Ameren Corporation

Third Quarter 2022 Earnings Call

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PRESENTATION

Operator

Greetings and welcome to Ameren Corporation's Third Quarter 2022 Earnings Call.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Megan McPhail, Manager of Investor Relations for Ameren Corporation.

Thank you, Ms. McPhail, you may begin.

Megan McPhail

Thank you and good morning.

On the call with me today are Marty Lyons, our President and Chief Executive Officer; Michael Moehn, our Executive Vice President and Chief Financial Officer; as well as other members of the Ameren Management team. Marty and Michael will discuss our earnings results and guidance, as well as provide a business update. Then we will open the call for questions.

Before we begin, let me cover a few administrative details. This call contains time sensitive data that is accurate only as of the date of today's live broadcast, and redistribution of this broadcast is prohibited.

To assist with our call this morning, we have posted a presentation on the amereninvestors.com home page that will be referenced by our speakers. As noted on Page 2 of the presentation, comments made during this conference call may contain statements that are commonly referred to as forward-looking statements. Such statements include those about future expectations, beliefs, plans, projections, strategies, targets, estimates, objectives, events, conditions, and financial performance. We caution you that various factors could cause actual results to differ materially from those anticipated. For additional information concerning these factors, please read the forward-looking statements section in our news release we issued yesterday and the forward-looking statements and Risk Factors sections in our filings with the SEC.

Lastly, all per share earnings amounts discussed during today's presentation, including earnings guidance, are presented on a diluted basis unless otherwise noted.

Now, here's Marty, who will start on Page 4.

Marty Lyons

Thanks, Megan. Good morning, everyone, and thank you for joining us.

I'm pleased to report that we continue to execute on our strategic plan across each of our business segments, delivering significant value to our customers and shareholders while remaining focused on safety. At the start of the year, we laid out some key initiatives we were focused on. As I sit here today, I can confidently say that we have been able to deliver on these through strong execution of our plan.

Starting with Ameren Missouri. In February, our new Ameren Missouri electric service rates took effect as a result of our recent rate review which was constructively settled at the end of last year.

In June, we filed a change to our Integrated Resource Plan, accelerating our planned clean energy investments, carbon emission reduction goals, and our plan to achieve net zero by 2045. The Midcontinent Independent System Operator, or MISO, approved a portfolio of Long-Range Transmission Projects, including significant projects in our operating footprint.

And in August, Senate Bill 745 was enacted in Missouri, extending the constructive smart energy plan legislation that became law in 2018, out through 2028, with possible extension to 2033.

I am pleased to say, as a result of these developments, in 2022 we were able to increase our 10-year investment opportunity pipeline from $40 billion to $48 billion.

Further, in our Ameren Illinois Electric Distribution business, in September, the Illinois Commerce Commission, or ICC, approved constructive performance metrics which keep us on track to file a Multi-Year Rate Plan next January.

Finally, at the federal level, passage of the Inflation Reduction Act will support the clean energy transition, reducing the cost of related infrastructure investments for our customers in both Missouri and Illinois.

I would like to express appreciation for all the hard work of the entire Ameren team to advance these important achievements. Additionally, I'd like to recognize our team's strong commitment to the communities we serve. This year, we named our first Chief Sustainability, Diversity and Philanthropy Officer to further optimize our ESG impact. In October, she convened more than 1,000 Ameren team members and community leaders in-person and virtually for a Diversity and Inclusion Summit featuring many nationally recognized leaders and speakers. Because of actions like this, in May, Ameren was recognized for the third time as DiversityInc's top-rated utility and made the overall top utilities list for the fourteenth consecutive year.

Another example of our team's commitment to our communities is our recently concluded 2022 company-wide United Way campaign, which raised approximately $1.7 million, funds which will go a long way towards supporting approximately 50 United Way organizations in our service territory. This is in addition to the nearly $2.6 million United Way contribution made by Ameren. Again, thank you for all you do.

Moving now to quarterly results. Yesterday, we announced third quarter 2022 earnings of $1.74 per share compared to earnings of $1.65 per share in the third quarter of 2021. The year-over-year improvement reflected increased infrastructure investments across all of our business segments that will drive significant long-term benefits for our customers.

This page highlights the key drivers of our strong performance. Due to strong execution of our strategy, we have narrowed our 2022 earnings guidance to a range of $4 to $4.15 per share. This compares to our initial guidance range of $3.95 per share to $4.15 per share. Michael will discuss our third quarter earnings, 2022 earnings guidance and other related items in more detail.

Moving to Page 5. You will find our strategic plan reiterated. We continue to invest in and operate our utilities in a manner consistent with existing regulatory frameworks, enhance regulatory frameworks and advocate for responsible energy and economic policies, and create and capitalize on opportunities for investment for the benefit of our customers, shareholders, and the environment.

Turning now to Page 6, which highlights our commitment to the first pillar of our strategy, investing in and operating our utilities in a manner consistent with existing regulatory frameworks. Our strong long-term earnings growth guidance is primarily driven by our infrastructure investment and rate base growth plans, which are supported by constructive regulatory frameworks.

As you can see on the right side of this page, consistent with our plans for 2022, we are strategically investing significant capital in each of our business segments in order to maintain safe and reliable operations as we transition to a cleaner energy grid. These investments are the key drivers of our ongoing Ameren Missouri and Ameren Illinois rate reviews. Our energy grid is smarter, stronger, more resilient, safer and more secure because of the investments we've been able to make in all four of our business segments.

At Ameren Missouri, as a result of the significant investments we have been making under the Smart Energy Plan, we estimate over 6.5 million minutes of customer outages have been avoided in 2022. As always, while we invest to build a smarter, stronger, safer and cleaner energy grid for our customers, we continue to work diligently to manage our costs, leverage our investments, and optimize our performance.

Moving now to Page 7 and the second pillar of our strategy, enhancing regulatory frameworks and advocating for responsible energy and economic policies. As I mentioned, the Inflation Reduction Act, or IRA, was enacted in August, which, among other things, is designed to help reduce the cost of the clean energy transition. We are very pleased with the results, as it provides tax credits for wind, solar, and nuclear energy centers, energy storage, carbon capture utilization and storage, and hydrogen development. The incentives in the IRA align well with our Missouri Integrated Resource Plan and our Ameren-wide goal of reaching net zero carbon emissions by 2045. Overall, the IRA will enhance affordability of the clean energy transition for our customers in Missouri and Illinois. Michael will discuss the expected impacts of the IRA in more detail in a moment.

Before moving on, I would also like to briefly touch on the Infrastructure Investment and Jobs Act, or IIJA, that was enacted earlier this year. We are actively collaborating with stakeholders in Missouri and Illinois toward accessing benefits of the federal funding provided through this Act for our customers.

In July, we announced our collaboration with local businesses and community groups, academic institutions and various companies to form the Greater St. Louis and Illinois Regional Clean Hydrogen Hub Industrial Cluster. This group is collaborating on infrastructure development and innovative technology deployment needed to drive decarbonization goals and collectively achieve greenhouse gas emission reductions for the region by 2035.

The IIJA established an $8 billion competitive program with the intent to fund six to eight regional hydrogen hubs across the country and provides for an additional $8.5 billion program for development of carbon capture and storage technologies. By next spring, our regional hydrogen cluster expects to apply for funding through the program to take part in advancing this potential renewable energy source for our region.

Turning to Page 8. At the state level, our customers are benefiting as a result of Ameren Missouri's Smart Energy Plan, a multi-year effort to strengthen and modernize the energy grid. As I just mentioned, Missouri Senate Bill 745 passed earlier this year and became effective in August, enhancing and extending the sunset date on the current Smart Energy Plan legislation through December 31, 2028, with an extension through December 31, 2033, if the utility requests and the PSC approves.

We believe extending Missouri Smart Energy Plan will continue to benefit our customers and communities as we transform the energy grid of today to build a brighter energy future for generations to come while creating significant economic development and jobs in the state.

Moving now to Page 9 and an update on the Illinois energy legislation enacted in 2021. By January 20 of 2023, we plan to file a Multi-Year Rate Plan with the ICC for electric delivery service rates effective at the beginning of 2024. In late September, the ICC approved seven performance metrics, which will result in up to 24 symmetrical basis points of potential adjustments to the allowed return on equity under the multi-year rate plan. These performance metrics have been designed to incentivize improvement in areas such as reliability, supplier diversity, affordability and customer service as we continue to make significant investments in the state of Illinois for the benefit of our customers and communities.

Turning to Page 10 and the third pillar of our strategy: creating and capitalizing on opportunities for investment for the benefit of our customers, shareholders, and the environment. Here, we provide an update on the MISO long-range transmission planning process. As we have discussed with you in the past, MISO completed a study outlining a potential roadmap of transmission investments through 2039, taking into consideration the rapidly evolving generation mix that includes significant additions of renewable generation based on announced utility integrated resource plans, state mandates, and goals for clean energy or carbon emission reductions, among other things.

In July, MISO approved Tranche 1, a set of projects located in MISO North, which it estimates to cost approximately $10 billion. Approximately $1.8 billion of these projects are in our service territory and have been assigned to Ameren. Preliminary design work and project planning are already underway. Construction is expected to begin in 2025, with completion dates expected near the end of this decade.

In addition to the assigned projects, MISO approved approximately $700 million of competitive projects that cross through our Missouri service territory, which provide additional potential investment opportunities. Requests for proposals for the two competitive projects in our service territory are expected to be released in December 2022 and March 2023. Once released, we expect the proposal and evaluation process to take approximately 12 months.

We are well positioned to compete for and successfully execute these projects, given their location and our expertise constructing, operating and maintaining large regional transmission projects. MISO continues its work on future Tranches and has indicated that an initial set of Tranche 2 projects, also located in MISO North, is expected to be approved in the second half of 2023. Projects included in Tranche 3 are expected to be located in MISO South, with approval scheduled by the end of 2024, while projects identified in Tranche 4 are expected to improve transfer capability between MISO North and MISO South and will be studied upon approval of Tranche 3.

Turning to Page 11. Looking ahead over the next decade, we have a robust pipeline of investment opportunities that will deliver significant value to all of our stakeholders by making our energy grid smarter, stronger, and cleaner. As a result of the long-range transmission projects just discussed, as well as the additional renewables and combined cycle generation included in the change to the IRP filed in June, we increased our pipeline of investment opportunities to $48 billion over the next decade.

We expect to update and roll forward our five-year capital plan on our year end call in February, and as always, we will evaluate all of our opportunities across all business segments to ensure we maximize value for our customers and shareholders.

When determining the timing of our projects, we remain mindful of portfolio diversification in both technology and geography, workforce and supply chain capacity, and the impacts to grid reliability, while aggressively managing costs. Maintaining constructive energy policies that support robust investment in energy infrastructure and a transition to a cleaner future in a responsible fashion will be critical to meeting our country's energy needs in the future and delivering on our customers' expectations.

Moving now to Page 12. We are focused on delivering a sustainable energy future for our customers, communities, and our country. This page summarizes our strong sustainability value proposition and focus on environmental, social, governance and sustainable growth goals. The change to the Ameren Missouri IRP filed in June supports a 60% reduction in carbon emissions by 2030 and an 85% reduction by 2040 compared to 2005 levels, and our goal of net zero carbon emissions by 2045 is consistent with the objectives of the Paris Agreement and limiting global temperature rise to 1.5 degrees Celsius. Importantly, our energy policy advocacy and investment plans align with these goals.

In terms of governance, in October, the CPA-Zicklin Index once again named Ameren one of the top three companies in the utility industry for corporate political disclosures and accountability.

We also remain focused on supporting our communities, including utilizing our very robust supplier diversity program to help ensure we execute on an equitable clean energy transition, and we remain committed to helping our customers keep their bills as low as possible through our robust energy efficiency programs and energy assistance for those in need.

Lastly, our strong sustainable growth proposition remains among the best in the industry. We have a robust pipeline of future investments that will continue to modernize the grid and enable the transition to a cleaner energy future. I encourage you to take some time to read more about our strong sustainability value proposition. You can find our ESG-related reports at amereninvestors.com.

Turning to Page 13. To sum up our value proposition, we remain firmly convinced that the execution of our strategy in 2022 and beyond will deliver superior value to our customers, shareholders, and the environment. In February, we issued our current five-year growth plan, which included our expectation of a 6% to 8% compound annual earnings growth rate from 2022 through 2026. This earnings growth is primarily driven by strong rate base growth, supported by strategic allocation of infrastructure investment to each of our operating segments based on their constructive regulatory frameworks.

We expect Ameren's future dividend growth to be in line with our long-term earnings per share growth expectations and a payout ratio range of 55% to 70%. In February 2022, Ameren's Board of Directors last increased the quarterly dividend by $0.04 to $0.59 per share, or approximately 7%. We plan to deliver strong long-term earnings and dividend growth, which results in an attractive total return that compares favorably with our regulated utility peers. I am confident in our ability to execute our investment plan and strategy across all four of our business segments as we have an experienced and dedicated team to get it done.

Again, thank you all for joining us today, and I will now turn the call over to Michael.

Michael Moehn

Thanks, Marty, and good morning, everyone.

Yesterday, we reported third quarter 2022 earnings of $1.74 per share compared to $1.65 per share for the year ago quarter.

Page 15 summarizes key drivers impacting earnings at each segment. I'd like to take a moment to highlight a few key variances for the quarter. Earnings at Ameren Missouri, our largest segment, benefited from higher electric service rates, which became effective on February 28, 2022. The increase at Ameren Missouri was partially offset by higher O&M, driven in part by unfavorable market returns in 2022 on company-owned life insurance investments.

Earnings at our remaining three business segments were higher, primarily driven by increased investments in infrastructure, in addition to a higher allowed return equity at the Ameren Illinois electric distribution.

Before moving on, I'll touch on year-to-date sales trends for Ameren Missouri and Ameren Illinois electric distribution. Weather-normalized kilowatt-hour sales to Missouri residential customers were comparable versus the prior year, and sales to commercial customers increased about 1%. Weather-normalized kilowatt-hour sales to Missouri industrial customers decreased about 1%. Weather-normalized kilowatt-hour sales to Illinois residential customers decreased about 1%. And sales to commercial and industrial customers increased about 0.5% and 1%, respectively. Recall that changes in electric sales in Illinois, no matter the cause, do not affect our earnings, since we have full revenue decoupling.

Turning to Page 16. I would now like to briefly touch on our 2022 earnings guidance. We have delivered strong earnings in the first nine months of 2022 and are well positioned to finish the year strong. As Marty stated, we have narrowed our 2022 diluted earnings guidance to be in the range of $4.00 to $4.15 per share. This is a comparison to our original guidance range of $3.95 to $4.15 per share.

Select earnings considerations for the balance of the year are listed on this page and are supplemental to the key drivers and assumptions discussed on our earnings call in February. As we reflect on our full year results, the benefits we have seen from weather year to date and from higher-than-expected 30-year treasury rates are mostly offset by company-owned life insurance investment performance, as well as higher-than-expected short-term and long-term borrowing rates.

Turning now to Page 17 for an update on regulatory matters, starting with Ameren Missouri. In August, we filed for a $316 million electric revenue increase with the Missouri Public Service Commission. The request, which was driven by increased infrastructure investments under the Smart Energy Plan, includes a 10.2% return on equity, a 51.9% equity ratio, and a December 31, 2022, estimated rate base of $11.6 billion.

In October, we supplemented our filing to request a tracker for the benefits and costs resulting from the Inflation Reduction Act. Missouri PSC Staff and other intervenors are expected to file direct testimony in January 2023, with hearings scheduled for early April 2023. We expect a Missouri PSC decision by June

2023 and new rates to be affected by July 1, 2023. We look forward to our continued work with all key stakeholders on this request.

Moving to Page 18 and Ameren Illinois regulatory matters. Earlier this year, we made our required annual electric distribution rate update filing. Under Illinois performance-based ratemaking, these annual rate updates systematically adjust cash flows over time for changes in cost of service and true-up any prior period over or under recovery of such costs.

In August, the ICC staff updated their recommendation to reflect a $61 million base rate increase compared to our updated request of an $84 million base rate increase. The $23 million variance is primarily driven by a difference in the capital structure common equity ratio, as we have proposed 54% compared to the ICC Staff's recommended 50%.

For perspective, the order received from the ICC last December included a common equity ratio of 51%. An ICC decision is expected in December, with new rates to be effective in January 2023. Finally, we expect to file a new rate review with the ICC for our Ameren Illinois Natural Gas business in early 2023, using a forward test year ending December 31, 2024.

Turning now to Page 19. As Marty mentioned, we're pleased with the Inflation Reduction Act, which enhances affordability of the clean energy transition for our customers in both Missouri and Illinois. We currently estimate based on the clean energy investments outlined in the preferred plan included in the change to Ameren Missouri's IRP that the production tax credits provided for in the legislation will yield more than $1 billion in net benefits by 2032, saving our Ameren Missouri customers an average of more than 4% per year over that period of time as compared to what they would have paid. We expect our Illinois customers to see the benefit from the legislation over time through reduced purchased power costs.

Further, as we sit here today, we do not expect the corporate minimum tax of 15% on adjusted financial statement income to apply in 2023. Incremental annual cash payments due to the corporate minimum tax beyond 2023 are not expected to be material. Finally, we are assessing our ability to utilize the 10% production or investment tax credit adder for siting projects at existing energy communities, including retired coal-fired energy centers.

Moving to Page 20, we provided a financing update. We continue to feel very good about our financial position. We were able to successfully execute on several debt issuances earlier this year, which are outlined on this page. In order to maintain a strong balance sheet while we fund our robust infrastructure plan, consistent with the guidance in February, we expect to issue approximately $300 million of common equity in both 2022 and 2023.

We are very pleased to say that through our at-the-market equity program, we have now fulfilled these equity needs executed through forward sales agreements with an average initial forward sale price of approximately $90, and we expect to issue approximately 3.4 million and 3.2 million in common shares upon settlement by year end 2022 and 2023, respectively. Having substantially utilized the $750 million of capacity under our existing ATM program, we expect to increase the existing program by approximately $1 billion to address equity needs in 2024 and beyond.

Moving to Page 21. In light of the recent rising interest rate environment, we have provided our long-term debt maturities remaining through 2026. We have just $47 million of long-term debt maturing later this year at Ameren Missouri and $100 million of long-term debt at Ameren Illinois maturing in 2023. All of our long-term debt is at fixed rates, and variable rate debt is limited to commercial paper borrowings.

It's also important to note that a portion of the interest cost is also capitalized in the normal course, as related debt supports construction work in progress. I'd also like to note we receive recovery of any changes in interest expense in our Ameren Illinois Electric Distribution and Ameren Transmission businesses through the reconciliation process.

Further, we have some favorable exposure of the Ameren Illinois Electric Distribution return on equity, as it's tied to the 30-year treasury rate through 2023. Changes in the long-term and short-term debt costs at Ameren Missouri and Ameren Illinois Natural Gas will be incorporated into rate reviews for recovery over time, which includes a true-up of the cost of capital as of December 31, 2022, in the current Ameren Missouri electric rate review. We're mindful of the changes in interest rates and remain focused on managing costs for our customers.

Turning to Page 22, I'd like to briefly touch on our natural gas business as we head into the winter months. We recognize the inflationary environment customers are facing and are working to keep bills as low as possible and provide energy savings programs for our customers. We're actively working with customers in both Missouri and Illinois to help them gain access to funds available through Low-Income Home Energy Assistance grants and other energy assistance funds, in addition to our energy efficiency programs. Details on these customer assistance programs and the energy efficiency programs can be found on our website at ameren.com.

Both Ameren Illinois and Ameren Missouri Natural Gas commodity prices are approximately 85% hedged based on normal seasonal sales, and 100% of the Ameren Illinois natural gas is volumetrically hedged based on maximum seasonal sales. From a customer bill perspective, residential natural gas customers in Illinois and Missouri are expected to see bill increases of approximately 4% and 14%, respectively, compared to the 2021-2022 winter season.

Turning to Page 23. We plan to provide 2023 earnings guidance when we release fourth quarter results in February next year. Using our 2022 guidance as a reference point, we have listed on this page select items to consider as you think about our earnings outlook for next year.

Beginning with Missouri, earnings are expected to be higher in 2023 when compared to 2022 due to new electric service rates effective in late February 2022, and a new electric service rate expected to be effective by July 2023 as a result of the pending rate review. We also expect increased investments in infrastructure eligible for plant in-service accounting to positively impact earnings.

Further, we expect energy efficiency performance incentives to be approximately $0.03 per share lower in 2023 compared to 2022. A return to normal weather in 2023 would decrease Ameren Missouri earnings by approximately $0.11 compared to 2022 results to date, assuming normal weather in the last quarter of the year.

Next, earnings from our FERC-regulated electric transmission activities are expected to benefit from additional investments in Ameren Illinois projects made under forward-looking formula ratemaking. For Ameren Illinois Electric Distribution, earnings are expected to benefit in 2023 compared to 2022 from additional infrastructure investments made under Illinois' performance-based ratemaking. The allowed ROE under the formula will be the average 2023 30-year Treasury yield plus 5.8%. Ameren Illinois Natural Gas earnings are expected to benefit from an increase in infrastructure investments qualifying for rider treatment that will earn the current allowed ROE of 9.67%.

Finally, I would note, consistent with past practices, our 2023 earnings guidance will include no expectation of COLI gains or losses.

Turning to Page 24. To summarize, we continue to expect to deliver strong earnings growth in 2022 as we successfully execute our strategy. As we look to the longer term, we continue to expect strong earnings per share growth driven by robust rate base growth and disciplined cost management. Further, we believe this growth will compare favorably with the growth of our regulated utility peers. The bottom line is that we are well positioned to continue executing our plan and Ameren shares continue to offer investors an attractive dividend. In total, we have an attractive total shareholder return story that compares very favorably to our peers.

That concludes our prepared remarks. We now invite your questions.

Operator

Thank you. Our first question is from Julien Dumoulin-Smith with Bank of America. Please proceed with your question.

Dariusz Lozny

Hi, guys. Good morning. This is Dariusz on for Julien. Thank you for taking the question.

Marty Lyons

Good morning.

Dariusz Lozny

Good morning.

I wanted to start off at Illinois gas, acknowledging that you guys have a planned filing later in ’23. Just curious, with the pending sunset of the QIP rider, how you're thinking about potential forward-looking cadence of filings. Or, potentially, is there any appetite that you foresee for some kind of legislative solution maybe akin to the multi-year rate plans that are now available on the electric side of things? Just curious how you're thinking about that at a high level.

Michael Moehn

Yes. Perfect. This is Michael. Yes, I'll start, and Marty can certainly supplement.

Look, we haven't really said exactly what our future cadence will be. You're correct, as the QIP is set to sunset at the end of ’23, and so we're indicating that we're going to file a case here and it will be effective under this QIP for the balance of 2023. I think the thing to keep in mind, as you step back and you look at the Illinois gas regulation, I mean, it's still very constructive, even absent the QIP, and I'll come back to that. But, I mean, there is a forward test year, rates are decoupled, bad debt tracker, etc. I mean, there's some real positives with respect to what goes on there.

But as the team, again, still look at the opportunities there, I mean, we may have to have a different cadence if it were ultimately to expire. But there could be an appetite to extend something at some point. We just really haven't engaged in those conversations at the moment. But we feel like, absent even getting an extended, there are certainly ways to continue to manage that business very constructively going forward.

Anything to add, Marty?

Marty Lyons

Michael, that was well said. I would just say that as we look ahead to our gas business, we certainly see the opportunity and, frankly, need for continued investment in our infrastructure to ensure that it's safe and reliable for our customers. I think that the QIP that we've had over time, that infrastructure mechanism has really provided some good benefits for customers as we think about what it's enabled in terms of a timely investment in the system.

As Michael said, we'll certainly utilize the forward test year capabilities that we have under Illinois law today and continue to consider, along with other stakeholders, whether a replacement for QIP is something that we can introduce in the future or not, we'll see. Thank you.

Dariusz Lozny

Great. Thank you for that. Appreciate the color.

One more, if I can, and this is on the 2023 earnings considerations. I realize it's not a formal guidance or fully exhausted, but I noticed O&M is not included as one of the drivers. Are you planning to, or are you managing to flat year over year, and maybe that's why it's not included on that list, because it won't move the needle one way or the other as an EPS driver? How are you thinking about that cadence?

Michael Moehn

Yes. Appreciate the question there, too.

Historically, we really haven't given O&M guidance, especially as you think about some of these ongoing rate reviews, which makes it a little bit complicated at the end of the day. I would tell you that we continue to stay very focused on O&M itself. If you look at kind of our year-to-date results, and I think Missouri is a good example, and you back out, obviously, some of this noise with COLI and some of the refined coal that got caught up in the rate review, we really have managed that to about a 1.5%, 1.7% sort of increase. So, I think the team has done a great job from a core perspective.

We have made comments before that we continue to aspire to being flat over the time horizon as we look out over the five-year plan. If you look at historically where we've been, I think we've shared a couple of these slides in the past. I think maybe the '16 through '21 period was the last time and we were actually down over that period of time.

Always look to make it really a nondriver at the end of the day. I think we can give you a little more color as we get to February. But again, it is just a little more complicated because of some of the ongoing rate reviews as well.

Hopefully, that helps.

Dariusz Lozny

Yes, that does help. Thank you very much. I'll pass it here.

Operator

Thank you. Our next question is from the line of Paul Patterson with Glenrock Associates. Please go ahead.

Paul Patterson

Hi. How are you guys doing? Good morning.

Michael Moehn

Hi. Good morning, Paul.

Marty Lyons

Good morning.

Paul Patterson

Back to that Slide 21, and I apologize if I missed it, just lots of earnings today. Just on the impact of interest rates. I mean, I was just wondering if you could—you did mention different maturities and everything going on, but I was just wondering if you have a rule of thumb of how we should maybe be thinking about things you've done to—just what the impact of higher interest rates might be, I guess, is something to think about. Just if you could give us any flavor on that.

Michael Moehn

Yes, I appreciate the question.

I mean, we really did try to provide some of that detail on 21 to give you a sense of sort of what's happening from a redemption standpoint. Obviously, we're going to have some just normal financings in the normal course. We didn't provide anything in there, just because of what's going on with respect to rates.

What I tried to also do, Paul, as you look at the recovery of interest rates in terms of how we think about it, transmission business, obviously, formula rates got a little bit of a positive—obviously, a positive hedge on the 30-year treasury, offsetting in addition to you have a formula on the interest rate within the electric distribution business. Then Missouri itself, we're obviously in the middle of a rate review, so you'll be updating some of the capital structure and the cost of capital as we go through that rate review through the end of this year. So, I tried to give that perspective just to give you a sense for what the impact would be in 2023.

Paul Patterson

Yes, no, I appreciate the Slide 21. I guess, I was just wondering if you had a cheat sheet on—and of course, the short-term debt and what have you. So, I was just wondering—I guess we've got some sophisticated math you want us to do, which is fine. Okay. That's basically my only question. Thanks so much, and have a great weekend.

Michael Moehn

Okay. Thank you, Paul.

Marty Lyons

Thanks, Paul.

Operator

Thank you. Our next question is from the line of David Paz with Wolfe Research. Please go ahead.

David Paz

Hi. Good morning.

Marty Lyons

Hi, David.

Michael Moehn

Good morning.

Marty Lyons

Good morning.

David Paz

On the February call, is your plan to update—are you planning to update your EPS growth target through 2027? If so, will you roll in the expectations of the incremental Missouri renewables investments and the initial spending on the MISO projects?

Marty Lyons

Yes, David. This is Marty.

Yes, in our February call, we will plan to update you on our thoughts in terms of EPS CAGR from 2023 to 2027 at that point in time. We'll also, at that time, expect to update our capital expenditure plan, which right now really runs through ’26. We'll take that out through 2027, and we'll also update you on our expectations in terms of our rate base CAGR out through 2027. So, those are all things that we plan to do on the February call.

In terms of the overall investment pipeline, as we've discussed this morning, this year, as a result of the Missouri Integrated Resource Plan, as a result of the MISO approving Tranche 1 projects, we bumped our overall 10-year pipeline from $40 billion to $48 billion. As we mentioned in some of the specifics, some of those capital expenditures we would expect to start to fall in the latter half of that five-year update. So, those are things that we'll consider how best to fold in to both our five-year Capex guidance as well as that rate base CAGR.

David Paz

Got it. Do you think those—would you make an assumption on the competitive projects for MISO spending? Or would that be just mostly on the assigned projects?

Marty Lyons

Yes. David, I think at this point, we haven't made a firm determination as to whether what we'll fold in or not, I would say, with respect to some of those competitive projects. While it's a little bit of a different thing than we faced in the past, I would say, traditionally, we've been a bit conservative about rolling those things in until we have better line of sight to those being projects that we would be able to firmly execute. So, I would expect, with respect to those projects, we take a bit of a conservative posture.

David Paz

Makes sense. Then just on equity, remind me of your equity needs for 2024 through 2026, at least as when you last updated them, and along with that just your targeted consolidated equity ratio.

Michael Moehn

Yes. David, this is Michael.

Yes, so when we roll forward our plan in February '22, so we had $300 million basically of external equity through the balance of that plan, plus $100 million of DRIP. As indicated, very pleased with where we are today. I mean, we've gotten the '22 and '23 off of there, so you should continue to assume that $300 million '24 through the balance.

We continue to target a capitalization ratio close to 45% over that five-year plan, so we'll stay focused on that. As Marty just talked about, as we roll forward into February and roll forward that new capital plan, obviously, we'll step back and address any financing needs as part of what happens with that capital plan itself, but you should continue to think about that $300 million at the moment.

David Paz

Great. Thank you.

Marty Lyons

Thanks, David.

Operator

Mr. Lyons, there are no further questions at this time. I would like to turn the floor back over to you for closing comments.

Marty Lyons

Okay. Well, thank you all for joining us today.

As you heard on the call, we've had a strong 2022 year to date. We remain focused on continuing to deliver strong value through the end of this year for our customers, communities, and our shareholders. So, again, thanks for joining us. We look forward to seeing many of you, I think, at the EEI conference, which is just a couple of weeks away.

Thanks, all, and be safe.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.