

CMS Energy Corporation NYSE:CMS

FQ3 2026 Earnings Call Transcripts

Tuesday, October 27, 2026 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.35	1.44	▲6.67	1.00	3.88	NA
Revenue (mm)	2178.36	2183.00	▲0.21	2206.75	8829.17	NA

Currency: USD
Consensus as of Oct-28-2026 4:54 AM GMT

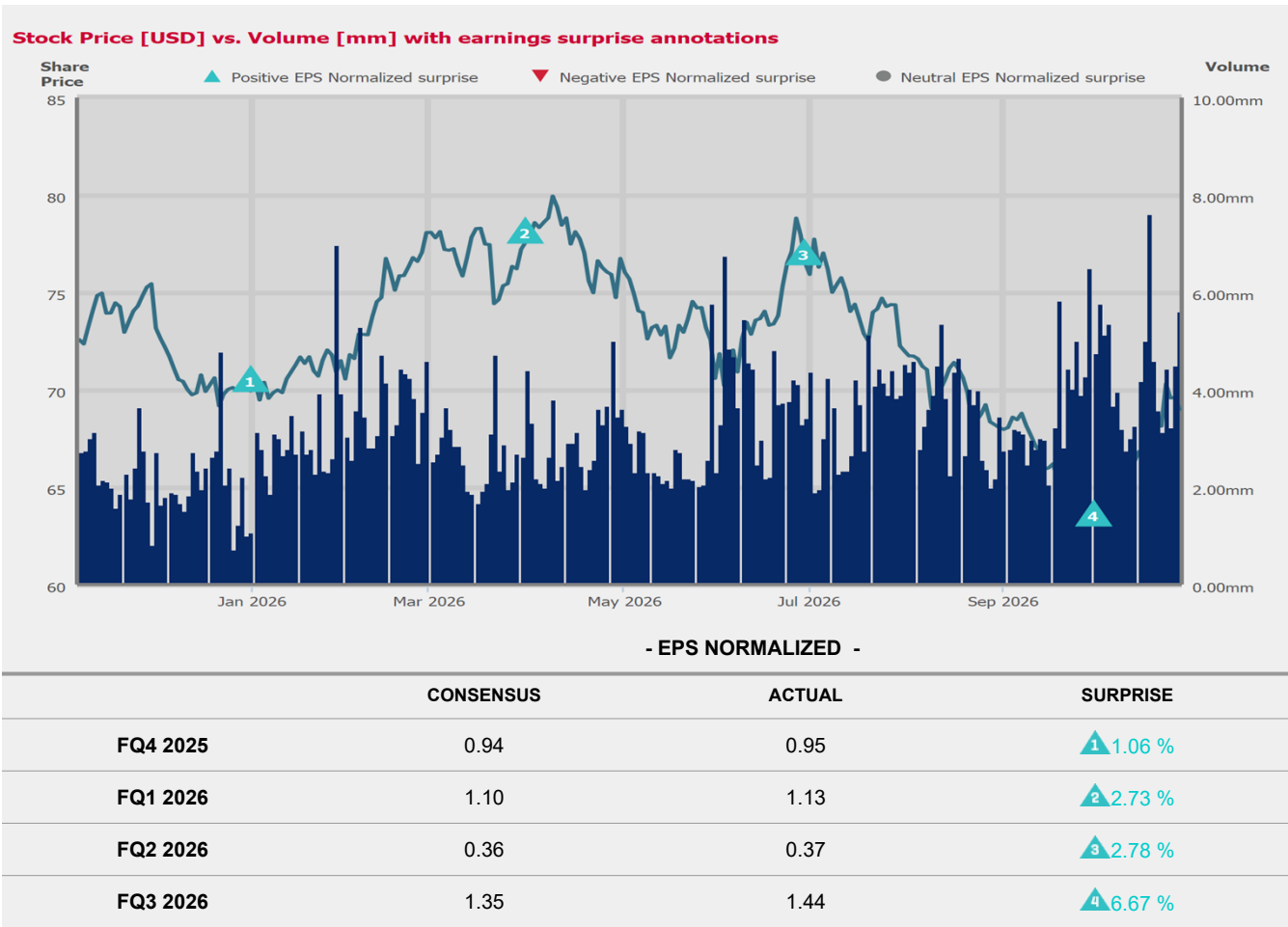


Table of Contents

Call Participants		3
Presentation		4
Question and Answer		7

Call Participants

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Presentation

Operator

Good morning, everyone, and welcome to the CMS Energy 2026 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 November 3. 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, Percy. Good morning, everyone, and thank you for joining us today. With me are Garrick Rochow, President and Chief Executive Officer; and Sri Maddipati, 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. I always start with our investment thesis because it is a durable and proven model that has delivered for more than 20 years of consistent industry-leading performance for all stakeholders. For our customers, it enables important investments in safe, reliable and clean energy across our electric and gas systems while maintaining affordable bills. For our investors, it delivers a premium total shareholder return made up of 6% to 8% adjusted EPS growth toward the high end, which reflects 7% or better compounded annually and paired with an approximately 3% dividend yield. And as shared on our Q2 earnings call, with the restructuring of NorthStar Clean Energy, our model is further simplified as we exit nonutility renewable development and deliver approximately 100% regulated utility earnings growth after 2027.

Let's start with NorthStar. As of today, we have more than 35% of the assets at signed agreements or closed. There continues to be strong interest across the remaining assets, with the majority of these assets in exclusivity with buyers. In summary, good progress. We are on track to complete the restructuring by year-end. As a reminder, as part of this restructuring, we retain Dearborn Industrial Generation, or DIG, several small gas peakers and 4 commercial solar projects, all of which generate strong cash flows and support our long-term growth strategy. This restructuring strengthens our balance sheet and allows us to reduce over \$500 million of funding within our current 5-year plan for use at the utility, supporting important and needed customer investments in our systems. Simply put, nearly 100% regulated utility earnings growth after 2027, reduced parent funding requirements, improved earnings quality. This restructuring strengthens our business model and positions the company to make the long-term utility investments our customers need.

Speaking of customer-focused utility investments, in September, we filed our long-term integrated resource plan, or IRP, outlining how we will meet Michigan's clean energy targets while ensuring reliable electric service through 2040. The IRP details an all-of-the-above resource strategy that combines natural gas, solar, wind, pumped storage and battery storage to deliver reliable, affordable and cleaner energy for Michigan customers. We've foreshadowed a portion of these customer investment opportunities in previous earnings calls. But as noted on the slide, the plan includes 15.8 gigawatts of clean energy resources, an increase over our already approved renewable energy plan of 10.8 gigawatts, 4.1 gigawatts of battery, an increase over our previous plan of 850 megawatts, and 1.4 gigawatts of new simple cycle gas generation to replace the aging oil and gas-fired peakers at our Karn 3 and 4 plants and to ensure reliability of the electric grid. The plan further reflects energy waste reduction and virtual power plant options that help customers save money while providing additional earning opportunities.

In summary, our IRP provides significant capital investment opportunity of roughly \$27 billion in new clean energy resources, battery storage and gas generation. Another important aspect of the plan is the ability to earn on power purchase agreements. Frankly, it's a differentiator in our sector. The IRP assumes a financial compensation mechanism, or FCM, of approximately \$125 million beginning in 2031, growing to approximately \$195 million by 2040, assuming a 50-50 ownership split. On the right side of the slide, we've offered visibility into how the value of the FCM has progressed over the last few financial plans and the path to achieve those

earnings. The ability to earn in a capital-light way has grown as we have signed more PPAs for renewables, batteries and clean energy. Of note, the filed IRP includes a recently signed large clean energy PPA of 680 megawatts.

This PPA derisks new renewables development, supports Michigan's clean energy targets, delivers the energy and capacity our customers need, while ensuring the continued strength of our balance sheet. I look forward to sharing more details at the EEI conference in November. I'm also pleased to share we continue to deliver on the approximately 900 megawatts of growth that supports the 2% to 3% annual load growth we've highlighted within our 5-year plan period.

As noted on the slide, we've added approximately 745 megawatts of new contracts in our service territory, and we've energized more than half of that load, or approximately 450 megawatts. Essentially, we are adding the equivalent of a large data center through primarily the manufacturing and semiconductor industries, and it comes with more jobs and other tertiary benefits such as supply chain, housing starts and potentially higher-margin commercial and residential growth. And keep in mind, this does not include the large load agreement, a large data center signed earlier this year. That project continues to progress through zoning in multiple locations, and I expect further movement after the elections. I continue to be proud with what the CMS Energy team has delivered and know that the benefit of growth flows to our customers as we spread fixed costs across a larger customer base, driving affordability, while these opportunities create jobs and strengthen our communities and our state.

As we turn to the regulatory calendar, I'll highlight the constructive order from the commission in our gas rate case, approving \$139 million, or approximately 60% of our final ask, a 9.8% ROE and 50% equity ratio. The commission's order delivers another proof point of the constructive regulatory environment in Michigan and supports the important and needed investments in our gas distribution system. In October, we filed our revised or updated electric rate case, requesting a \$443 million revenue increase, a 10.25% ROE and a 51.75% equity ratio. Staff also filed their position in October, recommending a \$265 million revenue increase or 60% of our revised ask, a 9.85% ROE and 50% equity ratio. Additionally, staff supported our storm deferral recovery for the 2025 storms within the electric rate case, and the commission approved the deferral of 2026 Q1 storms in August, furthering our confidence in recovery and evidence of the constructive regulatory environment in Michigan.

If I pull up from the details and reflect on the entire electric rate case, staff's position is constructive, a good starting point and there are opportunities we'll pursue in the rebuttal process to ensure we support the important and needed investments to improve reliability and that the record further reflects our reasonable sales forecast for both residential and commercial growth. We expect the PFD position in late January and a final order by early April of next year.

Now on to the financials. Year-to-date, we reported adjusted earnings per share of \$2.95. We are reaffirming our full year 2026 guidance of \$3.83 to \$3.90 per share with continued confidence toward the high end. Our financial performance has positioned us to reinvest in the business, derisking future years and further enhancing service for our customers. We are also reaffirming our 2027 guidance of \$4.08 to \$4.17 per share, which incorporates the NorthStar restructuring. Longer term, we continue to guide toward the high end of our adjusted EPS growth range of 6% to 8%. Finally, as we've done in previous years, we'll provide an update on our year-end call regarding the roll forward of our 5-year utility capital plan and broader financial plan. With that, I'll hand the call over to Sri.

Srikanth Maddipati
CFO & Executive VP

Thank you, Garrick, and good morning, everyone. I'm excited to be with you all this morning and to provide an update on our business. Today, my remarks will largely focus on continued execution through 2026, our reinvestment of favorable performance, which will benefit customers, strengthen next year and future long-term growth as well as an update on our financing activities and how we'll continue to leverage the benefits of restructuring NorthStar into our annual planning process. Given the progress Garrick highlighted in our IRP, we see plenty of opportunities between rate base and FCM on PPAs in our supply business. In addition, there is a robust capital backlog in both our electric and gas distribution businesses. We'll provide an update of our capital plan in Q4 per our normal practice.

Starting on Slide 9. We have a standard waterfall chart, which illustrates the key drivers of our financial performance through the first 9 months of 2026 and our year-to-go assumptions for meeting our full year guidance range, where we plan to deliver toward the high end. Year-to-date, the company delivered adjusted net income of \$915 million, or \$2.95 per share, which you'll note excludes the restructuring activities at NorthStar and is \$0.29 favorable to last year. We're trending ahead of last year and are well positioned relative to plan, reflecting strong execution at the utility, including constructive regulatory outcomes as well as completion of the Michigan solar projects we are retaining at NorthStar.

Favorable weather in the quarter and benefits from the storm deferral give us greater flexibility as we manage the remainder of the year, including weather and storm risk, while continuing to reinvest in the business to benefit customers and strengthen 2027

and beyond. Compared to last year, you can see that weather results in a \$0.05 unfavorable variance. However, from a planning perspective, we assume normal weather. So relative to plan, we have benefited \$0.08 year-to-date, primarily driven by Q3 cooling degree days. New rates, net of investment costs, resulted in a positive variance of \$0.34 with the benefits of last year's gas rate order, new electric rates from earlier this year and continued investments in renewable projects at the utility.

We were pleased with the commission's approval of the storm deferral in Q3, offsetting the full year impact of the ice storm earlier in the year. Year-to-date, O&M is unfavorable \$0.16, primarily due to additional storm activity as well as a portion of the reinvestments we have already made across the business, including electric reliability, gas operations, customer service and digital investments that will enhance future productivity. The \$0.16 of favorable variance in parent and other has been primarily driven by NorthStar performance, with much of that being reinvested back into the business, which I'll touch on in a moment.

Looking at the remainder of the year, we are well positioned to meet our financial objectives in 2026, as Garrick noted. Our assumptions already reflect an unfavorable variance of \$0.09 for normal weather. With our 2026 regulatory outcomes complete, we're confident in the positive variance of \$0.08 in the fourth quarter for rates net of investments. From an O&M perspective, we expect to net \$0.10 of favorable variance given our conservative planning assumptions for storm activity. This already accounts for \$0.10 of reinvestments to improve safety, reliability and enhance future productivity, as previously noted.

As always, we'll remain flexible throughout the quarter and look to take advantage of additional opportunities to reinvest for customer benefits that will strengthen future years. Closing out the glide path for the remainder of the year in the bar on the right-hand side, you'll note \$0.09 to \$0.16 of negative variance, which incorporates the flexibility we have for the rest of the year for contingency or to reinvest back into the business. We remain well positioned to deliver toward the high end of our guidance range while maintaining the flexibility to manage the remainder of the year and continue investing for the long term.

Moving to Slide 10. You'll note that our planned financing for the year is nearly complete, given the \$900 million utility first mortgage bonds we raised in the third quarter, all within our planning assumptions. From an equity perspective at the parent, we've completed \$495 million at attractive prices relative to plan. For the remaining equity, we'll continue to match the pricing and issuance relative to our needs given the NorthStar restructuring, where I'd be disappointed if we're not above the \$500 million funding benefit Garrick noted. We're already optimizing those benefits this year, and we incorporate it into our 5-year planning cycle.

From a debt maturities perspective, we have approximately \$625 million maturing at the parent next year. Keep in mind, with our conservative approach -- our conservative approach already incorporates interest rates consistent with where the market is today. So we'd look to potentially derisk next year by pulling some of that refinancing forward. Also, I'll remind you that nearly all our debt is fixed rate. I'm confident in the strategy we are executing to deliver on our objectives this year and strengthen the plan going forward, and I look forward to sharing more in the future. Now I'll turn the call back to Garrick before we take your questions.

Garrick J. Rochow
President, CEO & Director

Thanks, Sri. At CMS Energy, we deliver every year for 23 years, consistent industry-leading performance, regardless of circumstances. You can count on CMS Energy to deliver for all of its stakeholders. With that, Percy, please open the lines for Q&A.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Shar Pourreza with Wells Fargo.

Marcella Loraine Petiprin

Wells Fargo Securities, LLC, Research Division

This is Marcella on for Shar. So the MPSC has had some commentary recently on the FCM, specifically as it relates to contracts you're legally obligated to enter, but just more broadly, how should we be thinking about durability of the FCM and energy policy in Michigan postelection?

Garrick J. Rochow

President, CEO & Director

The short answer is we don't see the FCM going away. But let me talk a little bit more about that. And I'm glad you brought up the FCM because we've been very deliberate in including it in our slide deck, right? It's on the right-hand side of -- I don't remember the slide number, I think Slide 5 there. But I think it's one of the things that's most underestimated by our investors, that ability to grow FCM over time, and we're showing that in that graph. The ability to grow up to 2031 and beyond to \$125 million, and then even to 2040 to \$190 million.

And Marcella, you won't know this about me, but my mom was a math teacher, and she would always say to me, like, "Show your work." Like, she drilled that into me in junior high, and that's what we're doing right here in the context of this FCM. You can see in that slide, in Slide 5, that it's highlighted, right. This goes from darker blue to light blue. That's to show the progress we've made. In 2031, over 70% of those contracts are already signed or online. And so that creates the visibility and clarity, and for me, confidence of our ability to deliver on that. And so I just want to highlight that in the context of this because, again, I think it's a differentiator in our story, and I want to make sure I bring attention to that.

In terms of the MPSC, the commission, in their words, in their letter to the governor, recognized the value of the FCM, and particularly third-party solutions that come at a lower cost. And so this isn't about a discussion around the entire FCM. This is about refinement, particularly around PURPA contracts and assets that are fully depreciated. And so I really view this as refinement of the FCM, not eliminated in the context of affordability. And that's why I came out strongly and said we don't see the FCM going away. In fact, it's one thing that we want to highlight during this call, just the potential upside there.

Srikanth Maddipati

CFO & Executive VP

Yes. And the only thing I'd note to Garrick's comments were the depreciated assets largely talk about river hydros. We didn't include that into our projection of the FCM. In fact, we asked to use those proceeds to derisk future safety of those funds. So the FCM that we have here contemplated is within the law and really isn't reflective of the contracts the commission highlighted.

Marcella Loraine Petiprin

Wells Fargo Securities, LLC, Research Division

Super helpful. And then just because it's pretty topical right now, given the latest gubernatorial debate posturing and kind of a high relative number of moratoriums in Michigan, how should we be thinking about the data center opportunity window, relative to manufacturing and other opportunities, but just how should we be thinking?

Garrick J. Rochow

President, CEO & Director

The short answer is strong. It still is -- I mean, across both candidates and our current governor, but let me offer some more context around this. Politics, Sri says this, I love it when he says this, politics do not equal policy. And some of the spin that you see leading up to election does not equal reality. And what we know, and we show it in that slide, it's the last slide in my prepared remarks, that regardless of CEO, CFO, governor, legislature, MPSC and weather, we deliver. And it's based on the principle we work with everyone. And that's easy to say, harder to do, but that's what we do.

We do it year after year by finding common ground. There's common ground on affordability and there's common ground on data centers, right? And we see this with both candidates that are running are supportive of those investments in Michigan and the jobs that come with it and the property tax value. No one said no data centers. In fact, they've talked about responsible data centers, and we're for that as well. In fact, our electric tariff for data centers, our large load agreement, does just that. It's responsible for, again, who pays, and so our residential customer is not burdened with the data center.

And so we need to do more of that in terms of water and wastewater and noise and land as a state, and that's the important work that's to be done. And I expect the data centers will continue to move forward after the elections here. But again, just back to my beginning remarks, I see a strong environment for data center growth across Michigan.

Operator

Your next question comes from Jeremy Tonet with JPMorgan.

Garrick J. Rochow
President, CEO & Director

Jeremy, I look forward to seeing you soon at EEI.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

Yes. See you soon. Looking forward to it. I was just wondering if you could provide maybe a little bit more color on large load expectations there and the cadence you see coming forward. There was the funnel in prior slides, and so just looking to see how you think about that at this point, how far the different initiatives are advanced. And I'll leave it there for now.

Garrick J. Rochow
President, CEO & Director

Well, to be super clear, we heard that feedback this morning. We didn't include the slide. Look, we -- like we could provide the slide. That's not -- it's a little bit like watching Michigan play football. You can spend a lot of time looking at the plays, but you got to get it across the end zone. You got to get it across the goal line. And so we provided in this deck, really along the lines of economic development. We're showing our work. Again, going back to my mom, show your work, 745 megawatts that's been signed. 450 megawatts is already energized.

A lot of that's in the manufacturing space. You've heard me talk before about the benefits and value of that. So we're showing that. We're showing that important work and what that means for the state, what that means for jobs, what that means for -- and confirming our sales growth that's in our financial plan of 2% to 3%. Now we can talk data centers, and we're happy to talk data centers. Multiple data centers continue in the state. That's the pipeline. We signed one in Q2, and we shared that on the Q2 earnings call. That's continued to progress in multiple locations across the state.

From a zoning perspective, one of the areas where they're located, they just released their draft zoning ordinance, and so the company's, in fact, reviewing that right now and providing feedback. So I see that as a, again, as a positive step. And another data center, actually, a couple of data centers are acquiring more land within the state. And so again, we continue to see positive progress along those lines. And again, I see more progress after we get through the elections here shortly.

Jeremy Bryan Tonet
JPMorgan Chase & Co, Research Division

Got it. That's helpful. And then just want to pick up, I guess, in the past, you talked about 1 gigawatt could drive \$2 billion to \$5 billion in CapEx, and just wondering if we should still think about that relationship and, specifically as it relates to the IRP and the \$27 billion of long-term CapEx, how you think this could enter the plan over time, forward thoughts there?

Srikanth Maddipati
CFO & Executive VP

Yes, Jeremy, I think that's still a good way to look at it, \$2 billion to \$5 billion, and that really just bifurcated between just the capacity needed and then the clean energy that's needed over time. As it relates to the IRP, we'll incorporate that into our annual process. Got to keep in mind, our current plan doesn't really contemplate having a data center in it. So our future plans will incorporate the IRP capital, which largely isn't data center related nor is the FCM. So we'll incorporate that in as we roll forward.

Operator

Your next question comes from Richard Sunderland with Truist Securities.

Richard Wallace Sunderland
Truist Securities, Inc., Research Division

Turning back to NorthStar, the 35% of assets that signed agreement or closed and kind of that buyer interest for the remainder, could you speak a little bit to that versus expectations last quarter into this process, maybe just progress overall and where it's trending versus sort of your internal modeling?

Garrick J. Rochow
President, CEO & Director

I think Sri and I will tag team this one, but I'm very pleased with the progress from where we stand in the 35% of the assets that are either a purchase sale agreement or closed. And so that's trending well. And then in the context of exclusivity with the buyers, that's well underway. So we're not just at the beginning of that, and so closing in on purchase and sales agreement. And that's why we're, again, offer the commentary that restructuring will be complete by year-end, and we're on target from that perspective. But Sri, please?

Srikanth Maddipati
CFO & Executive VP

Yes. The only thing I would add is, as Garrick noted, we're on track in the use of funding. We noted in the Q2 call at least \$500 million, like I said here, I mean, just wondering if we're above that. And so trending positively relative to that. All of that will help parent funding needs, which will roll into our Q4 financing plan along with our capital programs.

Richard Wallace Sunderland
Truist Securities, Inc., Research Division

Understood. And turning back to some of the broader policy considerations, elections, pre and post considerations, can you speak a little bit more to kind of the utility issue side, particularly regulatory changes and the appetite to address that, maybe how stakeholder conversations on that front are trending? And if you have any updated thoughts on how that may or may not get picked up after the elections in 2027?

Garrick J. Rochow
President, CEO & Director

Yes. There were -- just from an investment community, there appears to be a lot of noise on Michigan, and I will tell you right here on the ground, I'm confident in our ability to navigate. And frankly, we've got -- we've built good relationships with all the governor candidates, many of the legislature, and as a result of just doing business here in Michigan for a long time. As I've shared here, we've delivered for 23 years by finding common ground, by this principle of we work with everyone. When it comes to common ground, particularly around affordability, whether you're Republican, independent or Democrat, people can align around that. And I've talked about it on a number of these calls and investor meetings of the 2-pager I run around with and talk about affordability and look for common ground. And I think there's a lot of ways to do that.

One is in the context of multiyear rate plans that provide predictability for customers, one. Two, we've talked about in terms of personal property tax and hundreds of millions of savings for customers and that pass-through that shows up. We've talked about in-state permitting reform. I know we're talking about federal right now, but also state permitting reform would help from a cost perspective. Chair Scripps with the commission sent a letter to the governor, and if you go through that letter like I have, you can say, "Yes, yes, yes, we should be doing a number of those things," particularly in terms of low to moderate income. That's -- right now in the state, there's all kinds of policy improvement that can be done in the context of low to moderate income customers.

And so what I'm laying out for you, Rich, is like here's the place for common ground, and how do we work for an affordability. And so again, we see that as important steps as we go into 2027 and further and beyond that to be able to continue to fund and continue our position as 15th lowest bills, from a nation perspective in terms of electric, and just continue to position the utility in the right way and make the important investments for all stakeholders. So hopefully, that offers some good context for you.

Operator

Your next question comes from James Ward with Jefferies.

Jamieson Alexander Ward
Jefferies LLC, Research Division

I've got another NorthStar question for you here. So NorthStar has contributed \$0.62 through September. Guidance for the year was \$0.25 to \$0.30 back in February. How should we think about the NorthStar contribution in your current full year guidance? And then how much of the third quarter benefit reverses in the fourth quarter? And what sort of tail amount, if any, is left for 2027?

Srikanth Maddipati
CFO & Executive VP

Yes. Thanks, James, for the question. A couple things on NorthStar related to guidance. Obviously, realizing benefits as we've brought some of those projects to COD, so that's having NorthStar overperforming our plan guidance for the year. Some of that we'll reverse. Some of that's just timing on taxes. So when we book kind of effective tax rates, you kind of do it evenly, and some of that will reverse in the fourth quarter. And in terms of kind of rolling into '27, we've already incorporated the fact that we're selling some of the assets, so that's already in our '27 guide. And then some of the taxable equity pieces will roll off into '27. It's all already baked in. We'll share kind of segment guidance as we go through the fourth quarter.

Jamieson Alexander Ward
Jefferies LLC, Research Division

Got you. And then on '27, your reliability, storms and productivity bucket is about \$0.12 lower for the year than the July plan, but weather is obviously \$0.12 better. Is that reinvestment? And is the 2027 range built off the higher 2026 cost base or the July one? And then how much of the fourth quarter spend will be 2027 work pulled forward? Just trying to get a sense as we head into next year of how to level set as we go much more utility -- nearly all utility focused.

Srikanth Maddipati
CFO & Executive VP

Got it. You're kind of mixing with '26 and '27, so I'll see if I can parse that out for a second. Some of what you have on the to-go is just conservative planning, right? We plan conservatively for storms, so make sure we have enough there for that. But then that number is net of reinvestments that we're going to be making here over the course of the fourth quarter. So significant flexibility there to kind of reinvest in the business. That all derisks '27. Some of that will be pulled forward, and we'll continue to have those options as we go through the year. But we got to keep in mind we're not decoupled, so we're also making sure that we have enough contingency as we look forward into the year for sales as well.

Operator

Your next question comes from Nicholas Campanella with Barclays.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

I just wanted to be clear and follow up on the prior question from Jeremy on just the data center opportunity set. Just the 745 megawatts in the context of you talking about making more progress after the election here, is that something that we can just kind of wrap in to expect in the full year update that you're going to give in the fourth quarter? Is that where that is trending? I just wanted to level set there.

Garrick J. Rochow
President, CEO & Director

Let me offer some context, and Sri may want to also join in some context on this. So what we've framed there is 745 megawatts. That does not include the large load agreement data center. So that's just -- I call it singles and doubles. We're just stacking up semiconductor, manufacturing, food processing. There's one medium-sized data center in that mix, but much of that is already online. And so again, that's built into the plan. It's built into our IRP. We're showing, again, the 2% to 3% load growth that we have in our current 5-year plan. The capital investments that will come with this new data center are not yet incorporated into our plan. We'll see that through from a zoning perspective. And again, I have optimism as I see that playing out from -- in multiple jurisdictions. But Sri, please.

Srikanth Maddipati
CFO & Executive VP

Yes. No, like Garrick said, the 2% to 3% sales growth already baked into our 5-year plan. Adding a data center would push us above that as well as the capital above that. So that would get incorporated as we execute on that. So this is already incorporated into our plan. It's us just executing against it, and we continue to see strong momentum in that space as we sign up customers across a number of industries.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Yes. I missed the 745 megawatts. Sorry about that. So just one other follow-up was just the 6% to 8% growth plan towards the high end, which reflects 7% or better compounded annually. Just I guess, how are you guys kind of framing it? Is it closer to 7%? Or is it kind of closer to 8%, understanding that you've kind of historically underpromised and overdelivered?

Garrick J. Rochow
President, CEO & Director

Let me start with 2026, I think because everything builds off in 2026. And so just again, framing for everyone here. So as we said on the call, 6% to 8% toward the high end. And again, that's 7% or better. And we've offered commentary here that we're reinvesting for the benefit of customers, particularly in terms of reliability in our gas business, in digital, which improves productivity. And then overall derisking 2027, which is beneficial for all stakeholders.

And so hear me when I say this, I have a great deal of confidence in our ability to deliver in our guidance range for 2026 as we've framed up during this call, and I would suggest we're well positioned for 2027 as well. But as we normally do in Q4, we update our capital plan, we update our financial plan. We update our earnings guidance. That's consistent from a process perspective, and we'll do that. But I'd remind everybody on this call, and we've shared it in the materials and in our speaking, in our prepared remarks, is our long-term guidance continues to be 6% to 8% toward the high end, which we framed up as 7% or better.

Operator

Your next question comes from Michael Sullivan with Wolfe Research.

Michael P. Sullivan
Wolfe Research, LLC

Wanted to ask a little more on this new FCM customer that you signed up. Is it all one customer? And are you expecting these to be this chunky going forward? And just given the progress already, like what -- how do you think about layering in any potential upside if you start tracking ahead of the \$125 million target by '31?

Srikanth Maddipati
CFO & Executive VP

Yes, Michael, I'll take it. So that's not a customer. Keep in mind, these are suppliers. We earn with the FCM. So it's people who are, we are contracting with. And that is one individual supplier that we're contracting with. And we're making progress as we bring that into our portfolio, starting in 2031. So we feel pretty confident about that. There's some more work we have to do on the ground to move that forward, but I'd expect that we incorporate those benefits as we roll forward the plan here in the fourth quarter.

Michael P. Sullivan
Wolfe Research, LLC

Okay. That makes sense. And then just on the regulatory front, think you're going to go right back in for another gas case and one of your peers in the state, I think, was about to do that and kind of changed their mind. So just curious if that had come up at all. And in the electric case, just any thoughts around potentially trying to move the needle on the equity ratio? I know that's something that's been hoped for, for a little while now.

Garrick J. Rochow
President, CEO & Director

Yes, I can't speak to what DTE's approach is. I'll leave that for DTE and their call. But again, one of the benefits we see as an annual rate case filer is bringing back the savings to our customers, whether that shows up in the CE Way and digital and where we see savings, we bring that back. Whether that's in our Appliance Service Plan and other tax benefits, we bring that savings back. Whether that's in the context of load growth, and we see that both in our gas and electric business, we bring back those -- that savings opportunity for customers and sharing some of those fixed costs across the system.

And so by annual rate cases, we're bringing that back, which creates the important headroom to make the needed investments in the system, right? When customers have an outage, there's a real cost to that. We need to be able to make those investments in our electric system. We want to ensure a safe natural gas system without events. We want to make sure we're on the path to clean energy and compliance. And so those aren't at odds with one another. In fact, the commission has been very supportive. And throughout these annual rate case processes, as we've been able to achieve constructive outcomes. We've been pleased with the outcomes, and we continue to work hard to make sure that's going to happen. But again -- so again, the current system works for us, and we continue to get the outcomes we need for all stakeholders.

Now I've been on the record since early in 2026 to talk about the potential for multiyear rate plans, which offer predictability for customers. I think there's a right way to do that, and assuming we can do that in the right way and build it into law, I think provides a much more durable means of providing some benefit for customers and other stakeholders. And so rather than just a stay out provision, which to me doesn't provide the durability for the long term.

Srikanth Maddipati
CFO & Executive VP

The only thing I'm just going to add is a good example that Garrick gave in there was just ASP. That was about \$90 million benefit. We could have just passed that on in 1 year. We didn't. We actually smoothed that in over 3 years. So it just gives a more consistency experience both to the customers as well as we execute on our plan.

Operator

Your next question comes from Anthony Crowdell with Mizuho.

Garrick J. Rochow
President, CEO & Director

Always my favorite meeting at the EEI right there.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

But you're having lunch with Jamieson. Just quickly, you guys -- a small minor detail, it's a very thorough call. Just the opco or Consumers, the utility, Moody's has it at negative outlook, you're stable at the parent. Just does that add any additional pressure maybe to your financing or change anything with the financing at the parent company or thoughts on maybe moving that to stable?

Srikanth Maddipati
CFO & Executive VP

Kind of as you noted, Anthony, the outlook is actually at the utility. And so a lot of that is just going to be dependent on actions at the utility. We've noted in our kind of cases, and the first time the commission is really going to have an opportunity to look at that when it's on the direct record is in the electric case, where we're looking for a 51.75% equity ratio. So I'd expect that Moody's will look at that as they kind of -- both on a qualitative and a quantitative perspective, but the quantitative aspect being rate recovery and specifically equity ratio.

Operator

Your next question comes from Andrew Weisel with Scotiabank.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

First question, and you sort of alluded to this a little bit, but the IRP load forecast includes the data center, but your capital plan does not. Help me just understand that disparity. Why do you treat those differently? And I know your CapEx update is coming in February. How should we think about whether you will or won't match those 2 things up? Or will there always be some disparities between those?

Garrick J. Rochow
President, CEO & Director

Well, first of all, it's -- let me just answer the short answer, and then I'll hand it over to Sri here, is it's required. When we sign a contract, it's required to include it in the integrated resource plan. And so -- and again, we model a variety of different scenarios. And

again, there's -- as we've shown throughout this call, real load growth in terms of manufacturing, industrial, midsized data centers as part of the mix, and then we layer in the signed contracts as well. And so that's just within the policy, within the work of the integrated resource plan, we need to include that. But Sri, talk a little bit more about the capital.

Srikanth Maddipati
CFO & Executive VP

Yes. Just keep in mind, Andrew, when we rolled the 5-year plan out, we hadn't actually had a contract signed with -- or an agreement signed with that large center. So now it is, it's in the IRP. As we roll it forward, we're going to make sure we consider all the conditions precedent, which includes siting, right? So making sure those are in before we include that capital. I'll just remind you, those -- that customer doesn't come online really and energize until the back half of the plan to begin with, so it's a slow ramp, even if it was included, out into that early 2030 time frame. So we'll take a look at that if we make more progress between now and the end of the year to incorporate some of that in. But in terms of actually incorporating into IRP, it's required. So when we roll things into our plan, we're a little bit more conservative than that.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Makes sense. And then I know you certainly wouldn't build speculatively, but should you be successful with maybe more than just one data center, maybe it's a couple, at what point would it justify the need for a CCGT? I know they're very expensive, but at what point in terms of the demand side and in terms of timing based on your conversations with customers in the funnel that's not in the slides anymore, how should we think about the need for potential baseload capacity?

Garrick J. Rochow
President, CEO & Director

Well, we don't build speculatively, just to be super clear about that. But one of the things the FCM does and allows us greater flexibility because we can leverage developers, we can leverage existing assets to bring energy and capacity. And so in the context, yes, we can build ourselves, too. So again, that offers a lot of ability to be able to -- as we secure additional data centers, to be able to adapt to their needs. And again, they have a ramp-up schedule, which we've talked about in the context we match -- we work to match as well.

Srikanth Maddipati
CFO & Executive VP

The only thing I would add is we have in the IRP, there is a combined cycle plan out in 2040. But that would -- if we continue to add load there, Andrew, we'd likely have to bring that forward and pulling it in closer than 2040.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Okay. Sounds good. One last one, if I may, on the regulatory side. You alluded to the PSC letter to the outgoing governor for this summer. How do you think about some of -- there are a lot of issues in there. Where do you see opportunities that you're maybe optimistic about? Where do you see some potential areas of concern? Garrick, you talked about policy improvement around the low and moderate income customers and affordability. What were some other ideas that maybe caught your interest?

Garrick J. Rochow
President, CEO & Director

It's just as important what's not in the letter. I mean you see some states that are going after ROE and equity thickness. That's not in the letter, right? And they acknowledge where we are from a bill perspective, 15th lowest bills in the nation, right? They acknowledge that we've stayed below the rate of inflation. And so I think in the context of that letter, people want to point to the potential negative of it. I saw it as a lot of positive, just those 4 things alone.

But if you kind of walk through that letter, like that letter, what's the #1 thing on there? Multiyear rate plans and the predictability, again, done in the right way. I mean, I think that's the important piece. You talk about the balance of that in both sides of it, Andrew, it is doing the right way. And so that all stakeholders benefit from that. And so we're working on that, right. And we'll see how that plays out here in 2027.

There's a lot of great things in there in the low to moderate income space. Like it is difficult for a customer that struggles to be able to get assistance in the state. You have to go from organization to organization. You have to fill out a lot of paperwork multiple times

versus one way, one means, one source of data that is shared to be able to streamline that process. We make it very difficult for those in need within the state of Michigan to get service. We ought to fix that.

There's -- in that letter, like the bottom half of that letter is just that, the low to moderate income space, like we should say yes to all of those, right, and figure out those from a policy perspective. And so again, there's always pluses and minuses to everything. But from my perspective, there's a lot of great things in that letter that we can do from an affordability perspective. It gets back to common ground, and I think you can find common ground on affordability. And that's how we're approaching things through this election period up and to the election and after the election and which gives me confidence, right, regardless of who's governor, who's in the legislature that we'll be successful.

Operator

Your next question comes from Sophie Karp with KeyBanc.

Sophie Ksenia Karp

KeyBanc Capital Markets Inc., Research Division

Yes. So I just wanted to ask you, are you still reiterating 10.5% rate base CAGR long term? Or is that number kind of like under review at this point because I don't see it in the current deck.

Srikanth Maddipati

CFO & Executive VP

You cut off, but I think you said 10.5%. I think you said 5% and our rate base CAGR is 10.5%. That's still supported by our capital plans.

Sophie Ksenia Karp

KeyBanc Capital Markets Inc., Research Division

10.5%.

Srikanth Maddipati

CFO & Executive VP

Yes, yes, 10.5%. Yes, exactly right. So that's still supported by our capital plan, and we're going to update our capital plan here in the fourth quarter. And as Garrick noted, we've got a lot of opportunity from that. That -- what that doesn't include, Sophie, just keep in mind, is any of the growth that we get out of the FCM. So that's additive to that.

Sophie Ksenia Karp

KeyBanc Capital Markets Inc., Research Division

So I'm just curious, what drove the decision to kind of trim the disclosure in this deck? You've removed some references to rate base, the large load customer kind of progression. Is it simply a change how you're presenting? Or should we read something more into it?

Srikanth Maddipati

CFO & Executive VP

I wouldn't read much into it, Sophie, other than you got third quarter and we got a brief call. So we'll continue to update our plans, but I wouldn't read anything into it on that basis.

Garrick J. Rochow

President, CEO & Director

Let me just reiterate that. There should be nothing you should read in -- there should be nothing you should read into this. This is just being efficient with the number of slides. And when we get to EEI, we'll have that rich, full, many page deck, we'll certainly include the funnel and some other components that people are used to seeing. It's just about it being efficient for the quarter call.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Mr. Garrick Rochow for closing remarks.

Garrick J. Rochow

President, CEO & Director

Thanks, Piercy. I'd like to thank you for joining us today and we look forward to seeing many of you at the EEI conference. Take care and stay safe.

Operator

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

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