NorthWestern Energy Group, Inc.

Fourth Quarter 2024 Earnings Call

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the NorthWestern Energy 2024 Year-End Financial Results Webinar.

[Operator Instructions]

As a reminder, today's call is being recorded. I will now hand today's call over to Travis Meyer. Please go ahead, sir.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

Thank you, Tamika. Good afternoon, and thank you for joining NorthWestern Energy Group's financial results webcast for the year ended December 31, 2024. My name is Travis Meyer. I'm the Director of Corporate Development and Investor Relations Officer for NorthWestern. Joining us today to walk you through the results and provide an overall update are Brian Bird, President and Chief Executive Officer; and Crystal Lail, Chief Financial Officer. NorthWestern's results have been released, and the release is available on our website at northwesterng.com. We also released our 10-K premarket this morning.

Please note that the company's press release, this presentation, comments by presenters and responses to your questions may contain forward-looking statements. As such, I'll direct you to the disclosures contained in our SEC filings and the safe harbor provisions included in the second slide of this presentation. Also note, this presentation includes non-GAAP financial measures. Please see the non-GAAP disclosures, definitions and reconciliations included in the presentation as well. The presentation is being recorded. The archived replay will be available shortly after the event and remain active for 1 year. Please visit the financial results section of our website to access the replay. With that, I'll hand the presentation over to Brian Bird for his opening remarks.

Brian Bird
CEO, President & Director

Thanks, Travis. I'm going to start on Page 3 for the 2024 year-end review. First and foremost, from a critical infrastructure investment perspective, we maintain safe and reliable service while reaching new all-time winter and summer electric system peaks in Montana. We safely completed over $550 million of capital investment. The Yellowstone County generating station is now online and serving customers. We strengthened Montana's presence with a planned acquisition of the Energy West Montana and Cut Bank Gas assets. We have an agreement for incremental Colstrip ownership in Montana, which addresses remaining capacity gap and enables opportunities for new large load customers, and we've announced plans for regional transmission expansion.

Moving over to regulatory and operational performance. We filed rate reviews across all jurisdictions to recover necessary investment to provide safe and reliable service. and we refreshed our wildfire mitigation plan and implemented our public safety power shutoff plan. And lastly, from strong financial performance and outlook, we reported diluted GAAP EPS of $3.65 and we're affirming our long-term EPS and rate base growth -- target growth rates of 4% to 6% and we're increasing our quarterly dividend by 1.5% to $0.66 per share payable March 31, 2025, and announcing a $2.74 billion 5-year capital plan, which is an 11% increase over our prior plan.

Moving to the next slide from a Northwestern value proposition. If you take our 4% to 6% EPS growth rate and you add that to our 5% dividend yield, you're looking at 9% to 11% total growth. That's off of the $2.74 billion capital plan I just talked about. If you think about other incremental opportunities, some of which I'll talk about today, think about data centers and new large load opportunities, FERC regional transmission, incremental generating capacity, we're able to do any of those things and some others not listed here, we'd see EPS growth rate greater than 6%. Obviously, our total growth rate greater than 11%.

Speaking of that $2.74 billion of capital investment that's highly executable and low-risk capital investment over the next 5 years, and that investment is expected to drive annualized earnings rate base growth of 4% to 6% and again, as I mentioned earlier, that's 11% above the prior plan we shared with you last time we talked. And with that, I'm going to hand it over to Crystal to go through the financial results.

Crystal Lail
VP & CFO

Thank you, Brian, and good afternoon, everyone. As Brian started the call with, it feels like 2024 was a little bit busy. There's a long list of things that we've been up to. So as the year of execution on many fronts, and we expect to certainly continue that focus as we're into 2025 year. In my comments today, I will discuss our financial performance for 2024 financing and updated capital plans, and also our expectations with regard to timing of '25 guidance. I'll also provide a bit of a regulatory update as to where we are here and then turn it back to Brian to talk to speak to a bit more of those opportunities incremental to our current plans that I think many of you are interested in today.

So how do we conclude 2024 results? As Brian mentioned, $1.31 for Q4 GAAP earnings as compared to $1.37 last year. And then from a full year basis, that's $3.65 of GAAP earnings as compared to $3.22. To provide a bit more detail both on Q4 and year-to-date, I'll move to Slide 7. As I alluded to, our Q4 results are in line with our expectations other than certainly the impacts of mild weather. I think you'll hear that from many utilities of Q4 being much milder than any of us probably planned. delivering $1.31 on a GAAP basis. Our Q4 results also included a tax benefit related to prior periods which we are adjusting out and I'll walk through those adjustments here on the next slide, offset by pressures from operating costs, depreciation and interest. Also, I would remind you that our Q4 in 2023 included some impacts that were favorable related to the final outcome in the Montana rate review. So on Slide 8, you see all of that delivering $1.31, adjusting out $0.18, as I alluded to, both weather and tax items delivering $1.13 on an adjusted basis for the quarter.

Moving to Slide 10 to give you that granular detail on what we're adjusting out from an ongoing earnings perspective, mild weather reduced Q4 results versus normal by $0.10 and $0.04 versus the prior period. We are also adjusting out the release of a prior period unrecognized tax benefit of $0.28. So again, $1.31 on a GAAP basis, you net out the $0.10 of unfavorable weather, $0.28 of favorable tax benefit gets you to $1.13 for Q4 this year. Last year, we did have $0.05 of a tax benefit in that period is $0.06 of unfavorable weather. So comparatively, a $1.13 on an adjusted basis versus $1.38 in the prior period. And again, $0.10 of weather in Q4 alone, it was certainly a mild Q4.

Moving to Slide 10 to recap and maybe remind us all a bit of full year results. For 2024 on a full year basis, we delivered GAAP earnings of $3.65 and $3.40 on an adjusted basis. I would note on an adjusted basis, pulling out some of those benefits offset by mild weather, that is a 4% increase over our 2023 earnings. We were impacted significantly in 2024 by mild weather, much of which was in Q4. We talked about on our Q3 call, the impact of higher insurance costs, presenting headwinds at the operating cost line. And also, unfortunately, in Q4, impacted by a difficult Montana interim rate decision. So to deliver 4% growth after all of those things, we're pretty proud of that on an adjusted basis of 2023 and committed to delivering growth on a long-term basis.

You'll note that many of those headwinds were offset by good cost control and execution across the business to deliver the $3.40 on an adjusted basis here. In 2024, the earnings improvement was driven largely, and I think it can't go without missing the left side of this March or $0.85 of margin improvement over the prior period. And that's regulatory execution and certainly critical to the environment we've seen of increasing costs across the board and needing to recover our costs from customers. Also, $0.34 of tax benefits already talked about and offset by, you can see the pressures at the operating cost line, depreciation and interest. Moving to Slide 11. Highlighting the significant impact of a full year of new base rates I just mentioned that, that, that $62.4 million is full year of base rates in both Montana and South Dakota. So Montana electric and gas SoftCode Electric and then continued improvement in our transmission revenues when you look at this margin detail. offset by, I would remind you, last year in Q4, as I alluded to earlier, we had some favorable impacts from the Montana rate review, one of which included PKM impact. So you see $7.9 million of detriment offsetting there and also the mild weather that we've already discussed.

Moving to Slide 12. Again, detail on those adjustments wanting to be very transparent as to what we are adjusting out of our earnings, mild weather reduced earnings on a full year basis by $0.13 compared to normal and $0.08 versus the prior period. We also had 2 onetime items that we talked about in prior quarters and net to $0.01. Then you have the $0.39 of tax benefits between Q3 and Q4 here that are all related to prior periods. We have previously talked about the gas repairs final guidance that had come out and the favorable benefit recognized there. And then in Q4, we're recognizing previously reported unrecognized tax benefits based off the lapse of statutes of limitations resulting in an overall adjusted basis, EPS of 3.40% or again 4% improvement off of 2023 of $3.27 spent.

Moving from the detail of earnings here to a bit of our credit quality and financing plans. We have previously talked about the importance of improving our FFO and our commitment to credit quality and being above downgrade threshold. Unfortunately, with the lack of interim rate support in Montana, particularly on the electric side, we concluded 2024 a bit lower than what we have reported to you as of the end of Q3 and drop below our downside threshold of 14%. As I alluded to, we have been committed to improving our balance sheet and credit quality here and understand that criticality, and being able to serve our customers certainly depends upon our balance sheet and the ability to track low-cost capital. We remain focused on this and improving it such that we have a cushion and making sure we are effectively communicating to our commissions the importance of supporting credit quality here. We do have a very clear path moving forward to improving this number, and we'll continue to work with our commissions to do so.

From a financing plan in 2025, you'll see that, that is all regulated debt financing that we plan to term out some debt that we have and to fund our capital plan, which is a good transition to thinking about how do we look forward and what's the next steps with our plan of closing the books on 24 and looking ahead, I think it's important to note that we are confident in both our capital forecast and optimistic regarding the incremental investment potential and growth opportunities. Again, Brian highlighted some of those to start the call, and we'll give you a bit more detail on those that are not included in our current assumptions. And I think that's important to note for the group because I uncertainty will get that question. Those are not included in the current assumptions we're laying out here, but we're certainly working on having incremental opportunity. building on what we believe is a solid financial position and the growing opportunity for regional transmission and large load development.

We are confident in our ability to deliver sustainable earnings growth and getting to consistency with that regard over the long term to deliver on our EPS growth target of 4% to 6%. Our commitment to deliver on those financial targets remains the same while we've updated our base period to 2024 from 2022, and we are certainly holding ourselves accountable to delivering on that long-term growth range and what shareholders expect over the long term. While you'll note an increase in capital plan and Brian started off with talking about that 11% overall increase, we continue to size the investment to not need equity funding currently. Opportunities incremental to this plan would drive equity needs. And in addition, those incremental opportunities will also push us upward in our long-term growth range.

Slide 16 gives you more detail on that capital investment plan from 2025 to 2029. Our capital plan is designed to incorporate investments but as everyone does, we need to support our ability to serve our customers in a safe, reliable and cost-effective manner and support long-term growth. Our 5-year plan here expect a capital investment of $2.7 billion, again, 11% increase over the 5-year plan we showed you before and again, self-funded. That increase is driven by low-risk, highly executable projects. And as a reminder, our prior and current forecast includes the addition of a dispatchable generation resource in South Dakota. And again, any of the opportunities that Brian is going to talk to you about in a bit here are incremental to this plan.

So with that, I would also move you to an update on Slide 17 regarding regulatory matters. So during Q4, we quietly reached a settlement and got a commission approval from the South Dakota PUC with regard to our South Dakota gas filing and have implemented final rates. I'm always impressed by the efficiency of the South Dakota Commission and the ability to make a filing in July and reach a settlement and implement rates by December working with that commission and staff is certainly a model in that sense of how we go about that. And I would give that off to also our internal team is pretty fantastic there. Meanwhile, the Montana rate review progresses and we received intervener testimony here in January. I know many of you have taken a look at that.

We are currently working on a rebuttal filing, and we'll be filing that here in early March. The thing I would comment about with regard to the testimony from the primary interveners that address revenue requirement is testimony is reasonable, and I think sets the base for constructive settlement negotiations. We will update you in our Q1 call as to progress in that filing. And as we've alluded to, and I think not alluded to, is directly mentioned, we will delayer rolling out a 2025 guidance until we have an outcome in that proceeding. So with that, I will turn it back to Brian to talk about the next few slides.

Brian Bird
CEO, President & Director

Well, here we sit in February 2025. So we're about 300 days away from taking on some incremental Colstrip. And so as I bring that up, the Avista and Puget Sound piece is in total, will be 592 megawatts that we would add to our portfolio in 1/1/26. And to remind folks, those were both no cost acquisition of incremental coaster ownership, which allows us to reliably and affordably serve our existing customers provides energy independence improves system reliability integrity it moves our portfolio from a short capacity position to a long capacity, which is critical in these cold days of February,-- helped us maintain affordability while insulating customers from volatile capacity and energy market pricing.

In addition, by increasing our ownership from today at 15% to 55% of 1/1/26, that's going to protect our existing interest in Colstrip and provide Montana control to keep the plant open beyond the Washington, Oregon mandated closure deadlines. And lastly, to say, significant capacity surplus provides opportunity for new large load customers from our total portfolio, spreading fixed costs over more kilowatt hours, lower and stabilizing the cost per unit for all of our customers. So just a reminder regarding Colstrip, but when I mentioned large load customers, I move to that page. And I think in December, I know in December, December 17, actually. We announced a data center expecting to come to Montana at the initial load of about 50 megawatts to grow to 200, 250. That would be expected to start around mid-2027. We've got a letter of intent there and continue to work on commercial agreements to move that forward.

Shortly thereafter, we announced Atlas Power, which is currently one of our largest customers in Montana on the transmission side. But on 1/1/26 will become a customer on our generation side as well. And they expect to grow their facility from 75 megawatts to 150 over time. And so again, letter of intent, but as an existing transmission customer and that's already located within our system, we're very confident we'll get that done here relatively soon. Both of those customers we want to serve under our existing Montana tariffs as regulated customers. As I think about incremental low order in Montana, and we want to be able to serve these customers with any excess capacity that we have, certainly want to protect our existing customers. And when I talk about our portfolio in Montana, I'm proud to point out that we, in Montana now are serving our customers on a total megawatt hour basis from our owned and contracted resources and over 60% carbon-free portfolio and 1/3 of which is from our hydro facilities.

Any data center demand interest develops beyond their existing capacity, we will need to work with the Montana PSC to structure appropriate tariffs, and we'll have to also contemplate how to meet that new load with generation build in the state. In South Dakota, we also have significant interest indications of interest. But by the way, there's significant indications of interest in both Montana and South Dakota. Snd any new large load customers in South Dakota would require incremental capacity. We work with the South Dakota PUC -- they -- we have established a process already for large load customers with a deviated rate tariff.

Last night, I would just say there's a lot of discussion around data centers. I mentioned earlier that one great thing for customers is the ability to moderate rates and be able to spread those incremental kilowatt overs kilowatt hours over a fixed cost and spreading those costs over a much, much larger kilowatt hours, that helps lower and stabilize the cost per unit for everyone. These data centers also bring economic development to the communities that they'll be operating in, they'll bring increased property tax revenue, providing great efficiency for us, and that's certainly revenue stability for us, too, as a company.

So with that, I'd also point out on the next page, we've mentioned in the December timetable as well, regional transmission opportunities. I think many on this call certainly heard about North Plains Connector. There's certainly other utilities that are participating in this. But we are uniquely positioned on this line and very excited about Northland's Connector. As you know, it certainly dead ends at Colstrip on the Western side. And it also extends over into North Dakota, where you will interconnect, if you will, with both MISO and SPP. We are the only utility by the way, in both side of this line. And so excited about the opportunity. We need to continue to work with those participants in the line and certainly Grid United to move it forward and excited to see that develop. But within Montana, we also have other transmission investments.
The Colstrip owners are certainly looking forward to expanding the capacity on the Colstrip transmission system. And in addition to that, we're working with Grid United on Southwest Montana to Idaho line in earlier innings associated with that, but we're excited about all the activity that's happening in Montana from a transmission perspective, and the ability to not only improve or bolster reliability for our customers, but allow for incremental imports and exports to take advantage of price differentials for the benefit of our customers. And with that, I'm going to conclude and open up things up for Q&A.

Question and Answer

Operator

[Operator Instructions]

Your first question is from the line of Nicholas Campanella with Barclays.

Nicholas Campanella
Barclays Bank PLC, Research Division

So I just wanted to ask about the 4% to 6% growth rate off of 2024, '24 and '25, you can correct me if I'm wrong, but these do seem like they're kind of depressed years you're underearning, you're going in for new rates in Montana. So why is '24 kind of the right year to base growth off of from this point now? And can you kind of frame where you are in the plan, and where you see yourself going if you get the data center load coming to fruition here?

Crystal Lail
VP & CFO

Hi Nick, Crystal, I'll take the first part of the question, then I have no doubt Brian will back clean up for me here. But the question of rolling forward to '24 versus '22. No Magic to '24. It's really just updating to a more current period. We've had lots of feedback from many of you that still sitting with a '22 base was a bit outdated. So just from a pragmatic perspective, rolling forward to 2024. So the first part of your question, is there any reason why '24 is the year other than being the most recent period concluded? The answer is no.

As to our long-term commitments, which is, I think, the fundamental underlying question as to what does that mean? Because certainly, our '24 results were impacted by the lack of constructive interim rate support in Montana being in historic rate making and meeting the opportunity to, I think about that filing, we're in 2025, and we're still talking about '23 rate base to get reasonable interim rate treatment would have certainly put our earnings in '24, where we believe they should be in delivering shareholder value in a way that attracts capital. However, obviously, that did not conclude '24 in that manner, but there's no magic to it being '24 versus some other period. Your question then extends on to '25 certainly impacted by that decision on an interim rate perspective as well. And while we have not released guidance in '25, I can tell you that we are thinking an awful lot about how we mitigate the impacts of that and still deliver on the shareholder front.

So we'll give you more clarity on that as we conclude, obviously, negotiations in that rate review. All that being said to say, we are still committed to a long-term ability, and whatever year you want to track the base off of that we're delivering within that 4% to 6% growth range. Your next question was, gee, it sounds like you've got a lot of good opportunities that are incremental to your good plan, which I would agree. Brian is talking about those and working on those very diligently. And those certainly, we have been -- I think nonlinear is the word, I might call it lumpy with the earnings. And we expect to -- those kinds of opportunities to push us upward in that growth rate and certainly help us deliver on a more consistent basis, what I think you all expect from us. So I know that was a long winding answer. But Brian, if you have anything to add on to that?

Brian Bird
CEO, President & Director

Yes. I think I'd just say this. Crystal made a good point earlier in the call in light of a very poor outcome, on interim rates, particularly utility that's earning substantially below its authorized rate of return, to still be able to achieve 4% earnings growth on a year-over-year basis on non-GAAP, I think is a good outcome. It's certainly was -- should have been something better than that, but we had to do quite a few things from a cost control and others to achieve that. But our interim rate outcome, of course, certainly allows us to have an easier growth path to grow our earnings and put less pressure on our earnings on a going-forward basis, should be easier and allows us to maybe stay out of rate cases every year basis.

So hopefully, we'll see better outcomes from an interim on a going-forward basis. Incremental to that, I would just say this. I think we need to be more consistent, certainly from an earnings perspective, and 4%, our range is 4% to 6%. We'd like to certainly see ourselves move up within that range. And as these large load opportunities and other opportunities, as we pointed out on one of the earlier slides in the deck, as they happen, you're going to see upward pressure on our earnings growth rate. And at that time, they're in, and we're able to actually calculate from an earnings perspective, what we think they are, we'll think about our earnings growth rate at this point in time. But first, we need to deliver on our 4% to 6% as we sit here today.

Nicholas Campanella
Barclays Bank PLC, Research Division

When I think about the -- just a follow-up on that, I appreciate the context there. When I think about just growth into '25, though, are you -- with the lumpiness, are you still within this growth rate range? Or could you be outside of it like more flattish growth?

Crystal Lail
VP & CFO

Nick, I felt like you're asking me for '25 guidance, but I will say, I certainly expect that we will be within our 4% to 6% growth range.

Nicholas Campanella
Barclays Bank PLC, Research Division

Okay. I appreciate it. Sorry to ask so many ways. On the data centers, just one follow-up. The commission did open an inquiry in Montana, it seems. So Brian, I was wondering if you could just kind of talk about how that plays out? And is there a chance that the tariff could change in Montana? And just maybe expand on like what the value proposition is for customers here for these new data centers coming in.

Brian Bird
CEO, President & Director

Yes. I think it's a fair question that's asked. And again, I think the commission and many commissions want to understand a couple of things. What does this mean to our system overall and how does that impact existing customers? And because of our opportunity is adding incremental Colstrip in our portfolio in it's an entirety allowing us to serve these larger low customers. We don't see that impact on customers here. And I actually think it's going to be a benefit.

So giving us the opportunity to speak to that and making sure we get opportunity to recover all our costs associated with Colstrip to serve these customers, I think is actually a good thing. So we're certainly open to the dialogue here.

Operator

Your next question is from the line of Julien Dumoulin-Smith from Jefferies.

Brian Russo
Jeffries
It's Brian Russo on for Julien. Just quickly, just curious, what is attracting these large data centers to Montana versus some of the surrounding areas where we've seen a lot more activity, either from a state level perspective or even from a Northwestern utility-specific level?

Brian Bird
CEO, President & Director

I think, first of all, Brian, we have capacity. And one of the issues through data centers today is, is there sufficient capacity that exists already. And I mentioned Montana's overall portfolio, one of the few utilities that can point to a 60% carbon free. And so I think first and foremost, I'd say that weather is certainly -- obviously, cooler climates make sense. We have certainly good latency in terms from a communications perspective.

So I think Montana brings a lot. I'd argue that South Dakota does as well. So you think of all of those characteristics, including fiber, we're actually in pretty good shape in Montana and South Dakota to attract those folks. And I think in South Dakota, we already have, if you will, a tariff to deal with that. So that's an incremental advantage there. And we hope as we have discussions with the Montana Commission we kind of moved down that path as well.

Brian Russo
Jeffries
Okay. Great. And then just to segue into South Dakota, actually. I think you said any large customers would require new generation. I'm just curious what makes your system different than some of your peer utilities that are pursuing more of a "capital light" type strategy, just generating a fee to distribute the capacity to the customer versus the supply side.

Crystal Lail
VP & CFO

One thing, Brian, I would point out that's unique about what I'm aware of that capital-light utility that uses the PPA, where we sit in South Dakota, we're an SPP. And so when you're not capacity adequate that's a specific tariff in a certain jurisdiction. Otherwise, you need to bring resources to the table. But I -- as Brian alluded to, there's certainly opportunity still in Dakota.

So while it might look a little bit different, we already have a backdrop in South Dakota, some data centers being served by other IOUs that are here. Secondly, the South Dakota Commission has been very favorable. So economic development is supported in the state that we've used a tariff has a contract with deviation that allows you to fit that contract to the needs of whatever large load it is, but is important to attracting them to the state of South Dakota and provides a very quick regulatory mechanism that would allow for, again, interconnection SPP or for others might be MISO, but to be able to build that generation and serve them.

So while I'm aware of the capital-light opportunity, I think that's unique to a certain jurisdiction, and then South Dakota has some things that are very favorable to attraction, including already existing tariffs that's been used to serve other large customers before data centers was the thing. And secondly, there's an infrastructure rider in South Dakota. So lots of -- all of it, I guess, would fundamentally say where is the regulatory support that is allows for that type of thing. And that's why it's a little bit different, but I would say just as constructive.

Brian Russo
Jeffries
And then just lastly, on the North Plains Connector, Were there any like near-term milestones that we should be looking out for in terms of that project development? And when might we expect any financial commitments from Northwestern? Is it outside the 5-year planning period?

Brian Bird
CEO, President & Director

It's not outside the 5-year planning horizon on the financial commitment, but it's certainly in the back data. I think what's main thing in 2025 is to move from kind of an LOI perspective into commercial agreements. And so that's the plan, and we'd like to see that happen certainly by midyear, that third quarter.

Operator

Your next question is from the line of Dylan Lipner with Ladenburg.

Dylan Lipner
Ladenburg Thalmann
So 2 questions here. So one, getting to Montana with all rates coming into play here. So what are you guys expecting to earn your authorized return in Montana?

Crystal Lail
VP & CFO

Dylan, that's your question for me out of the gate. Wonderful question, I would tell you, we're in the midst of obviously a rate review there. And the thing I would say, and I think I alluded to it earlier, that Montana's historic rate making, so the rate review test period is '23. We have to know a measurable adjustments into '24. But I would tell you, because of that, there will always be regulatory lag. So your question was, when will you earn your returns? And I would tell you, we're working to close the gap on those earner terms, but I won't overpromise in the sense of saying that we would actually earn our authorized return in the state because of the nature of that regulatory lag.

Now if you could given this write back of decreasing interest rates, decreasing taxes. And I don't know if inflation coming down to 0 sorts of things. You might get a bit closer. But I would tell you, we're very focused on a constructive outcome in the Montana rate review to closing that gap.

Brian Bird
CEO, President & Director

I can't help but take the bait here, Dylan. I would say this. I think from -- I think about South Dakota, which also has historic test years, and the efficiency in terms of how quickly we were able to settle the case, get new rates, have interim rates if need be, it's easier to earn closer to your authorized rate of return, and it's also another reason why you may not have to come in for rate cases every year. We need to come to some price similar like that in Montana or in essence, we're not allowed to earn close to our authorized rate of return under the current scenario.

So we're going to have to keep coming in for rate cases, if not every year, every other year. And we certainly rather come up with outcomes with the Montana Commission and others, so we wouldn't have to do that. There are so many jurisdictions in this country that allow for more frequent recovery. And so those utilities don't have to come in every year for rate reviews. So we need to kind of -- we need to change the paradigm here, certainly, I think from an economic development standpoint for Montana as well.

Dylan Lipner
Ladenburg Thalmann
Got you. And in case that Montana weren't necessary to build any additional plant, would the company seek to change its rate structure in this case?

Crystal Lail
VP & CFO

I would say, Dylan, we certainly -- we have a portfolio today. We have a current, what I would call a GS2 substation rate that can accommodate at least some new customers coming on, but then the next phase of that. And again, the commission's open an investigation. And I think if you look around commissions elsewhere, they want to know the impact these large loan customers are going to happen. I think it's a great opportunity to think about should there be a separate tariff for this type of customer, what should be the constraint on them. And so I certainly would say we're not opposed to having a separate tariff to serve these customers and would like to look forward to maybe working with the Montana Commission to find the right answer this right for Montana.

Dylan Lipner
Ladenburg Thalmann
Got you. But even for data centers, you guys would maybe change your type of rate that you would charge?

Crystal Lail
VP & CFO

I would say 2 pieces. What I maybe didn't say as directly as I should is, a, we have, I would say, a large customer rate today that we believe works to serve those customers. And that's where we have a portfolio that can serve them. But moving to the future and given some of the interest that we've seen from lots of data centers looking, and I think we all acknowledge are looking everywhere. They're certainly -- and because the commission issued a letter this week, wanting to talk about this exact issue. While we believe we can serve them today under our existing tariffs, we also think there's a huge opportunity to potentially work together to craft the next version of that tariff that might fit the longer term.

Operator

Next question is from the line of Jonathan Reeder with Wells Fargo.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

So I think you said that you thought the intervener testimony was a constructive starting point for the settlement negotiations and you're currently preparing rebuttal testimony. Can you walk us through the settlement negotiation process from here? Like when might we see those? If I recall, I think last time around the settlement pretty much the deadline?

Crystal Lail
VP & CFO

I'll take that one. So step one, we have to file a rebuttal testimony and that will set the line in the sand as to the final revenue requirement. I think we included on Slide 17, trying to point you to what the time line is there. So once we file that rebuttal testimony, we actually have a pretty short time frame between there and when settlements are due, they are due March 24. And so we will be in active conversations with interveners and a quick turnaround there to see if we can find a reasonable outcome between the 2 of us that meet all of our needs. We would file that settlement towards the end of March there, and then a hearing would be held in April.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

So do the negotiations not really begin until after the rebuttal testimony? Because, yes, that's what I was just kind of concerned with is short time frame seems a little potentially challenging to get it done.

Crystal Lail
VP & CFO

I would say this, the primary interveners that file revenue requirement testimony. We worked with them in the past. They're very well prepared, and they're they know what they're doing when it comes to our revenue requirement. They are running their model. I can tell you right now, just like we're running our model. So once we get down to brace talking about the things it does move pretty quickly. I would tell you, we're working to get that rebuttal testimony file.

And certainly, we'll probably start talking early enough to make sure it is a tight time line and they're 100% acknowledge that. But I would also tell you that the areas in which we have to talk and get to an agreement on. I think if they were sitting in this call today, they would tell you they know what those are just as much as we do. And again, the consumer counsel, consumer advocate, your large customer group, those types of folks. They're pretty sophisticated when it comes to knowing how our revenue requirement works and we'll be ready to engage and have a conversation.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

Can you talk a little bit about the utility-related bills that are being considered by the Montana legislature and which ones perhaps have the best chance of getting across the finish line?

Brian Bird
CEO, President & Director

Yes. We have -- from our perspective, there's quite a few bills that certainly are in play, to of course of our interest to us. In both states, Montana and South Dakota, the most important bill for us is to reduce strict liability issues. So in Montana and South Dakota, there will be a bill associated with that. Obviously, we're not the only utility interested in that. But we -- the utilities in the states and the co-ops working together to get something done from a wildfire perspective is important.

And we feel pretty good about that, but a lot of things have to come together to make sure we get legislation associated to address that issue for us. That's first and foremost. Also in Montana and other important bills on the transmission perspective. To give us a means for, I'd argue more certainty regarding recovery of investment in transmission and also allow for a quicker recovery of that investment. That's primarily what we're trying to accomplish there, Jonathan.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

Has there been strict liability bill proposed in Montana and in South Dakota? Or are they still kind of in the works?

Brian Bird
CEO, President & Director

The one, I think, in South Dakota is already out and on the floor, Montana's is coming here shortly.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

Yes. No, I hadn't seen one in Montana, so I don't know if I kind of missed anything. What about the restructuring of the Public Service Commission in Montana? Is that something that has legs or...

Brian Bird
CEO, President & Director

I have no idea if that has legs or not, and we're certainly not behind that bill.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

Fair enough. And then I hopped on a little last. I apologize if I missed this, but the drivers of the CapEx increase, can you kind of walk through a little bit of that? Like it looks like the Montana electric spend drives the uplift in 2025 to 2028. Is any of that associated with these data centers that are kind of in the works? And then in 2029, it looks like there's a big jump in the Montana gas spend, which may be electric.

Crystal Lail
VP & CFO

Yes. Jonathan, a few things on the 5-year capital plan. One, as our engineers constantly remind me, they would like to spend a lot more than this capital plan gets them. So the uplift being heavily in Montana Electric, there's plenty of growth there. We've kind of reached the end of what was a fantastic build-out of a transmission system decades ago. there's plenty of work to be done there. And so we're trying to size this within being able to self-fund the plan. So you see a lot of push on the electric side, but I would tell you this and every other CFO is probably in the same spot.

The engineers would like to build a lot more that in the fifth year of your question on gas transmission, I would also tell you that we're getting to the edge of our gas transmission system, and that capacity is also critical when we're seeing your peak days to being able to serve our customers and to enable the rest of the system. So you would see thoughts on large gas transmission investment really driving that number, getting larger in 2029. And obviously, as that becomes closer, we'll give you more detail on some of those capital projects. But just overall, the system a lot of growth. That's a good thing to have, but we're also getting to a point where we need to refresh and renew that system.

But we also need reasonable ways to recover that. I think some of the transmission legislation that Brian alluded to would certainly be helpful in that regard and maybe allow us to list our capital plan. But that's kind of the meat. It's still the nuts and bolts of capital to serve our customers.

Brian Bird
CEO, President & Director

Yes, Jonathan, I would just pile on. I mean, obviously, what we've done here at Colstrip is certainly helps on electric generation capacity. But as we've talked about in the past, we still have a tremendous amount of investment both in the electric and gas transmission system. And on the gas side, too, even from a supply and storage perspective, there's certainly needs to continue to invest in our system and be able to serve our customers as we see low growth continue there as well.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

So nothing really specific on the electric side, just kind of the reliability kind of hardening stuff something we think about.

Crystal Lail
VP & CFO

Everything and above. It's a mix of all the -- both the transmission and distribution side of the house.

Brian Bird
CEO, President & Director

Jonathan, we used the word highly executable and low-risk capital.

Jonathan Reeder
Wells Fargo Securities, LLC, Research Division

But there's nothing tied specifically to those data centers in it or...

Crystal Lail
VP & CFO

That is not what's in our plan here. That's opportunity incremental to the plan. And as we've talked about, that would go into our plan when we've signed a service agreement with those folks. At this point, we're at I would tell you that the Atlas facility that we've named is already interconnected to our system and taking supply from someone else. So less capital investment required there. The others may look different. But those are the things that are certainly incremental to the plan you see here.

Operator

Your next question is from the line of Alex Motel [indiscernible]

Alex Mortimer
Mizuho
So just to clarify, Nick's question. I know you highlighted some of the lumpiness in earnings that we've seen. But do you expect to at least be within the 4% to 6% for every year of the plan going forward? Although it sounds potentially maybe towards the lower end in 2025 with the lack of interim rates?

Crystal Lail
VP & CFO

I would say, Alex, to your question, we do expect over the long term to certainly be within the 4% to 6%. I would also 100% acknowledge that I didn't expect this year to conclude where it is from the impact of interim rates, et cetera. But certainly, that is our plan is to stick to our commitment and to be able to deliver within that. I would also acknowledge that there may be years that were higher than that. And obviously, we've had years that were lower than that. That's the maybe inconsistency or lumpiness. But over that long range that we would deliver within the 4% to 6%, we're working hard on that.

Alex Mortimer
Mizuho
And then with the historical test year and Crystal, some of your comments around still using 2023 rate base here in 2025, especially with potentially some larger generation projects. And I know you'll be benefiting from incremental load, but could this potential increase spending also potentially increase some of these lag related challenges as we get potentially later in the plan?

Crystal Lail
VP & CFO

I think there's a -- and it's part of trying to work with the Montana Commission to actually benefit economic development and growth in the state. This is a problem. We really need to solve jointly. If you want to attract the types of things that are good, we all know that large load is good for customers broadly of spreading those fixed costs out, if you're going to attract investment to the state and a trust capital that should be on everyone's list of things to do is an attractive estimate. You've got to provide mechanisms to allow for timely recovery of those costs.

And these data center house options, they can go elsewhere. And so we want to work with the Montana Commission to find a way to make them choose Montana, and I think that would be good for Montanans and give for our growth at the same time, that should all be positive, but acknowledge there's some work to do on that.

Operator

Your next question is from the line of Matthew Davis with Millennium.

Matt Davis
Millennium
So I just have a question around your commentary regarding earned or the ability to earn your allowed return or closer to your allowed return? And how that plays into -- or how the data center or expected data center ramp plays into that when I think based on some of the rate structures that you have on your website, there could be significant benefit to kind of all customers, but the enterprise as a whole from some of those customers coming on and using the capacity that you have via Colstrip?

Crystal Lail
VP & CFO

Matt, you're spot on. Customer growth absolutely helps reduce the regulatory lag and allows for the ability to maybe not have to file as frequently, and I would say, broadly benefits the system immensely. So when we think about our future growth trajectory and what's good for Montana and good for us, the ability to grow and not need to do that on the back of retail rate increases would be a fabulous thing.

And certainly, it would help to allow us to potentially either reduce the number of rate filings, or make them a little less frequent via that growth. Organic growth does that anyway. But obviously, one of these data centers compared to a residential subdivision, these are quite different things than would be beneficial all the way around.

Brian Bird
CEO, President & Director

I'd add to that. I mean, we already acknowledged that adding 592 megawatts at 0 upfront capital costs great for customers and produces a lot of bill headroom for a lot of the other investments investing in kind of $500 million capital on an annual basis. But as Crystal points out, data centers also help in that regard, too, from a bill headwind perspective. And so I think -- it just makes great sense. And again, we look forward to the discussion with the commission on a going-forward basis.

Matt Davis
Millennium

So when I circle that with the using of 2024 as the base for the growth rate and CapEx actually increased with no incremental equity, I would have expected that the data center could -- the revenues coming in, the incremental revenues coming in from the day center over the longer term could have filled some of that gap such that the earnings power would at least stay flat, if not go higher? What in that kind of equation am I overlooking or missing?

Crystal Lail
VP & CFO

Well, I don't think you're overlooking anything except to backing up to when does it go into our financial plans. And right now, we are at an LOI stage with these folks. We're going to work them through the pipeline to get to a service agreement. And once we have a service agreement, that means we are both at a common understanding of what that means for both parties, and that's the point it would go into our financial plan. So that's why we consider it incremental upside to our plans today. and we're working hard here in '25 to convert that from an LOI stage to a natural service agreement.

Operator

You have a follow-up question from the line of Dylan Lipner with Ladenburg.

Dylan Lipner
Ladenburg Thalmann
Just want to follow up on the wildfire talk and the strict liability you mentioned, but I wasn't aware that inverse combination exists in either state. So what was the context of the strict liability you mentioned and is the legal standard negligence for wildfires or the states use inverse condemnation standard with strict liability?

Brian Bird
CEO, President & Director

The inverse condemnation is not used in Montana for any wildfire-related issues to date. What we're trying to do, I think, in all states, many utilities are trying to do this there's a responsibility, if you will, for economic damages. We've been in business for 100 years, happy to any economic damages to provide that. And we and our insurance carriers should be able to provide that to people. What we were trying to avoid is noneconomic damages and punitive damages, and that's the intent of what we're trying to do legislatively.

Travis Meyer
Director of Corporate Finance & Investor Relations Officer

And Dylan, I think that it's also important to recognize the inverse condemnation statute is all around eminent domain. It's not around wildfire.

Operator

At this time, we have came to the conclusion of our Q&A session. I will now hand the call back over to Brian Bird for any closing remarks.

Brian Bird
CEO, President & Director

I appreciate the questions today. It's helpful obvious for all investors to hear your questions and give us a chance to continue to expand upon our presentation today. And again, we had a very, very good 2024. We have a lot of work to do in 2025, but we want to continue to provide good outcomes for obviously, not just customers and employees, but our investors as well. Thank you, guys, very much.

Operator
This concludes today's call. Thank you for joining. You may now disconnect your lines.