

# US Diversified Utilities

## Texas Power Field Trip Takes – Let’s Get Real About Datacenter Growth

### CITI'S TAKE

Our two days of meetings in Texas with key power policymakers and stakeholders left us with view that 30-40GW of large load will make it through ERCOT batch process for grid connection by 2032, and Texas will lean heavily on WLPUN (backup power) and PCLR (off-peak power) to supplement datacenter growth. While a credible plan, there are several obstacles to implementation including 1) 765kv line landowner opposition, 2) limited gas pipelines & LNG competition, 3) air permitting, 4) water issues, 5) refundable nature of \$50K/MW commitment, and 6) getting new generation to be built. Each challenge can be worked through but likely to create delays and some higher costs to power datacenter growth in Texas.

**Citi Hosted Meetings** — We met with PUCT Chair, ERCOT, TANEQ, former PUCT commissioner (McAdams), CenterPoint management and several Citi power traders.

**ERCOT Batch Process Outlook Visibility Improving** — ERCOT emphasized that the selection is based only on transmission and there is ~150 to 160GW of capacity on the system (compared to a ~95GW current load growing ~2.5%). Projects will be selected based on neighboring load, available transmission, and shaping, ERCOT may have parties change their ramping schedule but will not weigh in on location selection. The grid operator also plans to allow companies to build new generation behind the meter under the WLPUN construct to augment their grid connection allocation, and to use PCLR to allow load to have more access to grid during non-peak periods. This process isn’t linked to resource adequacy, but the datacenters would get power turned off 1<sup>st</sup> in emergency to avoid blackout, under PCLR during peak periods, and ERCOT can call on backup generation in certain situations. These conditions encourage the datacenters to underwrite new generation after they get batch zero selection in August 2026 and formal outcomes in April 2027.

**Things About to Get Real** — While Texas is viewed as very investment friendly regarding datacenters, we were greeted with a lot of problems with no clear solution to implement this datacenter growth. On the 765kv transmission lines, we expect the strong landowner opposition to cause PUCT to not meet 180-day approval timelines and likely to lead to cost overrun, rerouting, and cancellation risk of one project. Air permits for smaller gas generation running 24/7 are getting less likely to be well-received in rural communities while large power plants with 40% utilization rates may have an easier time. On water, datacenters may need to commit to building some reservoirs and closed loop DC systems to offset water impacts from datacenters and new power plants. PUCT walked down the portion of the \$50k/MW commitment that is nonrefundable to 20% which broadens interest in Batch Zero but increases risk of cancellation. Lastly, there is not enough gas pipelines (~2.2Bcf/d going toward power load centers) and there is LNG competition which limits how much gas generation can be built for 2032.

**Stock Takeaways:** Overall, we believe Texas policy and datacenter growth is more credible than rest of the US but is more constrained than previously thought. We walked away more positive on CNP’s Houston pipe expansion, ATO’s opportunities on APT, and future new build incentives for NRG and CEG and backup generators.

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### Ryan Levine<sup>AC</sup>

+1-212-816-6555  
ryan.levine@citi.com

Xinru Yin  
+1-212-816-9080  
xinru.yin@citi.com

Amber Zhao  
+1-212-816-0644  
amber.zhao@citi.com

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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## Executive Summary

**How Much Datacenter Load Will Materialize From Batch Zero?:** The ERCOT transmission grid has 150-160GW of existing capacity compared to the current peak load of ~95GW that is growing 2.5 percent organically through the 2032 batch target in service date. This implies about 45GW of theoretical capacity, but it could be lower factoring some extra margin for reliability or additional transmission capacity. From our meetings with stakeholders, we came away with the view that not much more than the existing 35GW base load would be formally selected into Batch Zero in August. A few projects already in the 35GW may be deterred by the \$50k/MW collateral, and a few other projects are likely to be added.

**The Headline Batch MW Number Likely to be Misleading:** Policymakers plan to rely heavily on two policy tools - WLPUN and PCLR to allow more datacenter load to get access to additional power. For example, a datacenter may request 1GW but only get allocated 200MW of grid connect from batch zero. Under the current rules, they can build backup or recip generation for 800 MW under WLPUN which allows them the ability to power 1GW of datacenter completely 24/7. Under PCLR, using the same example but without new backup generation, the datacenter can consume 200MW from the grid 24/7 but during times of the day when there is extra grid capacity, there is extra MW that the datacenter can consume from the grid. In all scenarios, the datacenter can get power cut via the "kill switch" as outlined in SB6 to make sure residential customers gets power before datacenters.

**Where is New Generation Going to Come From?:** Besides the backup generation under the WLPUN which is temporary in nature, the stakeholders assume that hyperscalers will sign long term PPAs for new generation (mostly gas with modest amount of solar and batteries) after the August 2026 batch selection announcements. While this generation is expected to ramp between 2026 and 2032, there is a worry about the lack of gas pipeline infrastructure.

**\$50,000/MW Committed - Is it Refundable?** While not formally decided, we left our meetings with the view that \$10,000/mw is not refunded at the initial stage, and the non-refunded portion increases through different milestones. In our view, this is more investor friendly than we previously thought but makes cancellations possible.

**Local Landowner Opposition is Real:** There is likely to be growing opposition to 765kv lines associated with the STEP process. PUCT argued that they have the legal ability to execute on the approved projects and expected many more CCN approved before the next legislative session. While it has reasonable grounds, the 180-day timelines for CCN may be delayed given the hundreds of parties that are involved. Community pushback is centered on water rights, ugliness of datacenters, and lack of visibility in benefit for local communities.

## ERCOT Batch Study to Drive Investment in Texas

ERCOT indicated that it will decide which load to allow to connect to the grid based on:

- 1) **Neighboring load to a single existing load request.** ERCOT is not in the business of telling individual applicants where there is excess capacity and where to locate. As a result, local power grid dynamics are critical to the outlook for individual projects.
- 2) **Available Transmission:** The ERCOT base study is based entirely on transmission and grid availability and does not take into consideration generation and resource adequacy planning. ERCOT estimates that the current transmission infrastructure can support 150 to 160GW of load.
- 3) **ERCOT runs model to see what is optimal** for load which takes into account some grid management flexibility. It will also account for ramp schedules but ERCOT may ask certain parties to change their ramp schedules to get grid access.

### Withdrawal Limited Private Use Network

The WLPUN framework allows large load customers to connect to the ERCOT power grid faster and bypass traditional transmission deliverability limits by agreeing to strict demand caps and curtailment rules. This allows more load to show up without providing a strain on the grid.

**Provisional CLR (PCLR):** A transitional "connect and manage" tool that allows facilities to consume power conditionally before all long-term transmission upgrades are finished, preventing developers from facing indefinite queue delay.

**Grey Areas:** ERCOT will have to manage a fine balance between curtailing large load to encourage reliability and maintaining competitive prices that encourage new grid resource investments.

**Figure 1. Illustrative Incremental Data Center Load Scenarios from ERCOT Batch Zero**



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Source: Citi Research

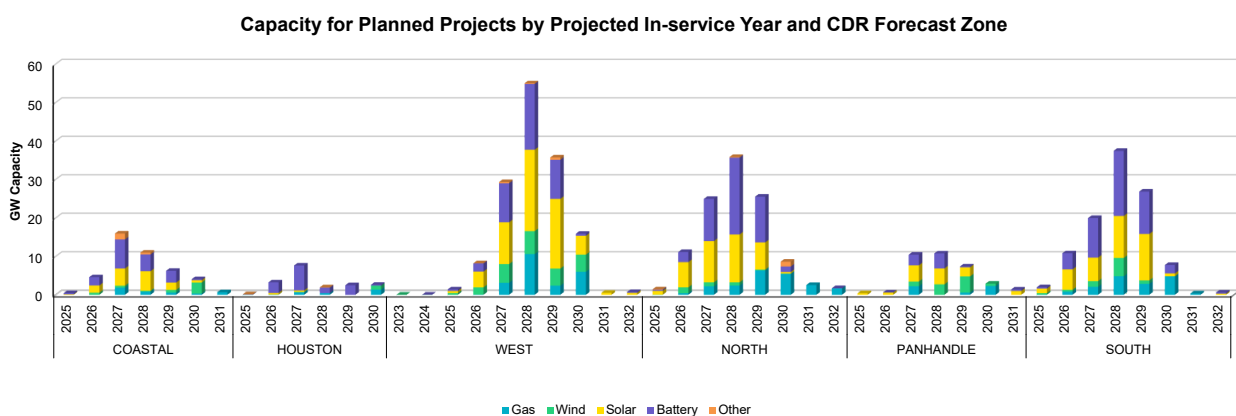
## Where is the Power Going to Come From?

**Solar and Batteries Dominate ERCOT Queue:** The ERCOT capacity queue shows virtually all planned additions through 2032 in West Texas and the South zone are solar and battery storage, with gas representing a modest share concentrated in the North and South. West Texas alone peaks at ~55 GW of planned capacity in 2028 before dropping off sharply (almost none of it is dispatchable). In our view, this is the key tension in the build-out: hyperscalers need firm, 24/7 power, but the grid is being planned around an intermittent resource mix. Any slippage in the 2027–2029 build window, whether from permitting delays, pipeline constraints, or transmission bottlenecks, puts the entire generation ramp at risk.

**Gas Gen is Being Built, but Pipeline Capacity Constraint is an Issue:** Besides backup generation under the WLPUN which is temporary in nature, the market assumes hyperscalers will sign long-term PPAs for new gas generation following the August 2026 ERCOT batch selection announcements. Ground-level permit filings suggest this build-out is already underway: VoltaGrid's Abilene project in Shackelford County is deploying 210 natural gas reciprocating engines (~709 MW) running 24/7 as dedicated data center power, with TIC (a named Entergy EPC partner) simultaneously crushing rock across three adjacent parcels in site preparation. The equipment can be sourced and built relatively quickly. The gas pipeline infrastructure to fuel it cannot.

**Power Markets Will Have to Compete with LNG:** In our view, the more underappreciated risk in the 2026–2032 is pipeline takeaway capacity. A single major interstate pipeline carries ~2.2 BCF/day, which at standard CCGT heat rates (0.167 BCF/GW) implies ~13 GW of generation capacity from one pipe. That same gas can alternatively feed LNG export terminals on the Gulf Coast, and Texas E&P has historically carried more political sway than the power and utility industry when it comes to pipeline allocation decisions. As the August 2026 batch announcements paint a clearer picture on how much new gas generation is being committed, the implicit assumption embedded in those PPAs, that sufficient pipeline capacity will exist to fuel the plants, deserves scrutiny. We see this as the key gating risk to the generation ramp that the market has not yet fully priced.

Figure 2. ERCOT Generation Capacity for Planned Projects (as of May 2026)



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Source: Citi Research, ERCOT

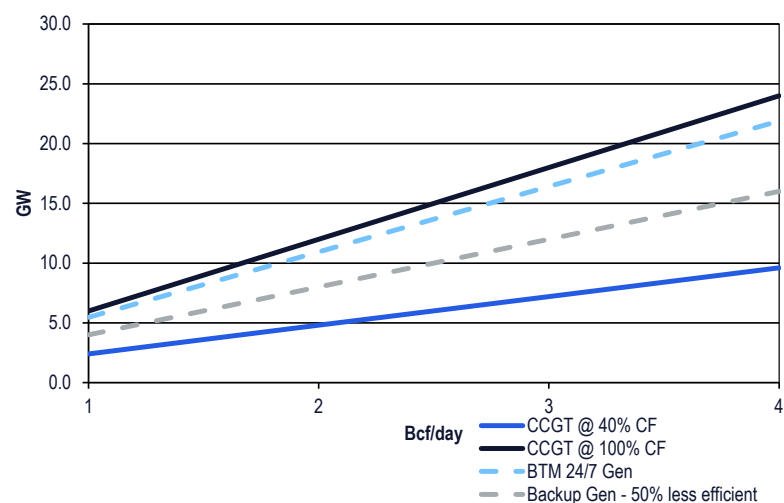
## Air Permitting Could Be Next Issue

**Air Permitting May Become the Next Constraint After Power Availability:** The highlighted permit showcases a potential challenge as Texas data center development increasingly relies on behind-the-meter generation. The 709 MW Voltagrid facility in Abilene is permitted to operate 24/7 through a fleet of 210 natural gas-fired reciprocating engines while remaining below major-source permitting thresholds. While the project complies with existing regulations, broader adoption of similar generation solutions could attract greater scrutiny around cumulative emissions, local air quality, and whether existing permitting frameworks are appropriately designed for gigawatt-scale AI infrastructure.

**Speed-to-Power May Be Shifting Generation Decisions** – The attraction of behind-the-meter generation is speed, allowing developers to secure power years ahead of traditional utility and transmission solutions. While reciprocating engines are only modestly less efficient than a modern combined-cycle plant, many other fast-track generation solutions being evaluated across the market prioritize deployment speed over fuel efficiency and emissions performance. As a result, the supporting generation infrastructure, not the data centers themselves, may increasingly become the focus of community opposition around air quality, noise, and industrialization.

**The Risk Is Cumulative, Not Project-Specific:** We do not view one permit as significant in isolation; rather, it may represent an early example of a broader trend. Historically, air permitting frameworks were largely designed around utility-scale generation or limited-use backup power systems, not fleets of continuously operating engines serving individual AI campuses. If Texas ultimately sees multiple gigawatts of AI load served by dedicated generation, air quality concerns could become a larger permitting and political issue, potentially leading to additional regulatory requirements that slow future data center development.

**Figure 3. Implied Power Generation per Bcf/Day: CCGT vs. Backup Generators**



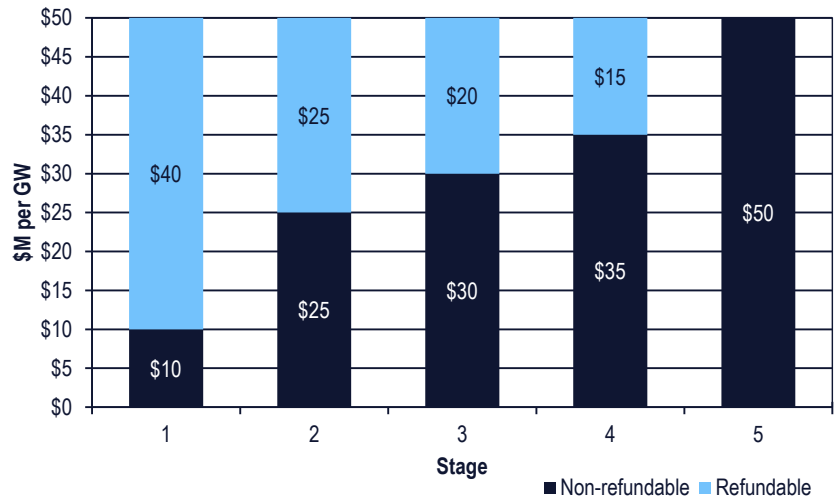
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Source: Citi Research, TCEQ

## \$50,000/MW Refundable or Not?

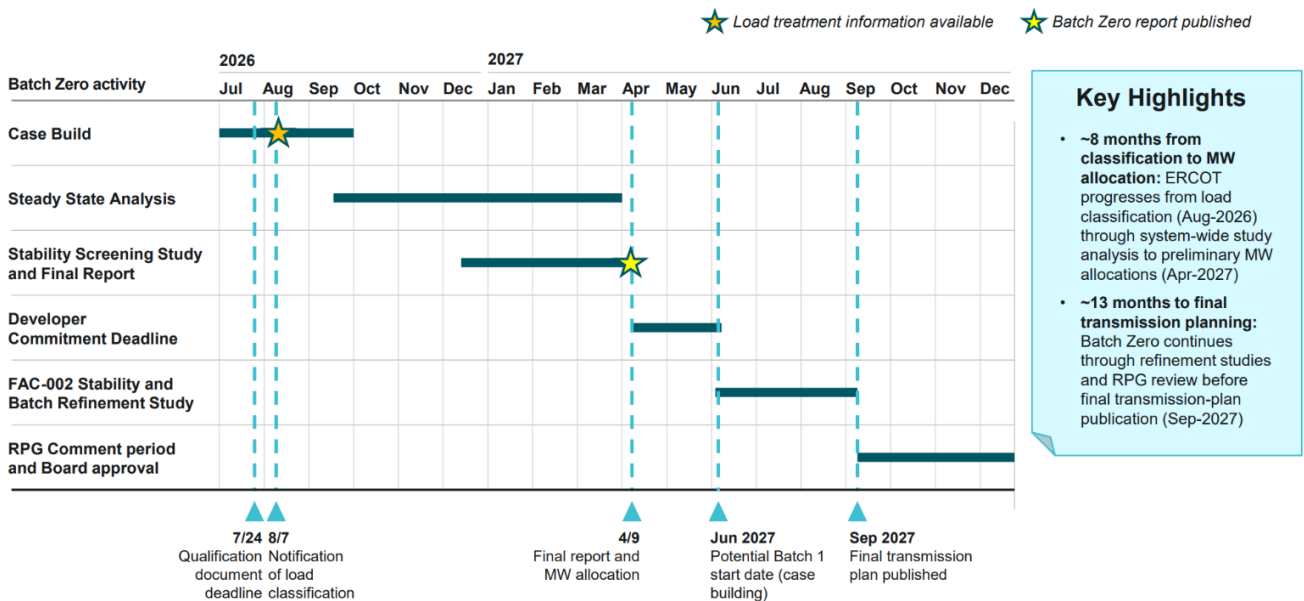
While not formally decided, we left our meetings with the view that \$10,000/mw is not refunded at the initial stage and the non-refunded portion increases through different milestones. In our view, this is more investor friendly than we previously thought.

Figure 4. Citi's View: Refundable vs. Not at Various Stages



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Source: Citi Research

Figure 5. Batch Zero Implementation Timeline



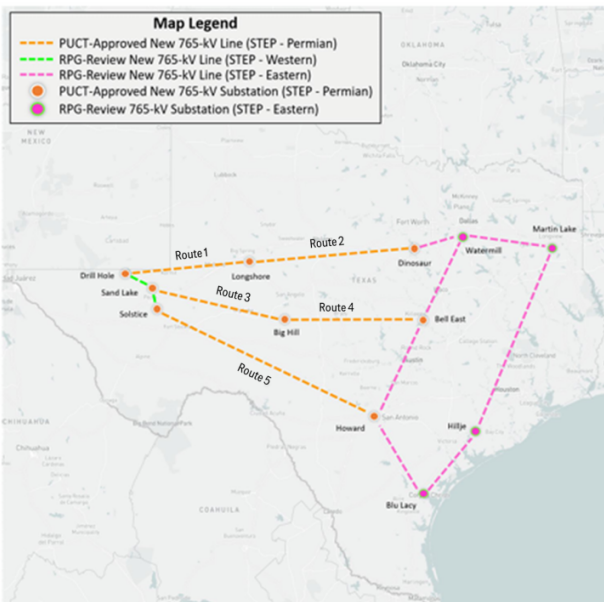
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Source: Citi Research, ERCOT

## Transmission Buildout: Landowner Opposition is a Bigger Problem Than Thought

**Extensive Public Opposition to 765-kV Lines:** In our preview note, we noticed extensive public opposition to the 765-kV Permian and STEP transmission lines. We estimate below the number of docketed protests for each of the five Permian transmission lines with CCN application at the PUCT. Routes 2, 4, and 5 have substantial number of protests. While PUCT has the final say on project approval and we think CCNs of all 765-kV lines are likely to get PUCT approval eventually, the extent of public oppositions creates political challenges for the PUCT to negotiate a practical solution to building these transmission lines with landowner groups, the CCN approval timeline may be delayed, and there is a real risk that one of the 765-kV lines could be cancelled because of practical issues that the local level. Our base case is that none of the 765-kV lines will be cancelled, but some key stakeholders in Austin are indicating that they want to see one 765-kV line cancelled to send a message.

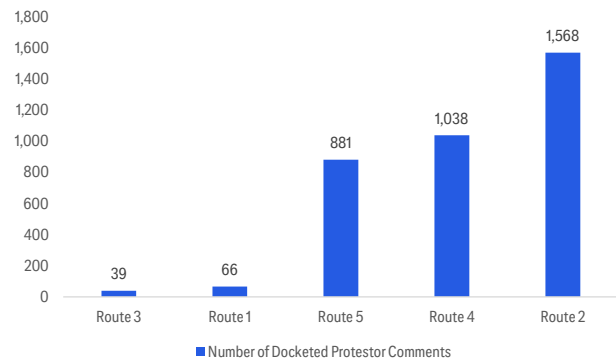
**PUCT Approval Timeline Has Bias to Delay:** The PUCT has a statutory limit of 180 days to approve each CCN application for transmission lines after they are submitted, which was mandated by the legislature through HB5066 passed in 2023. The previous timeline was 360 days. During our meeting with PUCT leadership, we got the impression that the 180-day timeline is less practical and has a bias for delay, and that the legislature may remove the 180-day requirement in the next session. As such, we think the 765-kV lines are less likely to hit key approval, construction, and COD milestones outlined in figure below.

Figure 6. Permian 765-kV Transmission Lines with CCN Application



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Figure 7. Estimated Number of Docketed Protests for Each Permian Transmission Line



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Each number is derived from the sum of 1) all comments in the public input docket for each transmission line application excluding PUCT & applicant filings; 2) mentions of "protest", "oppose", "opposition", and "constituent" in the main application docket.

Source: Citi Research, ERCOT, PUCT filings

Source: Citi Research, PUCT filings

**Figure 8. 765-kV STEP Project Timeline**

Status	Timing	Event
Actual	September 2024	Permian Reliability Plan endorsed by ERCOT
Actual	December 2025	765-kV STEP Eastern & Western Portion endorsed by ERCOT
Actual	December 2025 - March 2026	Utilities submitted Permian transmission lines for PUCT approval
Expected	June 2026 - September 2026	PUCT approval expected for Permian transmission lines
Expected	March 2027 - June 2027	Utilities to submit Eastern & Western transmission lines for PUCT approval
Expected	September 2027 - December 2027	PUCT approval expected for Eastern & Western transmission lines
Expected	December 2028 - December 2030	In-service date for Permian transmission lines
Expected	Summer 2030	In-service date for Western transmission lines
Expected	2030-2032	In-service date for Eastern transmission lines

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Source: Citi Research, ERCOT, PUCT filings

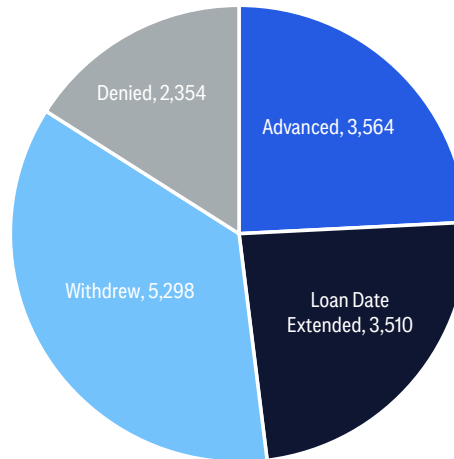
## TEF: What to Do with Leftover Cash?

**TEF Administrator Debating on the Use of Leftover Funding:** The TEF administrator has only expended \$6.3B of \$7.2B funds allocated to the TEF with many projects pulling out from the queue (see below discussion). The options are either to give it back to customers or to spend the money on other projects, for example gas generation in the Permian. Interestingly, we noticed that some stakeholders opposed to extensive transmission buildout in Texas (765-kV STEP projects) are in support for gas generation in the Permian (see [PUCT filing](#)), but it remains to be seen if building gas generation in the Permian makes sense for project economics, or if the extra funding can attract interest of gas generation developers.

**Multiple Project Withdrawals in Pursuit of Alternative Financing:** ~5.3GW of TEF projects that entered the initial due diligence stage have withdrawn from the queue. We wanted to highlight that most projects withdrew from TEF not because the developer have decided not to continue with the project, but because the developers are instead pursuing alternative financing options. We think these options could include traditional project financing structures and/or long-term contracts with large load (data centers) as gas generation has become more attractive in Texas since TEF was founded.

**Loan Initial Date Extensions Driven by Supply Chain, EPC, and Other Constraints:** ~3.5GW of TEF projects are granted loan initial disbursement date extensions to June-December 2026 compared to the statutory loan disbursement date of 12/31/2025. These projects cite supply chain bottlenecks, limited EPC availability, gas pipeline constraints, uncertainty in environment permitting and interconnection timing, market factors (low ERCOT forwards) driving extended negotiation timeline, inflation, and tariffs as causes of timeline delays.

Figure 9. Texas Energy Fund Project Status (as of June 2026; Unit: MW)



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Source: Citi Research, PUCT filings

## Community Acceptance Emerging as Challenge

Community engagement is becoming a more visible challenge for Texas data center development. The industry has largely led with a national message around AI leadership, economic development, and jobs, but local communities are focused on a different set of issues: water, power bills, noise, air quality, land use, and property values. This disconnect is starting to matter politically. Recent local actions, including Alvin City Council's resolution opposing data center development pending further study, suggest that local officials are increasingly willing to push back. For small-town mayors or county officials, an anti-data-center platform can resonate if residents believe the projects create limited local benefits while consuming scarce power and water resources.

**Political Scrutiny Has Moved From Local Pushback to Statewide Policy Risk:** The Texas data center debate has clearly moved beyond isolated community opposition. Governor Abbott's [June 10 letter](#) to PUCT/ERCOT called for data centers to pay their own infrastructure costs, evaluate impacts on communities and natural resources, and consider water-efficiency mandates and repeal of some tax incentives. Separately, the Texas GOP passed a resolution opposing additional open-loop data centers until safeguards are in place around grid reliability, water use, and community/public health impacts. The takeaway is not that Texas is anti-data center, but that the political bargain is changing: developers likely need to show they are bringing their own power, limiting water use, and providing tangible local benefits.

**Water Is the Most Visible Issue, but Power-Linked Water May Be the Bigger Concern:** Water remains a local issue, even though many hyperscale developers are already moving toward closed-loop or low-water cooling designs. Industry testimony has pointed to closed-loop systems requiring only an initial water charge, rather than the millions of gallons per day associated with older evaporative designs. A formal Texas requirement for closed-loop or water-efficient cooling could therefore be more of a political comfort mechanism than a major operational change for leading developers. The more material issue may be the water needed for incremental power generation supporting the load, particularly if

Texas increasingly relies on thermal generation or BTM gas plants to serve data centers. Chair Gleeson commented on the potential need for data centers to build additional reservoirs around the community. Data center developers may ultimately need to participate in broader water infrastructure solutions, not just optimize cooling systems on-site.

**Air Quality, Noise, and Aesthetics Are Underappreciated Local Issues:** Beyond water, communities are focused on non-attainment concerns, emissions from backup or BTM generation, noise from cooling and engine equipment, and the visual impact of large industrial campuses (large issues in rural areas). The Shackelford County 24/7 BTM generators are relevant as it shows how speed-to-power solutions can create a new set of local permitting and emissions concerns. Even if projects are technically compliant, local opposition can still build if residents view them as noisy, unattractive, or detrimental to property values.

**Developers May Need to Offer More Than Tax Base and Jobs:** We think the next phase of Texas data center development may require a broader community-benefit playbook. That could include funding water storage, reservoirs, road upgrades, grid infrastructure, noise mitigation, setbacks, landscaping, and architectural design standards. On the visual issue, large campuses that look like industrial boxes can become symbols of outside capital imposing costs on small communities. Infrastructure developers have addressed similar concerns before, including the THUMS oil islands in Long Beach, where oil production facilities were camouflaged with landscaping, sound walls, and architectural features to reduce visual and noise impacts. The broader point is that thoughtful design and local infrastructure investment may become necessary to de-risk siting, permitting, and political opposition in Texas

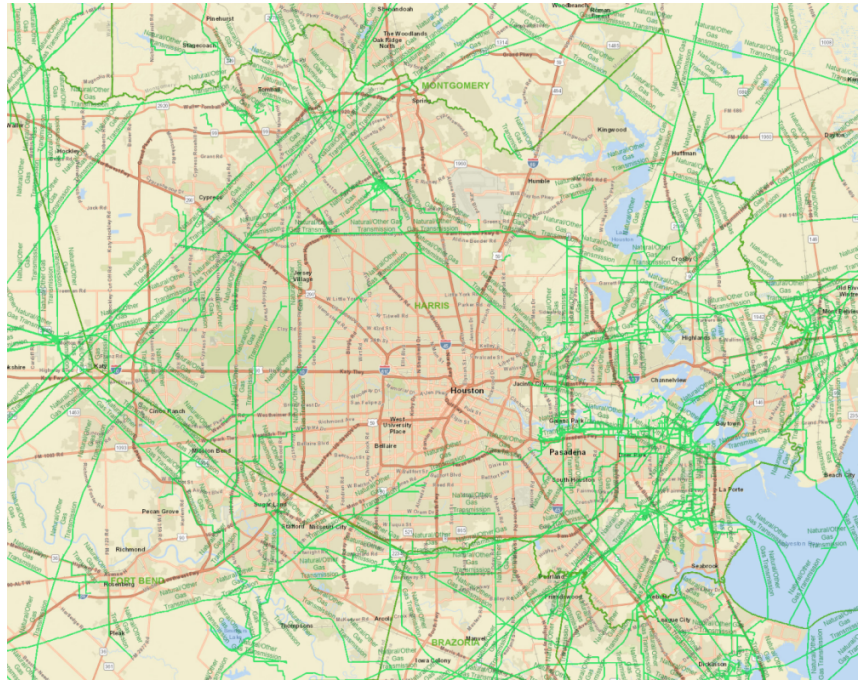
## CNP

**8-10GW of Excess Transmission Capacity in Houston - Opportunity for Large Load in Batch Zero:** CNP highlighted that there is 8-10GW of grid interconnection capacity that could be used by large load customers. This opportunity could be visible with the August batch zero update and then Centerpoint would have until April to decide on associated transmission needs. While an opportunity, stakeholders we met with worry about how practical it would be to source the generation needed to service customers of the Houston Electric system without creating an islanded power market (at very high prices in that region). The opportunity for CenterPoint is more around bill affordability than it is around capex.

**New Permian Gas Lines to Houston Create Opportunity for CenterPoint:** If any of the large gas pipelines get built, then CenterPoint should be able to leverage some right of way conversations to create a visible pathway to accelerate the timeline for its buildout of a loop around Houston.

**Equity Layer Increase Unlikely, In Our View:** We don't think the 2027 legislators will pass a law to increase the equity layer. The Texas utilities have been reaching settlements and in these settlements the equity layer weren't increased. If the companies are agreeing to deals that don't raise the equity layer, it makes it hard for the commission and legislators to take steps to mandate higher equity ratios.

**Figure 10. Houston Gas Pipeline Network (Green)**



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Source: Citi Research, Texas RRC

## Atmos Energy Corp

(ATO.N; US\$168.23; 2; 11 Jun 26; 16:00)

### Valuation

We average our valuation methodologies to derive a \$191 target price. (1) Our NAV value is a multiple of 1.85x of rate base for utilities. These values are partially offset by the company's net debt. (2) Our DDM values the company's forecasted cash flows discounted by a WACC/CAPM based discount rate. We calculate a hypothetical dividend, based on regulated capital growth, authorized returns and cost of equity to arrive at our DDM valuation. (3) Our P/E analysis indicates multiples of 20.0x and 19.5x for the company's distribution and transmission businesses. For our EV/EBITDA analysis, we use multiples of 12.5x for the company's distribution and transmission businesses.

### Risks

The key risks to our investment thesis on ATO are:

- (1) Capital Investment Recovery – ATO, relying on future rates, spends capital to maintain and expand pipeline and utility systems. A politicized commission could delay or put at risk this recovery.
- (2) Customer Growth – An unexpected increase or decrease in population could affect earnings substantially, either favorably or unfavorably.
- (3) Capital Markets – ATO is a relatively small utility in terms of market cap and trading volumes, impacting ATO's ability to access capital markets, while this type of liquidity may make it difficult for institutional investors to trade in and out of the stock.
- (4) Derivatives Markets – Volatile markets and dislocated hedges might cause losses on earnings or make ATO incur liability.

If the impact on the company from any of the following factors proves to be greater or less than we anticipate, the company could fail to achieve or exceed our target price.

## CenterPoint Energy Inc

(CNP.N; US\$42.55; 2; 11 Jun 26; 16:00)

### Valuation

We take an average of multiple valuation methodologies to derive our \$47 price target. We value regulated assets at a multiple of rate base (1.8x for gas based on the recent LDC transaction price, 2x for Houston Electric, and 1.7x for other electric utilities). We use the latest public trading prices for the publicly listed securities. Our DDM values the company at \$49. Our P/E and EV/EBITDA multiples are based on our proprietary analyses, which utilize current equity risk premiums, current betas, and projected risk-free yields. For our P/E analysis, we use multiples of 21.0x earnings for the company's utility. For our EV/EBITDA analysis, we use multiples of 12.0x EBITDA for the company's electric utility assets. Our P/E and EV/EBITDA analyses yield values of \$48 and \$47, respectively.

## Risks

The key risks to our investment thesis are: (1) Hurricanes in Texas create new liabilities, impair ROEs, and reduce company earnings. (2) TX and MN Regulatory Environments: The PUCT or MPUC could reduce delivery rates below what we consider to be a reasonable rate of return. (3) Capital Investment Recovery: CNP, relying on future rates, spends capital to maintain and expand utility systems. A politicized commission could delay or put at risk this recovery. (4) Customer Growth: An unexpected increase or decrease in population could affect earnings substantially, either favorably or unfavorably. (5) Capital markets: CenterPoint's outlook is tied to its ability to raise capital at attractive prices to fund its growth in an accretive manner. (6) Changes in Interest Rates: Any future upwards or downwards interest rate movement could affect valuation substantially, either favorably or unfavorably. And (7) Commodity Prices: commodity prices could impair customer bills and thus the regulatory support for future investment.

If the impact on the company from any of the following factors proves to be greater or less than we anticipate, the company could fail to achieve/exceed our target price.

## Constellation Energy Corp

(CEG.N; US\$246.67; 2H; 11 Jun 26; 16:00)

### Valuation

Our \$348 target price is a sum of \$36/share value creation from 5GW potential new gas generation buildout, and a weighted average of EV/EBITDA, SOTP, and P/E approaches for the business consisted of legacy Constellation and Calpine. For the existing consolidated business, we use the following approach: 1) EV/EBITDA: We applied a 13.0x EV/EBITDA multiple on our 2028E consolidated EBITDA estimate with 9.5% corporate discount rate to get implied value of \$310/share. 2) SOTP: We applied a 11.5x EV/EBITDA multiple on our 2028E EBITDA estimate for the existing consolidated business with 9.5% discount rate, and a 15% probability of realization on the NPV of all potential data center contracts for CEG's nuclear fleet and 5% probability for consolidated CEG's gas fleet at market premium. We used 5.5% discount rate for both NPV analyses to account for lower counterparty risk once the projects are in flight. This approach yields \$308/share. 3) P/E: We applied a 20x P/E multiple on our 2028E consolidated EPS estimate to get \$316/share.

### Risks

We apply a High Risk rating to CEG as the stock is High Risk per our quantitative model. We expect the stock to remain higher risk as market expectations are expected to evolve related to merchant power sales to hyperscalers, the company works to execute on power plant restarts, and power price outlooks remain volatile.

Risks to the CEG stock deviating from our target price include:

- Commodity Price Volatility & Hedging Risk: Constellation has material exposure to power, gas, uranium, and oil prices which are inherently volatile and difficult to predict. Although partially offset by hedging, changes to commodity prices could drive material changes to earnings and free cash flow. Constellation's hedging strategy could introduce new risks.
- Policy Risk: Constellation is subsidized by various state and federal credits for nuclear generation, and could be subject to higher exposure to volatile returns if these subsidies roll off earlier than expected. Negative political, regulatory, or public sentiment toward behind-the-meter deals with datacenters could reduce Constellation's possibility of contracting deals which could diminish future growth profile. Sentiment towards nuclear and oil/gas generation could impact Constellation's generation profile and operating/capital allocation decisions.
- Execution Risk: The Crane (TMI) restart is exposed to permitting/licensing risk, financing risk, and operational risk. A delayed or cancelled restart with cost overruns could impact future earnings and cash flow growth profile.
- Capital Markets & Financing Risk: Constellation's execution of its share repurchase program, growth capex, and other capital allocation decisions are subject to capital market conditions and investor valuation of its business. If there is a material change to Constellation's business outlook as a result of the risks above, its access to capital markets could change as well.
- Counterparty Risk: If Constellation's power offtakers (utilities, retail customers, and potentially datacenter developers) fail to honor contract obligations, Constellation could be subject to financial losses.

Surprises to the upside/downside on these fronts could cause the stock to exceed/not reach our TP.

## NRG

(NRG.N; US\$123.7; 1; 11 Jun 26; 16:00)

### Valuation

We arrive at our target price of \$180 through a blended average of a sum-of-the-parts valuation, an EV/EBITDA multiple, and a P/E multiple, incorporating recent acquisitions. We derive a value from our SOTP analysis: we value Generation and Retail through a DCF, and we value Vivint through its transaction price, and we subtract to account for Holdco debt. We derive a value through the EV/EBITDA multiple approach, applying a 8.0x multiple on 2027 EBITDA to reflect value accretive new build power plants, constructive view of Texas sparks, and the scarcity value of public IPPs. We also applied a 16.0x P/E multiple on 2027 adjusted EPS estimate. On top of these, we add \$20 to all valuation approaches to account for NPV of potential datacenter deals and potential interconnection sales.

### Risks

Wholesale Power Market Risk – NRG is exposed to power market fluctuations as it operates its merchant business. Generated power without long-term contracts (i.e., hedges) will be sold at wholesale market prices and could get lower or higher merchant power prices depending on the market conditions. As datacenter growth is forecasted to drive incremental power demand and rising power prices, there are risks to the stock story if datacenter load growth

doesn't materialize.

Commodity Risk – The changes in natural gas, coal, oil, and other commodity prices, which are beyond the company's control, can significantly impact profitability of NRG. The company relies on its coal, oil, gas and other fuel suppliers to generate power; hence, these counterparties are essential for continuing operation of the company.

Operational Risk – NRG sells forward a significant amount of its generating capacity and can incur substantial penalties if it is not be able to deliver on these obligations.

Execution Risk – Execution of Vivint integration/synergies through cross-selling, organic growth through margin enhancement, and cost cutting is a key risk.

Capital allocation decisions and market dynamics for IPPs are also critical.

If the impact of the above risks turns out to be greater/less than we expect, the shares could fail to achieve/exceed our target price.

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## Appendix A-1

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#### Constellation Energy Corp (CEG)

Ratings and Target Price History  
Fundamental Research

Analyst: Ryan Levine



Date	Rating	Target Price	Closing Price
14-Oct-24 21:00:00	*2H	*284.00	271.75
18-Feb-25 20:05:46	2H	*334.00	325.30
09-Apr-25 04:33:19	*1H	*232.00	215.46

Date	Rating	Target Price	Closing Price
03-Jun-25 22:21:17	*2H	*318.00	313.42
07-Aug-25 21:28:23	2H	*337.00	335.69
07-Nov-25 17:42:24	2H	*368.00	358.47

Date	Rating	Target Price	Closing Price
24-Feb-26 11:35:30	2H	*348.00	312.67

\*Indicates Change

Rating/target price changes above reflect Eastern Time

#### Atmos Energy Corp (ATO)

Ratings and Target Price History  
Fundamental Research

Analyst: Ryan Levine



Date	Rating	Target Price	Closing Price
04-Sep-24 13:48:33	2	*138.00	132.20
06-Feb-25 10:25:41	2	*148.00	143.12

Date	Rating	Target Price	Closing Price
15-May-25 15:54:10	2	*163.00	155.97
12-Jan-26 17:27:25	2	*182.00	167.61

Date	Rating	Target Price	Closing Price
07-May-26 15:54:51	2	*191.00	181.86

\*Indicates Change

Rating/target price changes above reflect Eastern Time

**CenterPoint Energy Inc (CNP)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Ryan Levine



	Date	Rating	Target Price	Closing Price
1	27-Jul-23 17:48:37	2	*\$34.00	30.36
2	29-Oct-24 15:02:09	2	*\$30.00	29.43

	Date	Rating	Target Price	Closing Price
3	28-Mar-25 04:00:00	2	*\$37.00	36.25
4	24-Apr-25 16:20:52	2	*\$41.00	37.90

	Date	Rating	Target Price	Closing Price
5	19-Feb-26 14:33:31	2	*\$47.00	42.64

\*Indicates Change

Rating/target price changes above reflect Eastern Time

**NRG (NRG)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Ryan Levine



	Date	Rating	Target Price	Closing Price
1	14-Aug-23 12:50:48	1	*\$46.00	37.00
2	06-Nov-23 17:59:54	1	*\$52.00	45.74
3	29-Feb-24 12:08:22	1	*\$62.00	55.32

	Date	Rating	Target Price	Closing Price
4	08-May-24 06:06:18	1	*\$84.00	75.82
5	30-Oct-24 14:15:12	1	*\$100.00	88.45
6	28-Mar-25 04:00:00	1	*\$133.00	95.20

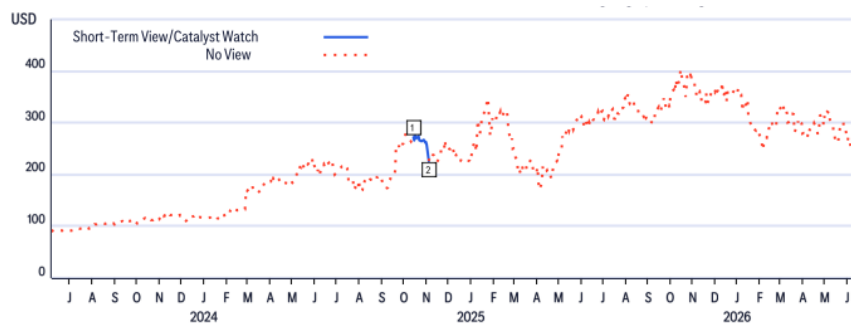
	Date	Rating	Target Price	Closing Price
7	16-Jul-25 18:26:59	1	*\$180.00	144.96

\*Indicates Change

Rating/target price changes above reflect Eastern Time

**Constellation Energy Corp (CEG)**  
Short-Term View/Catalyst Watch Research

Analyst: Ryan Levine



	Date	Action	Expected Direction	Duration	Closing Price
1	14-Oct-24 17:00:00	Add CW	Downside	90 Days	271.75

	Date	Action	Expected Direction	Duration	Closing Price
2	04-Nov-24 11:10:52	Remove CW	Downside	90 Days	226.00

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

NRG (NRG)

Short-Term View/Catalyst Watch Research

Analyst: Ryan Levine



	Date	Action	Expected Direction	Duration	Closing Price
1	28-Mar-25 00:00:00	Add STV	Upside	90 Days	95.20
2	26-Jun-25 12:26:16	Remove STV	Upside	90 Days	161.54

	Date	Action	Expected Direction	Duration	Closing Price
3	04-Feb-26 10:42:21	Add STV	Upside	30 Days	143.99
4	03-Mar-26 08:24:15	Remove STV	Upside	30 Days	162.06

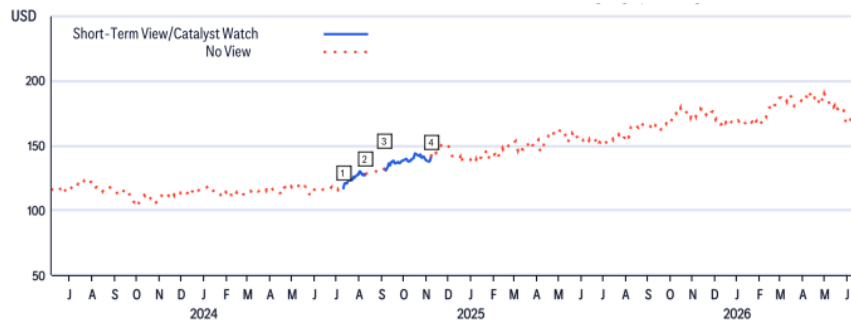
CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Atmos Energy Corp (ATO)

Short-Term View/Catalyst Watch Research

Analyst: Ryan Levine



	Date	Action	Expected Direction	Duration	Closing Price
1	10-Jul-24 03:00:00	Add STV	Upside	30 Days	117.01
2	09-Aug-24 12:11:44	Remove STV	Upside	30 Days	128.05

	Date	Action	Expected Direction	Duration	Closing Price
3	04-Sep-24 09:48:33	Add STV	Upside	90 Days	132.20
4	07-Nov-24 12:33:59	Remove STV	Upside	90 Days	141.44

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

CenterPoint Energy Inc (CNP)

Short-Term View/Catalyst Watch Research

Analyst: Ryan Levine



	Date	Action	Expected Direction	Duration	Closing Price
1	09-Apr-26 09:03:45	Add STV	Upside	90 Days	44.13

CW - Catalyst Watch, STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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Citigroup Global Markets Inc.

Xinru Yin; Ryan Levine; Amber Zhao

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