspective, from an infrastructure perspective as well. So that gives you -- hopefully gives you enough look into the pipeline final stages, Michael.

Michael P. Sullivan
Wolfe Research, LLC

Okay. Very helpful. And then, Rejji, I know you get asked this all the time, but just how to think about how much incremental equity comes with each dollar of incremental CapEx as you get ready to refresh all that? And is there anything in the load tariff that's pending here that maybe helps with some of that in terms of cash recovery?

Rejji P. Hayes
Executive VP & CFO

Yes, Michael, thanks for the question. Yes. So I would say that the historical sensitivity between CapEx and common equity is still, I think, a good working assumption. And so for those who are unfamiliar with it, for every dollar of CapEx that's incremental to our plan, assume about $0.40 of common equity would need to be issued. We always try to put downward pressure on that, and we've been quite effective.

Obviously, over the last couple of years, after the enactment of the Inflation Reduction Act, we've been monetizing tax credits, which has been a helpful vehicle for financing. We also, just given the nature of our rate construct and a forward-looking test year, we have very strong cash flow generation. And so I tend to not need quite as much equity for CapEx. And with these other mechanisms, and I think it just is always worth repeating that we earn 9% on PPAs, and that's codified in the statute. That also offers an opportunity to put downward pressure on equity needs.

But again, the rule of thumb for now should be for every dollar of CapEx, we'll probably have to raise about $0.40 or so of equity and hybrids offer an opportunity as well, I'd be remiss if I didn't mention that, we don't usually incorporate that into our plan, but it does create an opportunity. And so those are the ways in which we could put downward pressure on that sensitivity. But again, in the absence of any new information, just assume for now $0.40 of equity for every dollar of CapEx.

With respect to the data center tariff, certainly, we have been very focused on making sure that we are minimizing stranded asset risk for an incumbent customers and making sure we have the right protections in place. And there's a little bit more margin given that it's a general primary demand rate versus our most aggressive economic development rates. So you get a little more margin for that. I don't think there's really, at the moment, any working assumptions you should add where we would see significant cash flow generation that would reduce our equity needs if there's additional CapEx.

Now who knows, over time, based on discussions with select data centers, there may be things that we can incorporate into a potential agreement with the data center. But for now, I would assume, again, most of the provisions in the data center tariff are focused on protecting our incumbent customers. Is that helpful, Michael?

Operator

We currently have no further questions. So I'll turn the call back over to Mr. Garrick Rochow for any further remarks.

Garrick J. Rochow
President, CEO & Director

Thanks, Alex. I'd like to thank you for joining us today. I look forward to seeing you at EEI. Take care. Stay safe.

OperatorThis concludes today's conference. We thank everyone for your participation. You may now disconnect.