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Market Intelligence

CMS Energy Corporation NYSE:CMS

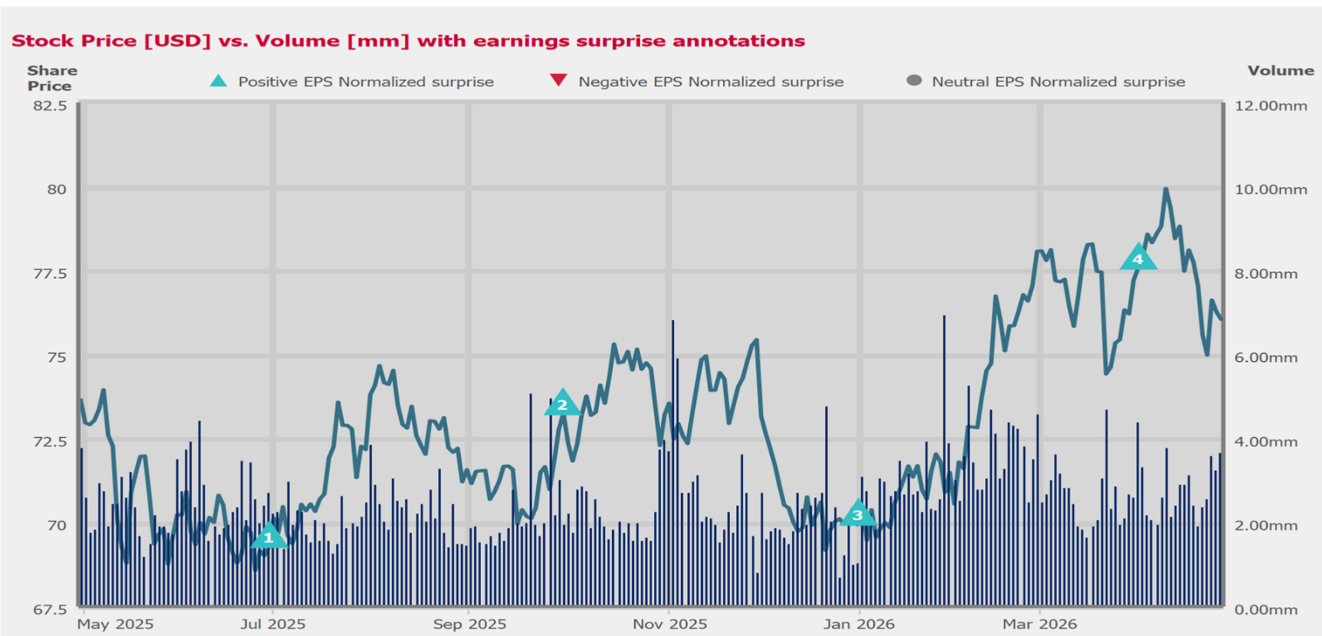
FQ1 2026 Earnings Call Transcripts

Tuesday, April 28, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.10	1.13	▲2.73	0.72	3.88	NA
Revenue (mm)	2509.49	2730.00	▲8.79	1916.45	8665.48	NA

Currency: USD
Consensus as of Apr-28-2026 2:55 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2025	0.68	0.71	▲1 4.41 %
FQ3 2025	0.86	0.93	▲2 8.14 %
FQ4 2025	0.94	0.95	▲3 1.06 %
FQ1 2026	1.10	1.13	▲4 2.73 %

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Table of Contents

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Rejji P. Hayes
Executive VP & CFO

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Presentation

Operator

Good morning, everyone, and welcome to the CMS Energy 2026 First 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, there will be a rebroadcast of this conference call today, beginning at 12:00 p.m. Eastern Time running through May 5. This presentation is also being webcast and is available on CMS Energy's website in the Investor Relations section.

At this time, I would 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, Rob. 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. Our investment thesis, which you see on Slide 3, continues to stand the test of time. Whether it's our long capital runway, Michigan's top-tier regulatory jurisdiction, our ability to keep bills affordable for customers or a strong economic growth across the state, this model works, and it works consistently.

It drives a premium total shareholder return, 6% to 8% adjusted EPS growth with annual compounding paired with approximately 3% dividend yield. It's a simple, durable formula and it's why CMS Energy continues to be a smart long-term investment. Delivering for more than 2 decades with consistent industry-leading performance.

Turning to Slide 4. You'll see the outcome of our most recent electric rate case. The commission proved over 65% of our ask and maintained our 9.9% ROE in the electric business. I continue to be pleased with our regulatory outcomes, and most importantly, the support for our customer investments. On the graph to the left, what stands out is a consistent record of support, constructive outcomes we've seen across our electric rate case filings over the last several years. These outcomes reflect deliberate customer-focused investments designed to deliver on Michigan's energy law and materially improve the reliability and resiliency of the electric grid.

It's the investments approved in this rate case and previous cases that directly support better service. That includes everything from critical capital investments across the grid to advance tree trimming on a 5-year cycle. Work that meaningfully reduces outages, restoration time and customer costs. The commission support reinforces that reliability and affordability can and should go hand in hand. That's good for our customers.

Our track record of consistent and constructive rate case outcomes is strong, and that is possible through a deliberate process, a constructive environment and focused work by the team. These strong outcomes aren't a one-off or by chance. They are the result of a very deliberate and disciplined regulatory strategy. It starts with Michigan's energy law in enabling legislation. From there, we build alignment, support and preapprovals through a coordinated set of filings, our integrated resource plan, renewable energy plan and 5-year electric distribution plan.

We also utilize proven regulatory mechanisms like the investment recovery mechanism that streamlined proceedings ensuring certainty of recovery and drive accountability. When you combine that framework with strong testimony and clear business cases, the result is exactly what you see here. Constructive outcomes in support needed -- that support needed customer investments while maintaining affordability.

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Looking forward to our upcoming regulatory agenda. In April, we saw the MPSC staff position in our current gas rate case, recommending over 75% of our $240 million ask. Staff also supported nearly 95% of our gas infrastructure investments. These investments continue to ensure a safe and reliable natural gas system, while balancing affordability for our customers. Much like electric, we continue to receive constructive outcomes that benefit our customers. We've settled 4 of the last 5 cases and continue to see support for our filings. In our electric business, we plan to file our 20-year Integrated Resource Plan, or IRP, in June. Our IRP will include 1.5 gigawatts of new gas capacity to replace existing retiring capacity, ensuring we have the supply to meet our customer load well into the future.

We'll include 13 gigawatts of renewable and clean energy, much of which was already approved in our 20-year renewable energy plan. Our filing will also include a growth scenario. Highlighting the need for additional capacity to ensure we are prepared for the growing customer base in Michigan as we see data center and manufacturing interest in our service territory. A portion of these renewables and the additional gas capacity are in our current 5-year plan with more upside opportunity given additional storage and renewables to meet Michigan's energy law and customer load beyond the 5-year plan.

We've identified that for every 1 gigawatt of new large load, we could see capital opportunity of $2 billion to $5 billion. Again, those investments would be incremental to our current capital plan. I'm very proud of the team and the thoughtful work on these plans. The comprehensive analysis and modeling takes months and is done with a deep commitment to building a plan that is best for our customers and our state.

At CMS Energy, our customers are at the center of all we do, a promise to deliver safe, reliable and affordable energy. And while we are committed to the important and necessary investments in our electric and gas systems, we remain laser focused on customer affordability. Our track record is strong, customer savings driven through the CE Way and further optimized with digital automation, episodic cost savings, load growth and energy waste reduction as further examples. Our efforts here are meaningful and impactful. As a result, Michigan electric bills are the 14th lowest in the nation, well below the national average, and also below the Midwest average.

In our bill growth, you see on the left side of the slide, among the lowest in the country. On the right side of the slide, looking forward, customer bills, electric and gas, below the energy CPI, while investing over $24 billion over our 5-year plan period. I am pleased with our progress, but we're not done yet. We're sharply focused on continuing to bring down costs for our customers we're delivering for those most in need.

Additionally, affordability is supported by growth, and Michigan continues to make headlines and top rankings nationwide as we see new or expanding load materializing in the state and supporting 2% to 3% annual sales growth. This growth allows us to spread fixed costs over a larger customer base and improve affordability for all customers. We have significant interest in our service territory with contracts for roughly 100 megawatts of new load signed last year, and we've exceeded that in just Q1 of this year. Approximately 110 megawatts of signed contracts year-to-date.

This is all on top of the approximately 450 megawatts connected to last year. As I've shared in many investor meetings, Michigan has more engineers per capita than any other state. We are the second most diverse state in agriculture. We have many aerospace and defense businesses in a rich automotive heritage. Our service territory is growing with manufacturing and industrial processing, bringing with large investments, jobs, supply chains and commercial and residential growth.

One of our larger recently signed contracts is with Michigan Potash & Salt Company, a strategic and critical mineral manufacturer in the only established and sustainable potash reserve in the U.S. expanding in our service territory, bringing with it roughly 130 jobs and over $1.3 billion of investment in Michigan. I love seeing growth like this and the value that brings to Michigan, our customers, communities and investors. There is also a diversity in this growth, which is important in the context of data centers which I'll cover on the next slide.

Moving on to our growth pipeline. You see that win here on Slide 8 with Michigan potash move through the funnel to a signed contract. There were also several other smaller customer expansions, not shown on the slide that make up roughly 110 megawatts year-to-date. In addition to strong manufacturing and industrial processing, Michigan continues to attract data center interest, and I'm pleased with the progress we have made over the last quarter.

Our announced data center continues to close in on final contract after reaching commercial terms on the extraordinary facilities agreement and now commercial terms on the rate contract. And as I mentioned in our year-end call, another data center has continued to progress in advanced contract negotiations. I'm also pleased with the community engagement and the forward progress experience at a local zoning level. Keep in mind, these data centers are not yet reflected in our 5-year customer investment plan and associated

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additional investments will not be subsidized by existing customers. In fact, each gigawatt of new data center load that materializes in our service territory will reduce our average customer rate by 2% annually over a 5-year period.

Now on to the financials for the quarter. In the first quarter, we reported adjusted earnings per share of $1.13. We remain confident in this year's guidance and long-term outlook and are reaffirming all our financial objectives. Our full year guidance remains at $3.83 to $3.90 per share, with continued confidence toward the high end. Longer term, we continue to guide toward the high end of our adjusted EPS growth range of 6% to 8%.

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 10, you'll see our standard waterfall chart, which illustrates the key drivers impacting our financial performance for the quarter and our year-to-go expectations. For clarification purposes, all of the variance analysis herein are in comparison to 2025, both on the first quarter and a 9 months to go basis.

In summary, for the first quarter of 2026, we delivered adjusted net income of $346 million or $1.13 per share, which compares favorably to the comparable period in 2025, largely due to NorthStar outperforming a relatively soft comp in the first quarter of last year, coupled with higher rate relief net of investments at the utility. These sources of positive variance were partially offset by a significant ice storm in our electric service territory in March.

From a top line perspective, at the utility, heating degree days in Michigan ended up at relatively normal volumes for the quarter as a relatively warm March and February offset in a typically cold January. The impact of normal weather drove $0.01 per share favorable variance versus the first quarter of 2025. Rate relief, net of investment-related expenses resulted in $0.11 per share of positive variance due to the residual benefits of last year's constructive electric and gas rate orders as well as earnings associated with ongoing renewable projects at the utility.

Moving on to cost trends. As noted, we experienced an uptick in storm activity during the quarter, including a sizable ice storm in March, which was bigger than last year's storm. As such, we saw $0.05 per share of negative variance for this cost category which includes some positive offsets associated with our electric supply business. In our catch-all category represented by the final bucket in the actual section of the chart, you'll note a positive variance of $0.04 per share, largely driven by the impact of achieving key milestones for ongoing renewable projects at NorthStar and the reversal of last year's outage at DIG. Partially offset by higher parent financing costs, namely a higher average share count.

Looking ahead, we plan for normal weather, as always, which equates to $0.23 per share of negative variance for the remaining 9 months of the year, driven by the absence of favorable temperatures experienced in 2025, primarily in our electric business. From a regulatory perspective, we're assuming $0.24 per share of positive variance, which is largely driven by the constructive electric rate order received from the commission in March, ongoing benefits of renewable projects at the utility and the assumption of a constructive outcome in our pending gas rate case.

On the cost side, we anticipate lower overall O&M expense equating to $0.04 per share of positive variance at the utility for the remainder of the year, largely driven by expected cost performance through the CE Way and other cost reduction initiatives underway.

Lastly, in the penultimate bar on the right-hand side, you'll see an estimated range of $0.06 to $0.13 per share of positive variance, which incorporates continued solid performance at NorthStar, partially offset by planned parent financing costs, including the effects of equity dilution.

Before moving on, I'll just note that our track record of delivering on our financial objectives over the last 2 decades, irrespective of the circumstances speaks for itself. That said, we'll always do the worrying and remain confident in our ability to deliver on our financial and operational objectives this year to the benefit of all stakeholders.

Slide 11 offers an update to our funding needs in 2026 of the utility and the parent. As a reminder, the convertible debt that was opportunistically issued last November address a good portion of our financing needs at the parent for the year, while offering significant financial flexibility on our remaining needs. From an equity needs perspective, given the trading performance of our stock during the first quarter versus our plan assumptions, we executed equity forward contracts totaling approximately $495 million significantly derisking our planned needs for the year.

As you can see in the table on the slide, we settled approximately $142 million of set equity contracts during the quarter. And as per our guidance, we'll share -- we'll plan to issue an aggregate amount of approximately $700 million over the course of the year.

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Finally, we'll look to complete the balance of our financing plan at the utility over the remainder of the year. And as always, we'll be opportunistic and look to capitalize on strong market conditions.

Moving on to credit quality. I'm pleased to report that both Moody's and Fitch reaffirmed our credit ratings in March as indicated at the bottom of the table on Slide 12. That said, it is worth noting that Moody's did move the utility to a negative outlook, largely due to the size of our 5-year capital investment plan relative to timing of cost recovery, particularly for large projects with protracted construction cycles. Needless to say, we are evaluating a variety of countermeasures to address Moody's concerns. As always, we'll continue to target solid investment-grade credit ratings and will manage our key credit metrics accordingly as we balance the needs of the business.

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 23 years now of consistent industry-leading performance regardless of circumstances year in and year out. You can count on CMS Energy to deliver for all of its stakeholders.
With that, Rob, please open the lines for Q&A.

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Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Richard Sutherland from Truist.

Unknown Analyst

There's been a lot of attention on data centers, and I guess there's a lot to dig into here, but you talked about confidence in what you're seeing. I'm curious about the opportunities as it stands now relative to last quarter. And in particular, if you see both of these data centers come through, what is the potential to defer delay your electric rate case filing cadence on the back of that? Anything you can speak to there versus load ramp would be helpful.

Garrick J. Rochow
President, CEO & Director

I am very pleased with the progress. And let me even take a step back. If I start with the pipeline. As we've shared historically, it's roughly about 9 gigawatts. There are customers that are falling out of the pipeline and going through like we saw with Michigan Potash and having successful contracts. There's new companies coming in. And so the pipeline is strong and actually much larger than 9 gigawatts.

Those are the ones that are more qualified, you might say, in the process. And so as I shared in the Q4 call, and I just continue to be pleased with the progress of the data centers, the hyperscalers that are in our service territory and looking at different locations, multiple locations to locate those data centers. And as I shared, like we've made great progress with the contractual piece with those companies. pleased with that, pleased with the work the team is doing, and we're working through the zoning process here in Michigan.

And again, I've seen those data center companies, they're out, they're meeting with the local planning commissions. They're meeting with the communities. We're standing side-by-side with them to be able to address those issues. So a lot of positive progress.

In the context of -- I hear you're referring to this kind of stay out here and referring to the DTE approach to this. I haven't seen their filing yet. So I can't speak to the specifics of that and what they proposed, just what's been in the media. I will say this, we -- in November, we put a tariff in place, a really great tariff. It's been able to set the standard, really one of the best in the country.

It's been able to -- these hyperscalers have quickly adapted to it, so they know what the hurdle rate looks like or the hurdle mark looks like. I'm very pleased with it. It speaks to how we protect existing customers, how we protect the business. It really provides a path for benefits to flow back to customers, which is, I think, critically important. But it's also important to put this in the context, we are investing the significant capital runway like there's a lot of opportunities to invest in this business. We've talked about. Those weren't just excel exercises.

Those is like real stuff that's underway. We're investing heavily in the electric grid to improve reliability and resiliency, so it's better for our customers because I hate when a customer is without power and the cost and the impact of that. And I appreciate the commissioner's comments on how affordability and reliability can go hand in hand. They're not opposed. We have this IRP, 20-year IRP for the supply needs of the state. We have to meet the Michigan's energy law and the renewables, but we also have to think about those times when the sun is not shining or the wind is not blowing. Batteries make up a part of that, but we've got to introduce natural gas to replace some of our existing peaking.

That's an important piece of investment right now. And then there's importance of the safety of the gas system. And so I can go on for hours about this, and I know you don't want me to do that, but like that's why we're in on annual rate cases. But the biggest thing and the most important thing is affordability for our customers right now. And we've talked about that through the CE way. We've talked about that through episodic cost savings. But a big piece of this is growth, and that's how I tie it back to data centers.

And so whether that's internal focus or what we're doing externally, know this that we're focused on the root cause. We've got these important investments. We believe we can go in for annual rate cases and keep them close to the rate of inflation for our customers. But one thing that's important about annual rate cases is we pass along savings to our customers every single time.

And that's what we're focused on. The stats are, we're the 14th lowest electric bill out there. That's still not good enough because affordability is defined by our customers, and there are some customers that are out there that are struggling, and we need to help them. And that's what we're focused on, affordability for our customers. Thanks for your question. Long answer, but there's a lot there.

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Unknown Analyst

Certainly a lot there, and I appreciate the comprehensive response. I also wanted to switch gears. There have been some media reports out there around North Star. Maybe just to zoom out broadly across your portfolio. If you were to consider any transactions around the portfolio, do you have any sort of guiding lights around how you think about the qualitative versus quantitative aspects of a deal and in particular, accretion dilution, the prospects of, say, near-term dilution versus breakeven over the long term? Anything there would be helpful.

Garrick J. Rochow
President, CEO & Director

Well, just to be clear about this, we have a long-standing company policy. We don't comment on M&A period. What I've shared about NorthStar in the past, just consistent with other investor meetings or earnings calls, look at the thermal assets, right, Dearborn Industrial Generation, energy and capacity prices are increasing. We strike bilateral contracts. We layer them over time. They've been better than planned. And we've shown that in some of the slides before on some of that opportunity.

In terms of the renewables, we've used this baseball analogy. We hit singles and doubles. We're not aiming for home runs. And so these are solid projects. We do one or two of them a year, maybe in a busy year, we might do three. Utility-like returns are better with a contracted offtaker, long-term contracts. We've safe harbor the assets out in the '28, '29 time frame. We look to recycle capital. That whole NorthStar mix is about 5% of our earnings mix. The rest of its utility.

Operator

Your next question comes from the line of Shar Pourreza from Wells Fargo.

Marcella Petiprin

This is Marcella on for Shar. Maybe building on the data center topic, what kind of specific color can you give us on what's going on with Game Township and the Microsoft data center? Anything on like the status there and how we should be thinking about public pushback?

Garrick J. Rochow
President, CEO & Director

My mom used to say good things come to those that wait. And my mom was right. And I've talked about the contract in my prepared remarks, talked about the contract pieces, and I shared with you, I'm pleased with the zoning piece. I think it's important for the investment community to understand Michigan's like units of government, local units of government. There are 2,800 forms of local units of government in Michigan. About 96% of the state is covered by some kind of township.

And in those townships, and we know this because we work with them all the time, there are planning commissions or planning boards and they work through zoning, but they also work and looking at the site layout and other plans. And then there's a township board. And so there are several steps in that approval process. And I've been pleased because not only the data centers have been meeting with the township officials and the planning officials, we've been meeting with them, and we've seen good progress. But also know that they have to -- they're doing good due diligence, right?

They're elected officials, and they're doing the right things, and they have to dig into what's the impact from a property tax perspective. How does this meet the zoning requirements? What does this mean for agriculture, industrial land? What does it mean for water? So they're going through and making sure they're doing good due diligence. And so I appreciate the process I'm familiar with the process because we go through it when we're doing big projects, whether it's a gas pipeline or whether it's a solar project. And so again, I feel good about where we're headed. My mom was right, good things come to those that wait, and we're working through that process and pleased with where it's headed.

Marcella Petiprin

That's super helpful. And then maybe following up on Richard's question on case cadence. Are there any specific triggers that you'd point to or working towards that would increase the time between cases?

Garrick J. Rochow
President, CEO & Director

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We've -- in terms of settlement, we stayed out of cases before. That's not abnormal for us unusual for us. I certainly would consider that as something in the future. But I'd go back to my comments, like large capital runway and the ability to pass a forward savings back to our customers. At the heart of it, this isn't about skipping cases and pushing a bow wave. It's about bringing affordability to our customers. That's where we're focused on.

Operator

Your next question comes from the line of James Ward from Jefferies.

James Ward

Garrick, given the Games Township tabling on April 15, can you reaffirm the as early as 2028 online date for your final stages prospect? Or has that time line maybe softened a bit?

Garrick J. Rochow
President, CEO & Director

The project time lines are the same. 2028 is the time line within the contracts. The ramp up early electrons, you might say, and then they ramp up over 2029, '30, those time frames are the same.

James Ward

Terrific. Second, just without naming the customer, is the prospect you've reached commercial agreement with the same one tied to the gains process or a different site in your territory?

Garrick J. Rochow
President, CEO & Director

There are two -- at least two hyperscalers that we are in advanced negotiation with, and I've shared that one we're finalizing the contract with, and there are many more in the pipeline. And so I really cannot disclose that at this time.

James Ward

All good. And last question for me. Just off of feedback we've gotten last week, given some of the news out there and keeping in mind your comments earlier about company policy and so on, I ask something broader and higher level. With where IPP multiples are trading and the DIG recontracting out past -- like out to past 2030, has anything shifted in how you're thinking about NorthStar strategically? Or is DIG still something that you see being a part of CMS well into the next decade?

Garrick J. Rochow
President, CEO & Director

I shared that in my response to Rich, consistent with how we've talked about in previous investor meetings and earnings call, I walked through the thermal units. There's really no change in how I talked about that and same with the renewables.

Operator

Your next question comes from the line of Nick Campanella from Barclays.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

So look, there's two opportunities. We don't know who the commercial agreement specifically with. I understand from the prepared and responding to Rich's question, you're still working through the permit there. But I'm just trying to understand like more granularity on what is needed for the permit and then just your expectation to have that done by summer? Or is this going to go through the entire year-end to the end of this year?

Garrick J. Rochow
President, CEO & Director

So it varies depending on the location. And I'm not trying to dodge your question. It's just that there are multiple townships. And these hyperscalers are pursuing investment in multiple properties in multiple areas of the state. So I can't say it's like a blanket here's where we're at in the process.

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But again, there's steps. There's -- the first step is with the planning commission and they see does it meet the zoning requirements of the state, and there have to be a change if there has to be a change. And then they've got to do a site layout and that has to be approved by the Planning Board or Planning Commission and eventually it goes to the township. And so it varies in those places.

And I would say the hyperscalers are looking at multiple locations and are in multiple places in that process and have advanced, frankly, within that process. I would also say they're active in the communities. They're meeting with local officials, they're meeting with communities and doing all the right things, which gives me a lot of optimism about the progress that's underway.

But it would be -- like we've been in this process like we know this process. And when they pause and they get more -- do more due diligence, when they listen to the constituents, that goes back and forth. It wouldn't be appropriate for me to jump ahead of that process and try to predict the date. They needed to work, let those elected officials do their important work. And you'll be one of the first ones to know, Nick, when we make the announcements.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

I appreciate that. And then just maybe because you've executed on bulk of 2026 equity needs, I know that there's still a little bit outstanding, but how are you kind of thinking about being proactive to derisk '27 and '28? And I just know the shaking of the CapEx, there might be, to my understanding, a little bit more front-end equity in this 5-year plan, if you could talk to that.

Rejji P. Hayes
Executive VP & CFO

Yes. Nick, it's Rejji. I appreciate the question. Yes. So just to get everyone re-grounded on the 5-year equity need that we walked through on the fourth quarter call. So we talked about in our prepared remarks, the fact that we're planning for $700 million this year, that is still the plan. And then on average, thereafter for the next 4 years, it will be $750 million, but it's far from linear. That's just a simple average.

And as you rightly noted, it is a bit more front-end loaded. So we do expect the majority of the equity needs to be issued in the first 3 years of this plan, really commensurate with the capital plan. And so we are a big proponents of the equity forward product, which we've used to good effect in this first quarter, as I noted, we've already price just under $0.5 billion to take that risk off the table. We did settle a small portion in the first quarter. And that will be the bias going forward.

And so as I've said on many occasions, I do believe we are undervalued quite a bit. And -- but that said, there is valuation and then there's what's in our plan. And so we did see the stock trading at levels that were south of our plan over the course of the quarter. And so we were -- sorry, we did see the stock trading at levels that were -- sorry, above our plan or above the assumptions in our plan over the course of the quarter, and so we were opportunistic there.

And so if we do see the stock continue to trade at levels that are better, not just in our plan assumptions this year, but also in subsequent years, we may look to execute on equity forwards for -- to derisk '27 and beyond. But first and foremost, we're going to prioritize our needs in '26, excuse me, address those, and then we'll see where we're at by the second half of the year. Is that helpful?

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Yes, that's helpful. I appreciate that color. And then if I could squeeze one more in. I'm just reflecting a little bit on past efforts in this management team on portfolio rotation. I know that when you did the EnerBank sale, you were able to kind of overcome the impact of the near-term numbers through the last IRP process and ultimately still do the high end of that 6% to 8% forecast. Strategically, is there appetite to do something like that again? Or do you guys continue to have just very clear line of sight to the growth rate at the high end, '26, '27 and '28?

Garrick J. Rochow
President, CEO & Director

Thanks, Nick. No comments on M&A, and we're providing guidance on the call.

Operator

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

Unknown Analyst

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This is actually [Aidan Kelly] on Jeremy. I just want to hone in on the political backdrop in the state. How are you thinking about affordability going into the elections? And I guess, what is the level of understanding from the candidates over the possibility that utilities could lower rates with new data center load? And just any kind of thoughts there would be great.

Garrick J. Rochow
President, CEO & Director

There's an important slide in our deck, and it's one of my favorite. It's just this consistent growth over 23 years, multiple different CEOs, different governors, Republicans, Democrats, different commissions, different legislators or policymakers and we've delivered. And the sweet spot of that or the secret sauce to that is really been an honest broker and focused on what's best for Michigan and what's best for our customers and listening to policymakers and politicians to say, what do they really want to get done and how we can be a solution provider.

I was with a governor candidate last night, and that's what we're talking about, how can we be a solution provider? What's important to you? How do we work together? That's the honest broker piece. And you stay in that -- and it's hard to stay in that space, right? You want to think about the business or the financials, but staying grounded in our customers is where you get that honest broker, where they get the trust and respect to have the conversations. So there's a lot going on.

It's an election year. We're a purple state. That's important to know. It's a purple state. And so we're used to a lot of back and forth, particularly as people try to jockey for votes. But you know what, I sleep well at night. And it's not because I'm arrogant or because I know how this is going to play out. It's because we have a good team.

And if you go back to being an honest broker and being focused on the customers, you build trust and you can find solutions in that. And like I shared earlier in my comments and prepared remarks, when you're focused on affordability, even though you're at the 14th lowest state, you can present the data to the people running for governor or the policymakers, and that's great.

But the reality, affordability is defined by the end user. My affordability is different than Rejji's. It's different than one of our low to moderate income customers. And so we got to keep working on that, right? And some of that's internal. You know the tools we use there and some of it's external. And I talked about in our last call, I walk around with 2 pages of ideas for policymakers. Some of them are adopted.

Some of them might actually be bills that are being tossed around, right? But we meet with all these governors, governor candidates, [senatorial] candidates. So we know them and we provided a slide in the deck on that. But we don't just approach it from an energy perspective, like we're a business leader.

We talk about what's going on in the economy. And I will tell you, every one of these candidates is about how to grow Michigan. We talk about data centers. The three leading candidates are supportive of data centers in a thoughtful way, right, in a comprehensive way. And we talked about how that can shape affordability for customers. They're concerned about education.

We have -- help have those conversations because we're concerned about education. And I go on and on here. We get to energy, right? And when I look at their platforms, every one of the platforms for the governor, we can work with all three of the leading candidates. Again, be an honest broker, focus on the customer, listen to what they're trying to get done. Their approach looks different. Some want to focus on low to moderate income, some want to focus on the business environment. We can do both, right, and really provide good solutions for our customers to help from an affordability perspective.

Rejji P. Hayes
Executive VP & CFO

Yes. All I would add, [Aidan], to Garrick's very good remarks. First and foremost, I aspire to have his point of view on affordability at some point, just given the example he offered up when it comes to just personal finances. But that's thing one.

Thing two, just to reemphasize and remind you all of the flywheel and the algorithm when it comes to our financial planning process. As we've talked about before, and I think Garrick alluded to this very well, is that affordability remains one of the key governors in our financial planning process. And so for 20-plus years now, really almost 25 years, we do not take a plan, financial plan that is to our board, let alone to the street unless it passes the lab test from an affordability perspective, unless it passes our hurdle rates from a balance sheet perspective and then also can we get the work done.

And when it comes to affordability, the dimensions are quite broad. It's first, we certainly look at the compound annual growth of our rates over the planning period. But then we also benchmark it versus the region versus the country. And then we also take into account

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both rates and bills. So it's a really broad lens through which we look at affordability, again, to make sure that the plan not just delivers for the investors, but also for customers and all stakeholders.

And so I do think it's really important to recognize that while we've grown the rate base historically high single digits, now low double-digit to our forecast, we are still self-funding 2/3 to 3 quarters of that rate growth with, as Garrick noted, CE Way episodic cost reductions, energy waste reduction over time we hope it will be sales growth as well as we continue to execute on this economic development pipeline. And that's how -- even though you're growing the rate base high single digit, low double digit, you're keeping the bills and rates in at low single-digit levels.

And by doing that year in and year out and having the discipline of incorporating that into your planning process, that's how you perpetuate this success irrespective of who's running the state. So just wanted to just add an additional financial length to that. And it's not luck, it's not an accident. It's really hard work, and that's why you see the data points we have on Slide 6.

Unknown Analyst

Yes. Makes sense. I appreciate the insight there. And I just have one separate question on CapEx upside. Could you just remind us what the underlying assumptions are in the like 1 gigawatt equals $2 billion to $5 billion of CapEx, maybe just anything that drives the low and high end of these ranges?

Rejji P. Hayes
Executive VP & CFO

Yes, [Aidan], Happy to do that. So for the low end of that sensitivity, which is around $2 billion, what you have in there is an assumption of storage resources as well as our current estimates for what a simple-cycle combustion turbine would cost. There's also a little bit of infrastructure costs, so substation work, the wires. So all that's incorporated into the loan to $2 billion.

As you get to the higher end of that range, we'll see a couple of things. So first, likely a change in resource. And so going from simple cycle to, again, if the cup run it over and we start to see a highly successful conversion of that economic development backlog, we would potentially look at combined cycle gas. And so that's what starts to get you towards that upper range. It probably warrants additional infrastructure in terms of substation work and wires.

Again, this is if you start to see additional economic development opportunities come to fruition. And then it's also important to note that we do have to comply with the clean energy law requirements, which are predicated on sales. And so that's what all adds to the high end of that equation. So that's really what drives that range.

Operator

Your next question is from the line of Michael Sullivan from Wolfe Research.

Michael P. Sullivan
Wolfe Research, LLC

I wanted to just ask on this DC customer pipeline that you've got. You've talked to kind of the incremental CapEx upside that's not in the plan. But as we just think about your earnings trajectory? Is this something that can contribute in the next 5 years if you're able to bring these over the finish line?

Rejji P. Hayes
Executive VP & CFO

Yes, Michael, I appreciate the question. I would say it really is a function of the load ramp. I do believe that the reality is that most of the opportunities in our backlog that we're looking at today, particularly those that are sort of in that advanced to final stages.

The load ramps really start to materialize as Garrick noted for sort of most likely opportunity in the '28 time frame and some of the more are some that are slightly lower in probability of conversion or kind of '29, '30 and the material ramp is really in the next gate. And so the supply needs will increase commensurately with that load ramp. And so while we certainly would see additional capital investment opportunities come likely in the next 5-year plan that we roll out, I think it's a little early to suggest whether or not it would put upward growth in our EPS growth.

That said, job one is to convert these opportunities, and so we're focused on that right now. But if we start to see some success in converting on this backlog, it should drive or will drive additional capital investment opportunities and again, given the load ramp,

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we'll see what happens over the next 5 to 10 years. But I think it's premature to say whether it would immediately increase the EPS growth at this point.

Michael P. Sullivan
Wolfe Research, LLC

Totally fair. And then looking ahead to the IRP filing that you have coming up here in a couple of weeks, I think you mentioned something about a growth scenario, highlighting the need for additional capacity. And maybe tying that into kind of all these beating around the bush questions around NorthStar. Is there any world where can be used as a solution? I know it's been tried in the past, but any sense of a change in appetite there to use that asset to meet additional demand growth?

Garrick J. Rochow
President, CEO & Director

Well, you carried it Mike, going back to our last integrated resource plan, we attempted to bring that into the utility. And it was just from an affiliate transaction perspective, just too big of a hurdle to go through. And so we don't see proposing that in this next integrated resource plan to bring that into the utility. If I would step back and look broader at this IRP, as I shared, I'm pleased with the team's work there, 5 gigawatts of net natural gas to replace existing, and then also, when you think about the reliability or resource adequacy of the grid, got the renewables, the batteries are times and periods of the day and of the year, where you need natural gas to peak.

And Karn 3 and 4, which is some old oil-fired and gas-fired peaking units, this really works to replace those almost megawatt for megawatt from a capacity perspective. And then you know the renewable story, much of it's approved in the IRP. And then remember, this REP, I should say. And then as part of this IRP, we're looking out 20-plus years. So it will give some color and context too, for other investments that are beyond the 5-year capital plan out in the 10-year window as well.

Remember, in this IRP, we have to do multiple scenarios. One of those is a growth scenario. Just given the interest, both manufacturing, industrial processing, data centers. That's an important scenario to develop in this process. which would mean more batteries, more renewables and potentially other assets. Those line up well with the contracts that we're working through. And so those should come together through that IRP process as we move forward.

Operator

Your next question comes from the line of Travis Miller from Morningstar.

Travis Miller
Morningstar Inc., Research Division

You answered most of my questions, but just one, overall one high level. Legislation state, legislation update. What are your thoughts there? Does anything get done with the election year? Any impact on your cadence of regulatory filings, rate case or other?

Garrick J. Rochow
President, CEO & Director

Most of the focus here, particularly after coming off of the spring break and the recess here is going to be focused on the state budget. And so that's been bit contentious just given the nature of our purple state. It was contentious last year. Fortunately, it will be probably that way this year as well and that drug out for most of the year.

So I don't know if we're going to see a whole lot of policy movement or policy change -- but if we do, know that we're engaged with it, goes back to my earlier comment, team is fully engaged, focused on finding the right solution for customers. In some cases, there's some great ideas out there in bills that can help from a customer affordability perspective. And so we'd like to see some of those progress with the right mechanisms in place, but we'll see. We'll see what there's enough time and space left in this next session as well as the following session in the fall.

Travis Miller
Morningstar Inc., Research Division

Okay. And no change in your rate case cadence in terms of electric filing in the spring and gas filing in the fall, typically?

Garrick J. Rochow
President, CEO & Director

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No. We're going to file -- we'll file our electric rate case in June. And so that will give you a highlight for that. And then the gas case, we had staff position in April. The PFD will come out in August time frame, and then it's September -- yes, September, October-ish for the final order. And then it will be -- that's roughly when you'll see the gas order if we go to full distance.

Operator

Your next question comes from the line of Andrew Weisel from Scotiabank.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

First, a question on the demand side. If I heard you right, you signed 110 megawatts of new load this year versus 100 megawatts signed last year and 450 megawatts connected last year. My question is of the 110 new, when do you expect that to connect and ramp up? And do you think of that as being supportive of the 2% to 3%? Or maybe does that take you to the high end or over it?

Garrick J. Rochow
President, CEO & Director

It varies. There are different customers in there that make that up. Some of them are expansions that are underway. Some will play out over these 5 years. In terms of Michigan Potash, we got permission to talk about the jobs and the investment. But we're not talking about the time line yet on that. And so that will occur over time, and we're able to share more of those specific details.

But what we've communicated in our 5-year plan is 2% to 3% low growth. And we just -- we keep giving these concrete examples and how that's materializing and so it gives us a lot of confidence in delivering that for our shareholders and for our customers.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Sounds like better confidence, better visibility sort of thing.

Garrick J. Rochow
President, CEO & Director

Great.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Is that right?

Rejji P. Hayes
Executive VP & CFO

It keeps us on plan Andrew, for the avoidance of doubt.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Great. Next question is you mentioned Moody's has the utility on negative outlook. I think in the prepared, you used the word that you're considering countermeasures. Can you maybe elaborate what are some options you might be considering if you're willing to get into that? And how much of a need do you feel to be proactive?

Rejji P. Hayes
Executive VP & CFO

Andrew, I appreciate the question. This is Rejji. And so yes, this is something that's a little unique because it's at the OpCo. If this were a parent company, outlook. There are a variety of tools in your toolkit where we could revisit financing strategy. We could look at opportunities on the working capital side.

And again, you just have more arrows in your quiver because it's at the OpCo and you're really constrained in terms of your rate making capital structure. We're going to have to evaluate a variety of different solutions and likely have to educate the commission and other stakeholders on what we would have to do over the next 12 to 18 months to avoid Moody's taking further action.

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And so not prepared to elaborate at this moment on what those alternatives are. I think they're fairly intuitive when you think about the opportunity at the regulated utility, and it really has to do with the rate making capital structure. But as well as potentially cost of capital and things of that nature. But we're exploring a variety of qualitative and quantitative measures. And again, we'll look to have conversations over time with key stakeholders.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. That makes sense. One last one, if I may, and I can tell, Garrick, I'm giving the sense you don't want to talk about it much. So I'll ask the NorthStar question in a different way. Without speculating or digging too deep, maybe just a little bit of pun intended, would you consider splitting the business into pieces? Or would you even be able to? Obviously, DIG has a nice growth outlook versus the renewables development business has maybe more finite growth given the tax credits being phased out after the next few years. Could you or would you split that business up?

Garrick J. Rochow
President, CEO & Director

Andrew, I love your persistence here. Way to go on that. Like we have to know this. Yes, absolutely. So no comment on M&A.

Operator

Your next question comes from the line of Sophie Karp from KeyBanc.

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

So most of my questions have been answered, but I wanted to ask you this. So you've highlighted increase in diversity within your development pipeline. And is it fair to think about this as maybe deemphasizing data centers in that pipeline a little bit here? How should we think about the role of data center customers in that mix? Does it suggest any change in attractiveness of your service territory maybe for hyperscalers? And any comment on that would be helpful.

Garrick J. Rochow
President, CEO & Director

Thanks, Sophie. No, it's not a deemphasis at all. I love Michigan. And what I'd like to see is that we're growing in a variety of different ways. Those stats that I gave in my prepared remarks, more engineers per capita. Literally, we have attracted businesses in Michigan just for that reason alone.

If you go back, rich automotive heritage in the World War II time frame, we became the arsenal democracy making planes and stuff and that defense industry is stuck, right? We had Saab. We announced this a year or 2 ago, and they're in the construction process right now, building defense and other means here. And so there's some onshoring components of it as well.

Second most state diverse state in agriculture. We've seen a lot more food processing. We're going to have more announcements on food processing coming up because they're just materializing in the state. And so there's a really diverse growth in the state, and I think that's important to acknowledge, right?

Data centers, we're in there. We're making great progress. As I shared, that's one part of our growth story, and I love the diversification of it. I think that's the unique peaks that we talk about that you don't hear others speak about as much, which gives me a lot of confidence in our future and the growth profile that we're seeing.

Rejji P. Hayes
Executive VP & CFO

So all I would add to Garrick's comments is just the reason why, again, we do talk about the full portfolio versus just data centers, and we certainly acknowledge that data centers are the shiny object in this environment. But it is important to note that about 15% of that 9 gigawatt backlog is represented by non-data center opportunities. So when you do that math, that's over a gigawatt -- and so that's quite impactful.

And we've talked in the past about the positive spillover effects and externalities that non-data center opportunities bring. And so you get supply chain, you get sustainable job growth. And we've talked about activity once you get that residential or population growth. And those are higher-margin customer classes than industrial. And so certainly like and love all of our economic development

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opportunities, but we certainly also want to make it clear that when you get the non-data center opportunities, like large manufacturing companies and so on, you just get a lot of externalities.

And so we just want to make sure that, that's not lost on the investment community. Because again, we recognize the shiny object, but there's just a lot of good momentum in the state of Michigan and its diverse opportunities as well to Garrick's comments.

Operator

Your next question comes from the line of Anthony Crowdell from Mizuho.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Just quickly. I think the equity issue plan steps up from $500 million in '25 to $750 million, I think, on average, you said earlier, Rejji, over the '26 '30 time period. Does the incremental large load conversion above your base case reduce the need for equity? Or does the increase in large load conversion accelerate the capital intensity and therefore, the higher...

Rejji P. Hayes
Executive VP & CFO

Anthony, I appreciate the question. Yes, I think the way I would think about it is, as we talked about, because our customer investment plan does not include these large load prospects, it would likely put upward pressure on our capital plan if we converted one or two of these larger opportunities. And so we talked about the sensitivity every gigawatt, gets you somewhere between $2 billion to $5 billion of incremental CapEx and that would put upward pressure on the CapEx and thus put upward pressure on the financing needs, equity, debt and all things in between.

So there will likely be additional equity investment opportunities. And I think the good news around that is it would be to fund growth and capital investment opportunities and rate base growth as a result of that. And so yes, there would be upward pressure on equity but not so much because of the conversion of the large customers, but because of the capital that goes with those large load customers. Does that help?

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Perfect. That's all I had in Garrick, you're right. Mom is always right, yes.

Operator

And we have reached the end of our question-and-answer session. I will now turn the call back over to Mr. Garrick Rochow for closing remarks.

Garrick J. Rochow
President, CEO & Director

Thanks, Rob. I'd like to thank you for joining us today. I look forward to seeing you at the American Gas Association Financial Forum. Take care and stay safe.

Operator
This concludes today's conference. We thank everyone for your participation.

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