Q4 2016 Earnings Call

Company Participants

- Barbara Tuckfield, Director - Investor Relations
- David Slater, President
- Gerard M. Anderson, Chairman & Chief Executive Officer
- Gerardo Norcia, President & Chief Operating Officer
- Peter B. Oleksiak, Chief Financial Officer & Senior Vice President

Other Participants

- Anthony C. Crowdell, Analyst, Jefferies LLC
- Brian Chin, Analyst, Credit Suisse Group AG
- Greg Gordon, Analyst, Evercore ISI
- Gregg Orrill, Analyst, Barclays Capital, Inc.
- Jonathan Philip Arnold, Analyst, Deutsche Bank Securities, Inc.
- Julien Dumoulin-Smith, Analyst, UBS Securities LLC
- Michael Weinstein, Analyst, Credit Suisse Securities (USA) LLC
- Neel Mitra, Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.
- Paul T. Ridzon, Analyst, KeyBanc Capital Markets, Inc.
- Shahriar Pourreza, Analyst, Guggenheim Partners
- Steve Fleishman, Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to the DTE Energy 2016 Year-End Earnings Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Barb Tuckfield. Please go ahead, ma'am.

Barbara Tuckfield {BIO 19701481 <GO>}

Thank you, Lynn, and good morning, everyone. I would like you to read the Safe Harbor statement on page 2 of the presentation, including the reference to forward-looking statements. Our presentation also includes references to operating earnings, which is a non-GAAP financial measure. Please refer to the reconciliation of GAAP earnings to operating earnings provided in the Appendix of today's presentation.

With us today are Gerry Anderson, Chairman and CEO; Jerry Norcia, President and COO; and Peter Oleksiak, Senior Vice President and CFO. We also have members of management to call on the during the Q&A session.

And now, I'd like to turn it over to Gerry.

Gerard M. Anderson {BIO 1391607 <GO>}

Well, thanks, Barb. And good morning, everyone. Thanks for joining us.

This morning, I'm going to give you a quick recap of our performance in 2016 last year, and then I'm going to hand it over to Jerry Norcia, who will review our long-term growth update. And then, Peter will review the financial highlights. He'll also provide an overview of how tax reform affects DTE and then we'll wrap things up and take it to Q&A.

So we have a tremendous amount to be proud of at DTE as we look back at 2016. And I'm going to start with a quick recap of our accomplishments on slide 5.

So our ability to sustain success over the years has been built on the foundation of our employees. Employees who are committed to bringing high energy every day when they come to work and employees who are willing to do what's needed to deliver on our commitments to you, our investors, year after year. Our ability to deliver to you is a culture that we've built here.

And so it's no coincidence that the two achievements that I'm actually most proud of in 2016 both involve our employees. We had the best safety record in our company's history last year by a wide margin, a big beat on safety. And look, safety is always a top priority in a company like ours, but it's also a great leading indicator of your employees' level of focus and their discipline.

We also achieved our highest employee engagement score ever. We placed in the 93rd percentile of the top 7% of Gallup's worldwide database in 2016. That's measured across millions of employees and thousands of workplaces across the globe. It was our fourth consecutive year for earning the Gallup Great Workplace Award. That's an award given to only a handful of companies worldwide and we remain the only utility company ever to receive it.

Moving on to customer satisfaction, we rank second in the Midwest for both gas and electric residential customer satisfaction. So, our focus is on being number one in those rankings. So, we'll go back to work on that. Our biggest lever for getting that number one ranking remains improving electric reliability. And so with that in mind, we have been making significant investments in recent years to improve electric reliability and those investments have been paying off. We had the best electric reliability for our customers in over a decade in 2016.

And our future plans continue to include significant investments to build on that progress. And Jerry Norcia will give you an update on our details regarding infrastructure investments in general in just a few minutes.

Now, moving on to the political and regulatory arena on slide 6, we continue to work hard to earn and deserve a constructive regulatory environment here in Michigan. And this year, we received two rate case orders and those rate case orders allow us to continue to upgrade and modernize our infrastructure, make our investments in cleaner generation and improve reliability for our customers.

I would tell you as we work our way through that investment slate, we're also very, very focused on managing customer affordability. On the legislative front, Governor Snyder singed Michigan's Energy Legislation into law back in December. And I think the legislation is a positive step forward for the state. So the legislation supports our transition to cleaner energy sources and it also includes provisions for ensuring reliability from all energy suppliers that are in the mix in Michigan.

The legislation contained a number of provisions related to retail open access, so the 10% cap was maintained and under certain conditions the cap can be reset below 10%. Importantly, alternative providers must prove that they're able to meet their capacity obligations. And if they're able, they will need to pay a capacity charge.

We also have a new rate case cycle, so rate case orders will be received 10 months after filing. And this replaces the prior 12-month cycle with the associated self-implementation process.

The legislation also establishes new renewable energy standards. So, there is a requirement of 12.5% by 2019 and 15% by 2021. We are well on our way to satisfying those requirements, as we already generate over 10% from renewable resources. And we added two new projects in 2016 and we have 150 megawatt wind investment approved and ready to go for 2018. And by the way, utilities can also now own 100% of these renewable investments, which is a change from the 2008 legislation.

So overall, we are happy with the legislation. I mean, no legislation is ever perfect, but this legislation does support the transformation of our generation fleet to cleaner resources and it does address an important reliability issues for the people of Michigan.

Moving on to financial results and our growth and value creation, in 2016, we announced our plans to retire 11 coal-fired units and our plans to build roughly 1,000 megawatt gas combined cycle unit. We also had successes on the non-utility front. So we completed the second largest acquisition in the company's history, the Link Pipeline acquisition, which complements our existing Gas Storage & Pipeline portfolio very well and that acquisition provides us with another significant growth platform in the pipeline arena.

Regarding our NEXUS pipeline, we achieved a number of important milestones in 2016, including moving forward with a host of engineering and procurement activities and receiving the final environmental impact statement. We were disappointed that we didn't receive the final approval for the project last Friday. We really thought that we would because the project has its staff work complete and it is ready to go. But what we've learned is the FERC worked through the queue that they had sequentially by filing date and they simply ran out of time on Friday at midnight, before addressing NEXUS.

So we've received a number of calls into our IR area about what this means for us and so forth. So I think I'll just address those questions now.

So the typical timeframe for confirming a new FERC Commissioner is about two to three months. But we'd like to think that the fact that the FERC lacks a quorum for the first time in its history will result in the process moving along more quickly than that. And we will certainly be one of many parties that are urging the Senate to move things along quickly.

That said, here's how things work for us. Once FERC does reestablish a quorum and issues an order on NEXUS, we will move forward with construction. And we have a variety of construction scenarios that get us to a fourth quarter 2017 in-service and which scenario we trigger depends on the timing of the order and the instruction start date.

So bottom-line is, if we get a certificate on a reasonable timeframe for approving a new Commissioner, we move ahead and we put the pipeline in service in 2017. And we're going to move ahead under any circumstances.

That said, given the lack of a FERC quorum, we'd like to think the administration and Senate will move quickly on this. And I was encouraged to see Senator Murkowski, who Chairs the Senate Energy and Natural Resources Committee and governs this nomination process, I was encouraged to see her come out with a statement on this. And just to quote her, she said she committed to make it a top priority to work with President Trump and her colleagues to move the nominee rapidly to reestablish a working quorum on the Commission.

And then lifting our heads up to look beyond the next few months and to look beyond 2017, we continue to believe that NEXUS is going to be a great long-term investment for the company. In our recent discussions with potential additional shippers, both LDCs and producers, certainly support that thinking.

Turning on to slide 7 and talking about our financial results, you can see that the results in 2016 were strong. Our operating earnings were $5.28. So this marks the 10th consecutive year that we have exceeded our original guidance for the year and, in fact, we exceeded it this year by a wide margin.

During the course of last year, we increased our EPS growth target range to 5% to 7%. It had previously been 5% to 6%. And our communication of this new range was tied to our ability to limit equity issuances, which allows for minimal equity dilution. It was also tied to firming up our midstream opportunities, including our new Link acquisition and it was tied to our continuing investments in utility infrastructure.

Our 2017 guidance of $5.31 a share is up 6.5% versus our initial guidance of $4.93 given a year ago on this call. So that $5.31 essentially internalizes into our 2017 guidance the strong weather upside that we saw last year. And that guidance for 2017 also calls for continued healthy growth at our Gas Storage & Pipeline business this year.

In addition to setting new EPS growth targets last year, we also increased our 2017 dividend by 7.1% and communicated that we're targeting annual dividend increases of about 7% through 2019. So the 2017 dividend increase, which is approved by our board of directors, signals a vote of confidence in the company's current financial strength. And we certainly recognize the importance of our long history of dividend growth and the role it plays in delivering premium shareholder returns.

And along that line, the combination of our efforts to both grow the company's earnings and increase our dividends has resulted in total shareholder returns that have been in the top quartile of the S&P Utilities Index for the past 1, 3, 5 and 10-year periods. And given the way that we're positioned entering this year, I have to tell you I feel really, really good about our ability to add to that record in 2017.

And to give you a little more color on why I feel that way, I'm going to turn things over to Gerry Norcia for an update on our long-term growth plans. Jerry, over to you.

Gerardo Norcia {BIO 15233490 <GO>}

Well, thanks, Gerry, and good morning, everyone. I'll start on slide 9, which lays out what our capital investments look like over the next five years.

Over this time period, we will invest $13.5 billion of capital, up 12.5% versus the prior five years. As you can see on the right side of the page, a big piece of that will go into our electric business, almost $8.5 billion. This will fund the generation transformation and distribution infrastructure improvements that Gerry just mentioned.

On the gas front, we have $1.8 billion of investment plan, much of that is related to infrastructure renewal including gas main replacement, and we do have some capital related to the NEXUS project. At the Gas Storage and Pipelines business, we have about $2.5 billion of investment over the next five years that will go into the expansions of assets and the construction of the NEXUS pipeline. For our Power and Industrial business, our investment is about $800 million for co-generation and on-site energy projects.

Now on to the next slide, which provide some more detail on our electric distribution investments. So we're on slide 10. We have a sizeable distribution system, about 45,000 miles of distribution lines and over 400,000 distribution transformers. Most of that was built and completed between the 1940s to the 1970s. And as the infrastructure ages, its performance have started to deteriorate and there is a need to invest in and modernize the systems, which is something that our customers are expecting and we will provide for them.

Our quality reliability, as Gerry mentioned, is one of our largest gaps in terms of customer satisfaction. We'll have to continue to focus on upgrading circuits to improve reliability, substation redesign, avoid system overload, remote monitoring capabilities to detect outages and our enhanced tree trimming program to eliminate outages.

In the distribution system, we're along on investment opportunities. Our challenge will be to manage affordability for our customers. However, we do believe these investments will be accompanied by substantial cost decreases and productivity increases over the next decade.

Our gas utility is also entering a period of significant investment to better serve our customers and renew our aging infrastructure, as I'll discuss on slide 11. We're focusing on accelerating the replacement of our aging cast iron and unprotected steel pipe. We have approximately 4,000 miles of that in the ground today. We've reduced our main replacement time horizon by half to 25 years from our original base of 50 years and we're always looking for ways to continue acceleration through productivity enhancements and efficiency enhancements.

At the same time, we're automating and moving meters outside to reduce cost along with our electric meters. And finally, we continue to invest in pipeline integrity to strengthen the system and decrease the potential of system failures.

Now, I'll move on to our non-utility segment, the Gas Storage & Pipeline business, which starts on slide 12. Our activity over the next few years at Gas Storage & Pipelines are focused on expanding our growth platforms. As Gerry mentioned, we expect NEXUS will move into service in the fourth quarter this year. Our Link assets have been a great addition to the Gas Storage & Pipeline portfolio. Even though we've only owned the assets for a short time now, the initial market interest is very positive.

Near-term shipper demand is greater and coming sooner than we anticipated. Actually, if the current shipper interest materialized into contracts, we wouldn't have enough pipe capacity to handle it with the current configuration. And we're actively working on our renegotiating contracts for longer terms and increasing volume commitments. Investments like these ones I've just described will enable us to continue growth in this segment at a very healthy pace.

Now, I'll turn it over to Peter Oleksiak to discuss the financial update and implications of potential tax reform. Over to you, Peter.

Peter B. Oleksiak {BIO 7535829 <GO>}

Yeah. Thanks, Gerry, and good morning to everyone. I'm going to start on slide 14. Gerry mentioned 2016 came in strong with earnings of $948 million or $5.28 per share. For reference, our reported earnings were $868 million or $4.83 per share. And you can find the detailed breakdown of EPS by segment including our reconciliation to GAAP reported earnings on slide 27 of the Appendix. Overall, our growth segment operating earnings were $923 million or $5.14 per share.

Now, let's touch on each segment in detail, starting at the top with our electric utility. DTE Electric earnings for the year was $622 million, and $60 million higher than 2015, driven by warmer weather and rate case impacts. We invested some weather favorability into customers-centric reliability projects and which we do when we have upside with a warm summer. We also self-implemented a rate increase on August 1 that supports the infrastructure improvements we have made since the last rate order. A more detailed year-over-year earnings variance of the DTE Electric segment can be found on slide 20 of the Appendix.

DTE Gas 2016 operating earnings of $138 million was $6 million higher than 2015. And this increase was driven primarily by self-implementation of a rate increase in the fourth quarter and the gas main replacement surcharge. The rate increase and surcharge were offset by warmer weather.

For the Gas Storage and Pipeline business, operating earnings were $127 million in 2016, which are $20 million higher than 2015. This increase is across the portfolio of business lines, mainly the pipeline and storage platforms. Operating earnings for the Power and Industrial business were $95 million and at the same level as 2015.

Rounding out our growth segments in 2016 is our Corporate and Other segment, which was $11 million unfavorable compared to 2015. And this was due to a tax adjustment related to the acquisition of our Link assets and our Gas Storage and Pipeline business.

Energy Trading had operating earnings of $25 million in 2016, which is up $10 million, driven by higher realized power and gas results from prior year multiyear transactions accruing in 2016. Overall, our trading company contributed $40 million of economic income in 2016, which is well above our targeted annual level of $20 million to $25 million.

Main sources of value from this business unit is the cash it generates, which has averaged $50 million per year over the last 10 years, offsetting the need to issue equity. Slide 26 of the Appendix contains our standard Energy Trading reconciliation, showing both economic and accounting performance. Overall, DTE's earnings of $5.28 per share was $0.46 higher per share than 2015.

Let's move on to our 2017 guidance on slide 15. Our guidance for operating earnings is unchanged from the earlier outlook we provided you at EEI. We are targeting an operating EPS range of $5.15 per share to $5.46 per share in 2017 and total growth segment guidance is $5.12 to $5.38. And as Gerry mentioned, this provides a 6.5% increase from our 2016 original guidance midpoint and this is at the high end of our new EPS growth range of 5% to 7%.

Supporting this growth are infrastructure investments that enhance reliability at both utilities and returns from investments of our Gas Storage and Pipeline segment. We provided what we believe to be a conservative guidance for Energy Trading as we expect income to accrue into 2017 from multi-year transactions.

Slide 24 of the Appendix shows our cash and capital guidance for 2017 just as a reference. Even though we're expecting to invest nearly $2 billion in our utilities, we're again targeting zero equity issuances this year. I feel very confident that we'll be able to achieve our earnings targets we have set for this year.

Turning on to page 16, before we get into questions, I'd like to talk to you about how tax reform could potentially affect us. First, I want to give a shout out to all the CFOs before me who have been stressing this complicated issue in their year-end calls. We know that investors have a keen interest in understanding the impact of DTE on potential tax reform.

And given all the moving pieces and how early it is in the legislative process, it is really premature to give precise numbers on the impact of tax reform. And having said that, there are key elements of the tax reform package we have been analyzing. And I wanted to share with you today how those elements affect our portfolio of businesses.

The key design elements of the reform are reduced corporate tax rate, the potential loss of interest expense deductions and a potential for 100% expensing of capital investments in year one. I'll first take you through our utility and our non-utility businesses, then I'll talk at a high level about the implications on a consolidated basis.

For our utilities, when you look at the impact of our lower tax rate, it'll be positive for customers and shareholders. At a 20% tax rate, there is $1.7 billion of deferred tax liability re-measurement. And with normalization and refunded customers over the remaining life of the assets that created the benefit will provide good savings and some more rate affordability.

Now, this refund of cash will be replaced in part by incremental equity infusions into our utilities. And there's also reduction that customer bills for the current taxes expense, these reductions will be netted with the cost increase from losing the tax shield on interest expense. There is a potential to backfill some of the net savings for customers with reliability infrastructure investments because we have a significant backlog of distribution reliability investments, which are being paced by affordability considerations.

This incremental investment could and would result in improved customer satisfaction and additional earnings in cash. It would be good for both customers and shareholders. As a reminder, with a 100% capital expensing, there is only a timing benefit to our customers versus interest tax rate deduction, which is a permanent loss of value for our customers. And that's why (22:49) advocating preserving the interest deductions.

Given the significant bonus depreciation taken in recent years, both our utilities are in a tax NOL position and customers will see no benefits to the 100% expensing over the next five years. And shareholders will see no impact on the incremental equity levels of utilities related to new capital spend.

For non-utility subsidiaries, tax reform will be positive for shareholders. The lower end of tax rate more than offset the expense of interest for losing the interest tax deduction. It's also a deferred benefit related to 100% capital expensing that would flow to the bottom line.

What makes us a bit distinctive from other companies is that we have a good portion for our holding company debt which is backed by profitable non-utility businesses. And for the holding company which houses parent company debt, there'll be a negative impact. If interest is not tax deductible, there'll be some impacts from the rate change with a loss of interest rate tax shield will flow to the bottom line, irregardless of the rate.

The lower the tax rate will have a negative impact on our holding company if interest is still deductible, since the tax shield is lower. Also, given the low cash taxes currently paid, there'll be less cash flows from utilities, which would put some pressure on the balance sheet metrics.

On a consolidated DTE level, the non-utility earnings increase will offset the loss of the tax shield on the holding company debt. Equity and earnings increases at our utilities from replacing deferred income taxes and new capital backfilling, the tax rates will be a positive flow on a consolidated basis.

In summary, at this early stage of development, we do not believe that tax reform proposed would modify our 5% to 7% operating EPS growth and we also believe it could have some benefits to our customers.

Now, I'd like to quickly wrap it up on slide 17 and then open the line for questions. Once again, we had a very good year on 2016. Our employees continue to bring their best energy to work every day with our focus on engagement and safety. Our utility investment approach focusing on value-driven projects is enhancing the customers' experience while maintaining affordability. We remain focused on working to grow infrastructure regulatory environment and the strength of our utility and non-utility business gives me confidence that we will deliver the growth that we've committed to 2017 for our shareholders and beyond.

So before I could turn it over to the operator for Q&A, I have to mention that our Tigers' first sprint training game is a short two weeks away. And I guess for those on the East Coast who are hitting a snowstorm today, a little hope is on the way with spring. And I'm really feeling good about our chances in 2017.

With that, we can take your questions. So, Lynn, you can open the line up for questions. That'd be appreciated.

Q&A

Operator

And we'll take our first question from Michael Weinstein. Please go ahead. Your line is open.

Q - Michael Weinstein {BIO 6584239 <GO>}

Hi, good morning.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Good morning.

Q - Michael Weinstein {BIO 6584239 <GO>}

So on NEXUS, just wanted to confirm that you're still at two-thirds subscription at this point and does the delay in approval affect that all? When do you expect to fill up the rest of the remaining one-third?

A - Gerardo Norcia {BIO 15233490 <GO>}

So this is Jerry Norcia. Thanks for the question, Mike. We can certainly build the pipe based on the schedule that we're on right now and have a significant amount of interest from LDCs and producers that we're working on to fill out the balance of the pipe. And, yes, the pipe is still currently two-thirds subscribed.

A - Gerard M. Anderson {BIO 1391607 <GO>}

If I read your question just as a follow-up to that, does it change it all? No, the shippers that we have are committed to the pipe through the contracts. And I think what Jerry is implying is that we're in some very interesting discussions right now with LDCs and shippers about additional volumes. So we continue to feel good about this pipe and its dynamics.

If you look at our experience in recent years with our assets in Pennsylvania, the Bluestone project, and now what we're experiencing with Link, when you get a pipe in a great region, demand seems to come at you faster than you expect once you've got those assets in place ready to serve the market. That's what we found in Pennsylvania. We've expanded that pipe over and over, and the initial work we're doing down at West Virginia with our Link assets is very encouraging as well. So we expect the same experience here because the resources both Utica and Marcellus around the NEXUS pipeline are first-rate resources. They're great resources.

Q - Michael Weinstein {BIO 6584239 <GO>}

I mean, just to be clear, you wouldn't be announcing an expansion of the extra 1.5 Bcf or 0.5 Bcf expansion until after construction is finished on this first 1.5 Bcf right?

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yes. Correct.

Q - Michael Weinstein {BIO 6584239 <GO>}

Okay. All right. Thank you very much.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thank you.

Operator

Thank you. And we'll take our next question from Julien Dumoulin-Smith. Please go ahead. Your line is open.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey. Good morning.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Good morning, Julien.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Julien.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

So perhaps just to follow-up on the same subject here. What's the latest point in time this year that we can get that FERC approval to make sure that you hit this 4Q 2017 timing?

A - Gerard M. Anderson {BIO 1391607 <GO>}

So what we were trying to communicate is that if we go along on a reasonable timeframe, we're going to move into constructing period this year. But any reasonable window, we've got flexibility in the schedule to complete in the fourth quarter. Now, obviously, you can't push this thing out forever. It's fourth quarter project. So if they get into a substantial delay beyond what would be normal, we would adjust the schedule, move into it and take what came. But our expectation is, given the pressure on this and the lack of a quorum, they're going to move to the short end not the long end of this. And, with that, we're just fine.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

So basically, if I just make sure I hear you right, I mean, any time through the end of the second quarter would be sufficient for you to complete the constructing activities to meet your 4Q construction target, or is there a specific date that we -?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I don't think we have a specific date. As you might expect, you got a construction schedule and we're moving around parts and pieces on that. What defines it is there are environmental windows you hit. So when I say we're moving parts and pieces, essentially come back to those areas that have environmental requirements later and work around it. And so I don't know that we're out communicating an ironclad date, it really – we're really just going to look to when we get that. We've got a lot of flexibility in the construction schedule. I think the highly likely scenario is we get this in a reasonable timeframe and put it in 2017. But in reality, this is a pipe that's a 40-year pipe, so what happens with a few months at the front-end is not that big a deal.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Got it. And just to expand on that a little bit further. With respect to the existing contract agreements that you have, is there some specific date at which you need to get the project in service, be it 4Q 2017 or at some point in 2018? Just want to understand at what point they have some optionality.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Do you want to take that one, Jerry?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. The contracts that we have certainly accommodate this front-end delay and our customers would remain committed to us.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Got it. Okay. So there is some latitude built in?

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Okay, great. And then just to follow-up, if I can, on the other side of the house, the renewables. Obviously, we've got the legislation in the quarter, you discussed it on the call. To what extent does your current CapEx budget reconcile with the new 21% target there in the five-year window?

A - Gerard M. Anderson {BIO 1391607 <GO>}

So I think we're working through that in the IRP process. Through 2018, I mentioned on the call, we have a pretty substantial investment, 150 megawatts of wind. We put in 100 megawatts this past year. So we were moving in that direction. But we need to work now into the IRP process that was included in the legislation to determine the actual timing and mix that will bring in that renewables on.

So I don't want to get the cart ahead of the horse, so to speak. But I think it is – if you were to say, is this going to put more renewables in the mix, then might have been the case under a different IRP or without the requirement, I think the answer to that is yes. So this will add a healthy mix of renewables to our investment over the next five years or so. But the specifics of that, we're going to file – work our way into the IRP process this year and we'll be getting details out in the actual investment timeframe as we do that.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Got it. Sorry, just a quick detail there. What does the additional 150 megawatts you talked about get you in terms of the RPS? I mean what percent?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I probably I've to get back to you on the details, but I guess it's somewhere in the 11%s. So we're working to 12.5% by 2019 and 15% by 2021. That will put us somewhere in the 11%s.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Great. Thank you guys, very much.

A - Gerard M. Anderson {BIO 1391607 <GO>}

You bet.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thanks.

Operator

Thank you. And we'll take our next question from Greg Gordon. Please go ahead. Your line is open.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Hey, Greg.

Q - Greg Gordon {BIO 1506687 <GO>}

Thanks. So just not to beat a dead cart before a dead horse on the NEXUS pipeline, if we wind up being a quarter delayed, two quarters delayed, and I'm not saying that that's at all even remotely the base case, there's no risk to losing shippers on the pipe. It would just be timing on when you'd start to generate earnings and cash flow.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Correct.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay, great. Thank you. Pardon me, if you answered this in the script, because I was a bit distracted earlier. But in the IRP process, at what point will we get a sense of whether or not you're going to need more steel on the ground in terms of traditional capacity to deal with the return of customers or from – the demand for capacity from retailers because of the new capacity framework in the law?

A - Gerard M. Anderson {BIO 1391607 <GO>}

If I'm reading your question, when will we know if we need to be responsible for covering the capacity for customers that might come back?

Q - Greg Gordon {BIO 1506687 <GO>}

Correct.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yeah. Well, so the Commission's going to go through a process this year of establishing a supply reliability mechanism they call it, which is really this charge. And then, over the course of the balance of this year, they'll set out the process under which that supply reliability mechanism will be implemented. And then, in the first quarter of 2018, about a year from now, alternative suppliers need to inform the Public Service Commission of their supply plan and they need to submit proof of capacity. So that's about a year away.

And then, if they can't, then we're into discussions about how we would cover that and their payments to us for covering the capacity that they can't serve. So, I think as we play out over the next year, that'll become clear.

Q - Greg Gordon {BIO 1506687 <GO>}

But that doesn't give you much time to plan or invest in making sure that there's incremental capacity actually available, should there be. So you'd have to cover that short position, theoretically, with either existing capacity or go into the market. And my understanding is there's really only two power plants in the state that are really available for significant incremental capacity needs. One of them already has a tie into PJM, and the other is DIG (35:07). So are those the only two options, if you wind up being really net short at the last minute with no ability to plan?

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yeah. So one of the realities of transitioning from an environment that we had before, which was there really were no reliability requirements for alternative suppliers, to a future environment where they have clear reliability requirements because you got to go through a transition period. So you're right, there's a period of a couple of years here where we're going to see whether they can or can't, and if we get load coming back to us, we've been clear with our regulators that we're going to do everything we can to make supply available from our resources. We'll contract with other resources. We're just going to have to do everything we can to work to get reliable supply for the state.

And then to your point, as years go by, your flexibility to invest in assets and contract with other assets goes up. So, yes, a couple of years of transition here where we and the state are going to be working our way into this and doing the best we can to make sure that we've got reliable supply.

Q - Greg Gordon {BIO 1506687 <GO>}

Great. Last question and it's on your disclosures on discussion on tax. Thank you for that. It's extremely useful. When you think about that the sensitivities – and clearly, obviously, there's 1 million permutations off the base case you've laid out. But when you think about the sensitivities in the base case group within the 5% to 7% growth target, and you talked about the reduced cash flow impact from lower taxes at the holding company putting pressure on the metrics, does that mean that you might tilt back into needing to issue equity to fund your growth? Or do you feel like that the holding company could absorb more leverage to continue to fund uses of cash? Or is that really not the case, because you're also assuming no interest deductibility, so your lowest cost of capital would be equity?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I'm going to hand this one to Peter because he has been engineering to look at these scenarios.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

I've been chin deep probably or not.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yeah. And he's deep. Although I would say that we kind of headed into this year with the notion that this was going to happen fast and there were specifics being put out there. But as you talked about other industries and people on the Senate, there's a sense that like is usual. This issue is complicated. There's lots of competing interest. I think the Senate's inclined to go more slowly. So we're not getting overly whelmed up with particulars and specifics right now. We're trying to gauge first order effect, second order effect, sorts of things. But with that, we have been looking at it carefully. So, Peter, back to you.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Yeah. And, Greg, I said a lot of words in my prepared remarks, but maybe a way to think about it simply is I have parent company debt, but I have profitable non-utilities, right. So depending on interest rate deductibility, it could be – we're seeing it, our non-utilities really kind of support if we lose the interest rate deductions on all debt. And if we don't (38:24) they could be a potentially positive. So it's probably neutral to positive.

And our utilities over time, as we're refunding the customers cash under deferred liability, that's going to get backfilled by equity. So that's going to definitely help shareholders. And we see, with the rate affordability, the potential to do some additional capital spend that'll be beneficial to customers. And that's going to basically increase earnings and cash over time.

So it's really – I would say, it's kind of timing issue. When you think about our utility and the holding company cash, I really anticipate that we'll have. And if we do issue equity, it probably would be related to we do additional capital spend in our utilities to kind of backfill some of the rate affordability.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay. Thank you, guys. Good results. Congratulations.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thank you. Appreciate it.

Operator

Thank you. And we'll take our next question from Paul Ridzon. Please go ahead. Your line is open.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

You kind of just touched on it, but the language impact is manageable kind of suggest downside risk here. Am I reading that wrong?

A - Gerard M. Anderson {BIO 1391607 <GO>}

You're talking about taxes?

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Yes. I'm sorry.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yeah. No, it's not meant to imply that. So here's what I'd say on taxes. What I asked the team to do is, look, we communicated 5% to 7% earnings target. If these taxes flow through, are we still confident we can deliver that earnings target? And the answer to that is yes. We've seen nothing here that would suggest we have any concern about that. But you do get flows in and out, so it's good for our non-regulated business in terms of their earnings, their parent company impacts. Peter just described the flows in and out at our utilities. And when we put all that together for the company, we come out and say that 5% to 7% feels good to us.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

So given your business mix, I assume you'll prefer the House language as opposed to the Administration's language?

A - Gerard M. Anderson {BIO 1391607 <GO>}

You're saying – so can you clarify the question? You're saying we'd prefer to have -

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Well, the House is, the Administration is you had this either or in terms of the interest rate deductibility for the 100% capital. So, we like that language. We like to have the option to preserve the interest rate deductibility.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Okay. Thank you.

A - Gerard M. Anderson {BIO 1391607 <GO>}

You bet.

Operator

Thank you. And we'll take our next question from Jonathan Arnold. Please go ahead. Your line is open.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Yeah. Good morning, guys.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Morning, Jonathan.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Good morning, Jonathan.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

I apologize for asking that last questions in a slightly different way, but I had the same impression. When you net everything together, although you obviously still feel good about 5% to 7%, do you see the scenario that you put on the slide as one that would push you down in the range as opposed to up, or it's basically a neutral?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

I think Gerry has mentioned kind of the first order impact, when we ran these scenarios, what's fundamental to our growth rate is the capital we're spending across our business line. So when we ran a variety of tax scenarios, some were maybe slightly positive and some slightly negative, but did not fundamentally change the growth rates that we saw.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Okay. Well, thanks for clarifying that. And then, if I could, on the P&I segment, obviously, in the EEI update, there was a good amount of talk about the things you're going to go after to fill in the white space there. Is there any update in terms of which areas you feel you're going to have traction on at this point or is it a little early yet?

A - Gerard M. Anderson {BIO 1391607 <GO>}

So we do have a project in the P&I business where we have – and it's a nice project where we have been chosen as the counterparties to negotiate the final agreement with the counterparty that we like. So we're working our way through that process. That project is going to be reviewed with our board and so forth. So we've got to work that now from being chosen to finalize an agreement to a final agreement, but we hope that one will happen this year. Assuming it does, it'd be a nice addition to the portfolio there.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

And would that pull, Gerry, into the sort of utility like bucket?

A - Gerard M. Anderson {BIO 1391607 <GO>}

Yeah. Our long-term contract would involve combined heat and power and some very interesting investments in other things like a big geothermal system and so forth. So, yes, it would involve a very long-term contract at a site of a good counterparty. And so we're hoping that that one is landed and moves forward this year.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

And how many sort of projects of that type of scale would you need to sort of fill in the ask you have in the outlook?

A - Gerard M. Anderson {BIO 1391607 <GO>}

You mean – well, let me just take it. As you know, we got to step-down in 2020 of our REF earnings. And we'd need probably three like this of this sort of scale to offset that. We also have some interesting things happening actually on the biomass front in that business that I think will be contributors to what I just mentioned. It's a little different project type, but we're having some good activity there. So, we would need two to three of the type I just mentioned and the biomass playing to that as well.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

And then if I remember right that you'd probably need maybe another two or so to deal with the 2022 incremental step-down in REF. Is that about right?

A - Gerard M. Anderson {BIO 1391607 <GO>}

That's correct. We'd need more projects of this scale out there.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Okay. And then, just can I maybe – I'll just ask one more thing on NEXUS and you've been come to this two-thirds contracted level for a bit. And I apologize if you referenced this. I missed the front of the call. But do you think, for the negotiations you referenced, shippers and LDCs going to wait for this final approval or do you think there's a chance that you could have something to announce on that sooner?

A - Gerardo Norcia {BIO 15233490 <GO>}

I think that what we'll see is like in our other platforms, like Millennium, Bluestone, and the Link acquisition, as we come closer to being in operation with this pipeline, is I think when we'll start to see a significant amount of activity and closing of these deals. That's our expectation.

Q - Jonathan Philip Arnold {BIO 1505843 <GO>}

Okay, great. Thank you, guys.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thank you.

Operator

Thank you. And we'll take our next question from Anthony Crowdell. Please go ahead. Your line is open.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Hey, good morning. Just a couple of quick questions. I guess, Gerry, on the NEXUS front with the construction schedule, how many miles a day is reasonable in order for you to get this pipe online by year end? What's the reasonable expectation in construction?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I'm going to turn that to the guys who are closer to the construction schedule. I don't know if we've got miles a day on the tip of our tongue. But it's a – the pipe itself is how many miles?

A - David Slater {BIO 20523364 <GO>}

Yeah. We have – this is David Slater speaking. We have 250 miles to construct in greenfield construction. And again, we want to do that as quickly as we can as soon as we get the regulatory approvals. So, we can do the math here. I'm doing the math in my head here. You divide that with the months up by the miles and it's multiple miles a day. So...

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

It's been quite some time since I've built a pipeline. Is multiple miles a day a reasonable expectation?

A - David Slater {BIO 20523364 <GO>}

Yeah.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Okay.

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes, it is. We'll have four spreads of 700 men approximately spread. And getting multiple miles per day is pretty standard in the industry. So it's not that we're stretching that in any way.

A - Gerard M. Anderson {BIO 1391607 <GO>}

These things go in. It's pretty amazing. You think that they – a $2 billion project, 250 miles goes in, in months. That's what happens.

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes.

A - Gerard M. Anderson {BIO 1391607 <GO>}

When you put this thing into the construction process, it flies. So yeah, that's what's anticipated.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Great. And on tax reform, do you guys think that's more of a 2018 event or it occurs in 2017? I know the Trump administration has been moving fast with a bunch of items. But do you think tax reform lines up more with the mid-term elections or is it something you believe happen in 2017?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I don't know that we're deep enough to make a call on that. I will say we've been in discussions with our delegation and with people in the Senate and have listened closely to others who are. And I know that the House wants to move quickly, but I think the Senate, from the signals we're picking up, is more cautious. I had a conversation with one who said, look, we've got to be really careful that we don't run an experiment with the world's largest economy. We need to think about some of these and make sure we understand their impact on debt levels, their impact on import-export flows and so forth.

So the only think I'd say is, and it's no surprise to you, our industry has clear efficacy but so do a whole lot of other industries who are coming into the mix. And whenever that happens, things take time. So the sense that this might happen really early I think is unlikely and I think the pacing will be set in the Senate, which will be more deliberant and give it more consideration, which is difficult.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

And just lastly, Peter, you gave us the update on the Tigers, but you left out that Red Wing probably one of the last teams in the league. How much do you think the coach lasts this season? Do you think Blashill will last the season?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

I do not.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

All right, great. Thanks for taking my question, guys.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

The new stadiums will.

Operator

Thank you. And we'll take our next question from Neel Mitra. Please go ahead. Your line is open.

Q - Neel Mitra {BIO 16431920 <GO>}

Hi. Good morning.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Good morning.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Neel Mitra {BIO 16431920 <GO>}

I just had a general question on the FERC pipeline approvals. Have you seen any themes in the order of pipelines that are approved? Just kind of curious as to why some were approved before the FERC quorum ceased to exist and if you're going to be kind of at the top of the queue or the end of the queue, once we do have a quorum again.

A - Gerard M. Anderson {BIO 1391607 <GO>}

They went through an order of submission. So it was that simple. And one way to have gone through would have been maybe most ripe or fewest complications. And the other way to go through is order of submission and they went through an order of submission. And I'm not inside the decision making as to why they did that, but I think they knew that this would be an important issue to a lot of companies. So they probably chose a method that they thought was fair and reasonable and that was the one they chose.

So not surprisingly, we were very close to the process and they were working their way through it as fast as they could, but they were issuing a boat load of orders. They just didn't make it through. That's the bottom-line. We have had feedback that the project is in good shape, it's clean, it's ready to go, all those sorts thing, just didn't get it in the window. So I think the key is to get a Commissioner approved, get a clean one, get one that's pre-vetted, get them into the FERC quickly so they can get back in business.

For a President who wants infrastructure projects to move, he's got a lot of them out there ready to go with thousands of jobs per project with one thing that's defining when all that starts. And that's getting one Commissioner there ready to pick back up what they were rushing with last week or I guess two weeks ago.

So that's why we think getting one of these names is what an awful lot of people are advocating. Let's just take a candidate that's acceptable and vetted and get him in place and then we can worry about filling out the balance of the slate later.

Q - Neel Mitra {BIO 16431920 <GO>}

So in terms of the projects that have yet to be approved, you're saying you just basically were one of the last ones that were yet to be approved so you'd be at the top of the queue once we have a quorum back in. Is that the way to look at it?

A - Gerard M. Anderson {BIO 1391607 <GO>}

Well, I didn't say at the top of queue. Actually, I don't know all the projects in the sequence. I do know that we were further out in submission date than the last project approved. But it wouldn't take long once they got back to work. We were expected to be approved right in the timeframe that they were working on. That was the original date. So we really thought we would make it and we're surprised. But I think it was a result of the fact that they took on a bunch of extra work trying to push out projects by date of submission. And so we missed it probably by days or a day, unfortunately. But I don't think it'll be – I'd be very surprised if it were very long once they get a quorum back before we popped up and we're ready to go.

Q - Neel Mitra {BIO 16431920 <GO>}

Got it. And then just one last question on the Link lateral growth and basically adding contracts. So it seems like you have a lot of interest from shippers, and just general timing as to when you think you'll get from that 80%-ish contract to fully contracted, and what type of contracts you're looking at? Are they minimum volume commitments or just general fixed fee commitments? Anything you can provide on that.

A - Gerard M. Anderson {BIO 1391607 <GO>}

I'll turn that one to Jerry Norcia.

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. Thanks, Gerry. So we're looking at a – just to give you some color on this, we've taken an investment to our board just recently. So we'll be able to disclose some more details to that in the near future, we hope. We're in the final stages of executing those agreements, which will involve a significant incremental investment in the pipe, as well as move towards meeting our pro forma and exceeding our pro forma in this investment. So we expect a lot more investments like that. And I think to your question of nature of contract, the nature of the contract that we're in deep discussions on now is long-term contract with minimum volume commitments. So, I think it continues to move us towards our goal. And as Gerry mentioned, really support that 5% to 7% growth rate for the company.

A - Gerard M. Anderson {BIO 1391607 <GO>}

So Jerry mentioned one that we took to our board. That was a specific investment and involves a substantial capital investment to pull that off. And then, we are in discussions with several other shippers in the area about their desire for capacity expansions. And those would – I mean, those are pushing us very closer or to if they're – if we were to deliver on the ones that are in discussion, we'd be in expansions pretty quickly of the pipe we bought. So, that was why we were indicating that the feel of this in just a few months after we bought the pipe is really good. Already won major capital investment for expansion in the works and several other discussions of that sort that are very serious.

Q - Neel Mitra {BIO 16431920 <GO>}

So just to clarify, do you have to make incremental investment to basically fill up the pipe right now? So if you got to 80% to 100%, do you have to put capital in or is the investment beyond the 100%?

A - Gerardo Norcia {BIO 15233490 <GO>}

I think in our pro forma, we had a modest amount of investment to go in to fill the pipe. And that'll be in the form of compression and expansion of laterals or connecting a few laterals. So in our base case, yes, there was a modest amount of capital that would go in.

Q - Neel Mitra {BIO 16431920 <GO>}

Okay, perfect. Thank you very much.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Compression capital, for example, to increase compression to deliver higher volumes.

Q - Neel Mitra {BIO 16431920 <GO>}

Great. Thank you.

A - Gerard M. Anderson {BIO 1391607 <GO>}

You're welcome.

Operator

Thank you. And we'll take our next question from Brian Chin. Please go ahead. Your line is open.

Q - Brian Chin {BIO 5763426 <GO>}

Hi. Thanks. Good morning.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Brian.

Q - Brian Chin {BIO 5763426 <GO>}

Just going back to the whole FERC quorum question, we noticed that your slide deck doesn't have the Millennium pipelines in there. Any sort of impact from the FERC lack of quorum affecting the Millennium pipeline timetables?

A - Gerardo Norcia {BIO 15233490 <GO>}

Not at this point.

Q - Brian Chin {BIO 5763426 <GO>}

Okay, great. Also, you didn't spend a whole of time on P&IP in some of the acquisition pickups that you've done recently. Any sort of update there?

A - Gerard M. Anderson {BIO 1391607 <GO>}

Well, the update I gave earlier is probably the best one that we've got. One project that we went through a selection process, we are the selected party working toward negotiating a final agreement, net of the substantial project and investment to add to the portfolio. So our hope is we work through that successfully and have that project landed and going this year.

There is another project of that type that's in the works and down to a couple counterparties that are competing kind of for that on. So that's a possibility. And then I mentioned that we're getting some interesting investment opportunities in the biomass space as well that I think could be material contributors to doing what that business line needs to do over the next four to five years, which is really what we've communicated.

Our goal for them is to offset the step-down that REF will have. That's really the charge that we've given to that business unit. And the investments that I just described are of the scale and of the sort that would do that.

Q - Brian Chin {BIO 5763426 <GO>}

Great. And then one last one for me. FERC's recent rejection of the MISO capacity auction changes. Do you think that there's any play on that or how might that affect the Michigan Commission's process for the reliability charge, any sort of thoughts there?

A - Gerard M. Anderson {BIO 1391607 <GO>}

In the legislative process, we anticipated that that could happen. So there was an alternative path set up in the legislation, which really handed the reliability planning to the Commission. So that's the path we're on. There is a state reliability mechanism established in the legislation where the Commission now takes over the process of setting a capacity charge and then establishing a process whereby alternative suppliers need to come in and show that they've got the resources contracted to meet their reliability commitments and procedures, if they can't meet those commitments, for a capacity charge to be paid to us or to consumers in order to make sure those are taken care off. So that was all anticipated as a possibility.

Q - Brian Chin {BIO 5763426 <GO>}

Great. Thanks a lot, guys.

A - Gerard M. Anderson {BIO 1391607 <GO>}

You bet.

Operator

Thank you. And we'll take our next question from Gregg Orrill. Please go ahead. Your line is open.

Q - Gregg Orrill {BIO 1532939 <GO>}

Yeah. Thank you. In the fourth quarter, is it possible to break out the two adjustments relating to tax and the debt charge at the corporate level? And then on NEXUS, you mentioned the wildlife impact. Is it possible to quantify what part of the – how much of the project that relate to or maybe that's not even a material thing that you're worried about?

A - Gerard M. Anderson {BIO 1391607 <GO>}

I'll turn it to Peter to answer the first question.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

The first question, Gregg, it's roughly half and half. I mean, half of it was related to the tax to our Link acquisition. The other half was with the early debt redemption charges for the holding company.

Q - Gregg Orrill {BIO 1532939 <GO>}

Okay. Thank you.

A - Gerardo Norcia {BIO 15233490 <GO>}

On the second question related to NEXUS, at this point, we feel all the environmental conditions that we would have, we can accommodate with the different construction scenarios that we have. So we feel comfortable that we can meet the fourth quarter in-service with those in place.

Q - Gregg Orrill {BIO 1532939 <GO>}

Thanks, Jerry.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thank you.

Operator

Thank you. And we'll take our next question from Shar Pourreza. Please go ahead. Your line is open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, guys. My questions were answered. Thanks.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thanks, Shar.

Operator

Thank you. And we'll take our next question from Steve Fleishman. Please go ahead. Your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah. I'm good as well. Thank you.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Thanks, Steve.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks, Steve.

Operator

Thank you. And we have no further questions at this time. I would like to turn the conference back over to our speakers for any additional or closing remarks.

A - Gerard M. Anderson {BIO 1391607 <GO>}

Well, I'll close out just by saying that we feel great about 2016. Still, we had a really good year. I feel really good about the way we're set up for 2017. We've communicated our guidance for the year and we always plan flexibility around that guidance to deal with whatever comes. So, I'm confident we'll deliver it for you again in 2017.

And Jerry Norcia took you through our future growth and I feel very good about that as well. We've received a lot questions about NEXUS here this morning that are really playing out over the next few months. But as I said earlier, when you start to look long-term, both of the GSP portfolio and a large slate of things we're doing at our utilities, I think our prospects of adding to that record I mentioned of 1, 3, 5 and 10 years in the top quartile of TSR, I feel good about that because I think we've got strong fundamentals ahead of the company.

Hope you feel the same way. Appreciate your questions and look forward to seeing you all soon.

Operator

Thank you. And this does conclude today's conference. Thank you for your participation. You may disconnect your line at any time and have a wonderful day.