

Q4 2021 Earnings Call

Company Participants

- David McFarland, Director Investor Relations
- Diane Leopold, Executive Vice President and Chief Operating Officer
- James R. Chapman, Executive Vice President, Chief Financial Officer and Treasurer
- Robert M. Blue, Chairman, President and Chief Executive Officer

Other Participants

- Durgesh Chopra, Evercore ISI Group, Inc.
- Jeremy Tonet, J.P. Morgan
- Ross Fowler, UBS
- Steve Fleishman, Wolfe Research

Presentation

Operator

Welcome to the Dominion Energy Fourth Quarter and Full Year 2021 Earnings Conference Call. At this time, each of your lines is in a listen-only mode. At the conclusion of today's presentation, we will open the floor for questions. Instructions will be given for the procedure to follow if you would like to ask a question.

I would now like to turn the call over to David McFarland, Director Investor Relations.

David McFarland {BIO 20946446 <GO>}

Good morning, and thank you for joining today's call. Earnings materials, including today's prepared remarks, may contain forward-looking statements and estimates that are subject to various risks and uncertainties. Please refer to our SEC filings, including our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q for a discussion of factors that may cause results to differ from management's estimates and expectations. This morning, we will discuss some measures of our company's performance that differ from those recognized by GAAP.

Reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measures, which we can calculate are contained in the earnings release kit. I encourage you to visit our Investor Relations website to review webcast slides, as well as the earnings release kit.

Joining today's call are Bob Blue, Chair, President, and Chief Executive Officer; Jim Chapman, Executive Vice President, Chief Financial Officer, and Treasurer; and other members of the executive management team.

I will now turn the call over to Bob.

Robert M. Blue {BIO 16067114 <GO>}

Thank you, David, and good morning, everyone. I'll start by outlining Dominion Energy's compelling shareholder return proposition. We expect to grow our earnings per share by 6.5% per year through at least 2026, supported by our updated $37 billion five-year growth capital program resulting in an approximately 10% total return.

That's all underpinned by Dominion's industry-leading ESG profile, which includes the largest regulated decarbonization investment opportunity in the country, which as you will hear in today's prepared remarks is steadily transforming from opportunity to reality.

Our strategy is anchored on a pure-play state-regulated utility operating profile that centers around five premier states as shown on Slide 4. All share the philosophy that a common-sense approach to energy policy and regulation puts a priority on safety, reliability, affordability, and sustainability.

Next, I want to highlight what a successful year 2021 was in the continuing execution of our strategy. For example, we continue to provide safe reliable service to our customers, ensuring that safety remains our top priority when it comes to our employees, our customers, and our communities. We reported our 24th consecutive quarterly financial result that normalized for weather meets or exceeds the midpoint of our guidance range. A reflection of our focus on continuing to provide consistent and predictable financial results.

We successfully concluded substantial rate cases in Virginia, South Carolina, and North Carolina. In each case, demonstrating our ability to deliver constructive regulatory results for both our customers and our shareholders in these fast-growing premier and business-friendly states. And we significantly advanced our clean-energy growth plans on a number of fronts. For instance, we received our Notice of Intent from BOEM for our regulated offshore wind project in July as planned. And filed our rider application with the Virginia State Corporation Commission on schedule in November. And we propose new solar and energy storage projects and our second annual clean energy filing in Virginia. The largest such group ever proposed.

Looking ahead, we've rolled forward our five-year growth capital plan to capture the years 2022 through 2026. We now expect to invest $37 billion on behalf of our customers. The investment programs are highlighted on Slide 5 with over 85% focus on decarbonization

As meaningful as these near-term plans are, consider on Slide 6, how they compared to the long-term scope and duration of our overall decarbonization opportunity. Our initiatives extend well beyond our five-year plan. We now project $73 billion of green investment opportunities through 2035, nearly all of which will qualify for regulated cost-of-service recovery. This is as far as we can tell the largest regulated decarbonization investment opportunity in the industry.

With that, I'll turn it over to Jim to walk through our financial results and guidance, before I provide further business updates on the execution of our plan.

James R. Chapman {BIO 19939701 <GO>}

Thank you, Bob, and good morning. Our fourth quarter 2021 operating earnings as shown on Slide 7, were $0.90 per share, which included a $0.03 hurt from worse than normal weather in our utility service territories for the quarter. Weather normalized results were again above the midpoint of our quarterly guidance range.

Positive factors as compared to last year, include growth from regulated investment across electric and gas utility programs, higher electric sales due to increased usage from commercial and industrial segments, and higher margins at contracted assets. Other factors as compared to the prior year include a slight catch-up in COVID deferred O&M and weather.

As Bob mentioned, this is our 24th consecutive quarter, so six years now of delivering weather normal quarterly results that meet or exceed the midpoint of our guidance ranges. We believe this historic consistency across our results is worth highlighting, and as a track record we're proud of and one which we are absolutely focused on extending.

Full year 2021 operating earnings per share were at $3.86 above the midpoint of our guidance range even in the face of a $0.05 hurt from weather for the year. As we detailed on Schedule 2 of our earnings release kit, 2021 GAAP earnings of $3.98 per share were $0.12 higher than operating earnings for the year.

Turning now to guidance on Slide 9. As usual, we're providing an annual guidance range, which is designed primarily to account for variations from normal weather. We're initiating 2022 operating EPS guidance of $3.95 to $4.25 per share. The midpoint of this range is in line with prior annual EPS growth guidance of 6.5% in 2022 when measured midpoint to midpoint. As I think has been expected as part of our role forward to a new five-year forecast period, we are once again extending our long-term growth rate by one more year. We now expect operating EPS to grow at 6.5% per year through at least 2026.

Finally, we expect first quarter 2022 operating earnings per share to be between $1.10 and $1.25. Positive drivers for the quarter as compared to last year are expected to be normal course regulated rider growth, continued modest strengthening of sales, and return to normal weather. Other drivers as compared to last year are expected to be O&M and tax timing. We expect our 2022 full year dividend to be $2.67, reflecting our target payout ratio of approximately 65%. We're also extending the long-term dividend per share growth rate of 6% per year through 2026.

Slide 10 provides a breakdown of five-year growth capital plan which Bob introduced. For more detail on all of this, I would point to the very comprehensive appendix materials. But just a couple of items I'll note here. We continue to forecast a total five-year rate base CAGR of 9%, broken out here by segments and major driver. And over 75% of this planned growth CapEx is eligible for rider recovery. Of course, capital investors under riders allow us for timely recovery of prudently incurred investments and costs.

Turning to Slide 11. We've updated our financing plan, which reflects a combination of internally generated cash flow and debt issuances to fund the majority of our growth and maintenance CapEx. Our plan assumes we issue programmatic equity of just 1% to 1.5% of our current market cap annually, through our existing DRIP and ATM equity programs in line with prior guidance. No change to our 2022 equity issuance plans, and no block or marketed equity is contemplated. We view this level of steady equity issuance under existing programs as prudent, EPS accretive, and in the context of our sizable growth capital spending program appropriate to keep our consolidated credit metrics within the guidelines for our strong credit ratings category.

To that point, as shown on Slide 12, our consolidated credit metrics have remained steady, and our pension plans have increased the funded status. We're very proud of these results. We continue to target high BBB range credit ratings for our parent company, and A range ratings for our regulated operating companies. Our long-standing focus on achieving and maintaining these ratings is important for our ability to continue to secure low-cost capital for our customers.

As is the norm, our financing plan reflects our ongoing efforts to efficiently redeploy capital towards our robust regulated growth programs. As I've mentioned in the past, as part of our capital allocation process, we undertake constant analysis to find the most efficient sources of capital to fund our attractive utility growth programs in our key states. All while maintaining our operating EPS growth and credit profiles.

Given that focus, as announced this morning, we've agreed to sell our West Virginia Natural Gas utility Hope Gas to Ullico for gross proceeds of approximately $690 million. The transaction is expected to close late this year subject to customary closing conditions, including clearance under HSR and approval from the West Virginia Public Service Commission. Proceeds will be used to reduce parent-level debt.

The transaction value achieved through a competitive sale process represents approximately 26 times 2021 net income and 2 times rate base. As a reminder, Hope Gas operates only in West Virginia and serves about 110,000 customers. Bob will address this transaction a bit more in a moment.

Turning now to electric sales trends. Fourth quarter weather normalized sales increased 1.4% year-over-year in Virginia, and 2.3% in South Carolina. In both states, consistent with the trends seen last quarter, we've observed increased usage from commercial and industrial segments overcoming declines among residential users as the stay-at-home impact of COVID waned.

Full year 2021, weather normalized sales increased 1.4% year-over-year in Virginia, and 1.6% year-over-year in South Carolina. Looking ahead, we expect electric sales growth in our Virginia and South Carolina service territories to continue at a run rate of 1% to 1.5% per year, no changes from our prior communications.

Next, let me discuss what we're seeing around input prices. As discussed on prior calls, we're continuing to monitor raw material costs, and it seems to be the case across a number of industries right now. We're observing higher prices, although we've seen a moderation in the upper pressure over the last few quarters.

As relates to our regulated offshore wind project, we remain confident in our ability to deliver the project in line with our budget, as outlined in our filing to the SEC in November. Also no changes here from prior communications. As was disclosed at that time in November, we've entered into five major fixed cost agreements, which collectively represent around $7 billion of the total capital budget. Within those contracts, only about $800 million remains subject to commodity indexing most of its steel. And this component of the budget already reflects commodity cost increases we all observed in 2021, leading up to our filing date in November. And our capital budget, of course, includes contingency.

On the solar side, we're seeing what others seem to be seeing. Supply is tight, prices for certain components are up. But our 2021 projects were completed with no material impacts to cost are schedule, and our '22 projects remain on track. Beyond '22, we've been generally successful on contracting et cetera, but it's still early. So, again, we're watching, but no material financial impacts for share at this time.

So to summarize, we reported fourth quarter and full year 2021 operating EPS, which is above the midpoint of our guidance ranges, extending our track record to six years of meeting or exceeding the quarterly midpoint on a weather normal basis. We initiated 2022 full year operating EPS guidance that represents a 6.5% annual increase midpoint to midpoint. We affirmed the same 6.5% operating EPS growth, guidance through 2026. We introduced a $37 billion high-quality decarbonization-focused five-year growth CapEx plan that drives at approximately 9% rate base growth. We continue to expect a vast majority of our spending across our segments to be in rider form. And finally, our balance sheet and credit profile remain in very good health.

And with that, I'll turn it back over to you Bob.

Robert M. Blue {BIO 16067114 <GO>}

Thanks, Jim. Starting with safety, Dominion Energy finished 2021 with its second-best performance ever. Additionally, the company was the top performer in the 2021 Southeastern Electric Exchange ranking. We take pride in our relentless focus on safety and it's the first of our company's core values. While our safety performance relative to industry is very good our goal has been and continues to be that none of our colleagues get hurt ever.

Our customers highest priority is reliability. They expect their power will come on when they need it period. In the past year, our customers in our electric service areas in Virginia, South Carolina and North Carolina had power 99.9% of the time, excluding major storms. When major storms approach, we stage equipment and people to be ready. So crews can swing into action as soon as it is safe to do so.

As we did for the first winter storm of 2022, the dumped wet heavy snow on most of the Northern, Central, and Western regions of Virginia, interrupting service to over 400,000 customers. Over 87% of those customers had service restored after two days of restoration and

96% within four days. Our crews worked around the clock in frigid temperatures and treacherous I see travel conditions to safely restore service to our communities.

Our gas distribution business knows that safe and reliable service is the priority, especially when exigent circumstances exist. When an emergency notification is received we typically have a crew on site twice as quickly as the industry expects a response time. Last month, we had the highest ever flow of gas at our Utah system, and the highest ever daily throughput across our Ohio system, higher even than the polar vortex of 2019. And in both cases, our service never missed a beat and our customers would never have known we were setting all-time records. I'm proud though not surprised at the way in which our Dominion Energy team members have responded on behalf of our customers.

Now, I'll turn to updates around the execution of our growth plan. In Virginia, the SEC approved the comprehensive settlement agreement for our first triennial review in November. We're very pleased to be extending our track record of constructive regulatory outcomes. On top of that, we are incredibly excited about what Dominion Energy is working to accomplish, specifically our green capital investment programs on behalf of our customers in Virginia, which I will touch on in a few minutes, nearly all of which will grow earnings under-regulated rider mechanisms. Since the Virginia rider investment programs are reviewed and trued up annually, they are not included in the Virginia triennial review process. Based on these trends, the Virginia base investment balance as a percentage of total Dominion Energy declined to about 13% by 2026 as expected to continue to decline as a percentage in the future.

Turning to offshore wind. The country's only fully regulated offshore wind project is very much on track. As it relates to the SCC rider application, we're currently in the discovery phase. And today, this process very much conforms with what we typically expect during a rider proceeding of this type. Major project milestones are listed on Slide 15. We expect to receive a final order from the SCC in August this year.

A few items to reiterate here. First, this project will provide a boost to Virginia's growing green economy, by creating hundreds of jobs, hundreds of millions of dollars of economic output, and millions of dollars of tax revenue for the state and localities. It will also propel Virginia closer to achieving its goal to become a major hub for the burgeoning offshore wind value chain up and down the country's East Coast.

Second, unlike any other such project in North America, this investment is 100% regulated and eligible for rider recovery in Virginia. Finally, the VCA provides very specific requirements on the presumption of prudency for investment in the project, which we are confident that we have already met.

Our Jones act compliant wind turbine installation vessel is being constructed and is on track for delivery in late 2023 as originally scheduled. The project is currently about 43% complete. We expect the vessel will be in a central resource to DEV as well as to the overall domestic offshore wind industry. And will be entering service with plenty of time to support the 2024 turbine installation season.

Our other clean energy filings in Virginia are also progressing well. Last month, we are very pleased to see the SEC approved Phase 2 of our grid transformation plan for projects that we plan to deploy in 2022 and 2023. These projects will facilitate the expected increase in distributed energy resources, like small scale solar and expand electric vehicle infrastructure as well as enhanced grid resiliency and security. Our clean energy and nuclear rider filings remain on track. Final orders are expected later this year as outlined on Page 18.

Through 2020, we have successfully reduced our enterprise-wide CO2 equivalent emissions by 42%. That's great progress, but it's not enough. By 2035, we expect to improve that reduction to between 70% and 80% versus baseline on our way to meet net-zero by 2050. As shown on the right side of Slide 19, the transition to a clean energy future means reduced reliance on coal fired generation. Back in 2005, more than half of our company's power production was from coal fired generation. By 2035, we project that to be less than 1%.

We show our timeline for transitioning out of coal on Slide 20. By the end of the decade, as part of our ongoing resource planning, we expect to be coal free in South Carolina and have only two remaining facilities at Dominion Energy in Virginia for reliability and energy security considerations. While our IRP is our informational filings and do not provide approval or disapproval for any specific capital project, we look forward to continuing to work with stakeholders, including a commission to drive towards an increasingly low-carbon future. From an investment-based perspective, which is a rough approximation of earnings contribution. You can see on Slide 21, the diminished role coal fired generation plays in our financial performance, driven by facility retirements and non-coal investment.

We're mindful that this shift has the potential to be disruptive to employees and communities, and we were being purposeful in our efforts to ameliorate any such negative consequences. We believe in a just transition we have and we will continue to consider the needs of impacted communities and our entire workforce during this clean energy transition. We will also note that zero-carbon generation grows significantly, such as by 2026 over 65% of our investment base will consist of electric virus and zero-carbon generation.

Moving on to South Carolina. As part of our ongoing resource planning, Dominion Energy South Carolina is planning to replace several of our older generation peaking turbines with modern more efficient units. These peaking units which often operate seasonally during certain times of day when the demand for energy is at its highest. Play an important role in our generation fleet with their ability to go from idle to producing energy quickly. Modernizing this equipment will lower fuel costs to customers, improve environmental performance, and provide reliability and efficiency benefits. These will become even more important as additional intermittent fluctuating resources, such as solar are added to our system. Last quarter, the Public Service Commission of South Carolina approved this settlement, allowing the company to move forward with two of the proposed sites, and will hold an RFP for a third.

Turning to gas distribution. In North Carolina, the commission approved a comprehensive settlement last month for our gas operations with rates based on a 9.6% ROE. As a reminder, the agreement included three new clean energy programs: a new hydrogen blending pilot, a new option to allow our customers to purchase RNG attributes, and new and expanded energy efficiency programs. This is a prime example of the role that supportive regulation can play and meeting our decarbonization objectives.

Let me now address this morning's announcement regarding the sale of our West Virginia Natural Gas utility to Ullico. Hope Gas is a valuable business with tremendous people. At the same time, compared to the other larger state-regulated utilities across our five premiere states. Hope Gas is relatively small standalone operation. Our talented employees have consistently delivered safe reliable and affordable energy to Hope's customers. We are pleased that these best-in-class employees are now joining another excellent organization in the form of Ullico, who has agreed to provide significant protections for employees and honor existing union commitments. Ullico's operating expertise and financial resources will also ensure that Hope's customers will continue to receive the high level of service to which they have grown accustomed.

Slide 24 provides a summary of several important steps we took in 2021 that enhanced our industry-leading ESG profile. Just a couple of items I'll highlight here. In July, we published our updated climate report, which included disclosure of Scope 1, 2, and 3 emissions and important steps as it relates to our net-zero commitment as I will expand on in a minute.

In November, we issued our inaugural Diversity Equity & Inclusion report, which highlights our progress towards building a more diverse and inclusive workforce. As part of that report, we also published our EEO-1 data. This enhanced external reporting builds upon our commitment to increase our total workforce diversity by 1% each year with a goal of reaching at least 40% by year end 2026. We're very much on track to meet that goal.

These and other ESG oriented efforts have been recognized by leading third-party assessment services as shown on Slide 25. By each measure, our performance exceeds the sector average. We've been recognized as part of the leadership band by CDP for our climate and water disclosure for the second year in a row. As Trendsetter the highest categorization for the fourth consecutive year by the CPA-Zicklin report on political accountability and transparency. And most recently, MSCI increased our rating from A to AA, which designates us a leader in the field.

Turning to Slide 26. I'm pleased to announce an expansion of our net-zero commitments. In addition to our current commitment to achieve enterprise-wide net-zero Scope 1 carbon and methane emissions by 2050. We now aim to achieve net-zero by 2050 for all Scope 2 emissions and for Scope 3 emissions associated with three major sources: LDC customer end use emissions, upstream fuel, and purchased power. These new commitments formalize our continued focus on helping our customers and suppliers decarbonize.

Reducing emissions as fast as possible and achieving net-zero emissions company-wide requires immediate and direct action. That's why the company continues to take meaningful steps to address Scope 3 emissions. We formalized our support for federal methane regulation and we're working towards procurement practices that encourage enhanced disclosures by upstream counterparties on their emissions and methane reduction programs.

Further, we encourage suppliers to adopt a net-zero commitment, and we were started to receive quotes for responsibly-sourced gas, which are evaluated consistent with our reliability, service, and cost criteria for natural gas supply.

For downstream emissions, we expect to increase our annual spend on energy efficiency over the next five years at our LDCs by nearly 50% and to provide our customers with access to a carbon calculator and carbon offsets. For example, in both Utah and North Carolina, we offer green firm. A voluntary program that provides customers with access to renewable natural gas. While initially being offered on a voluntary basis, we are working with policymakers and regulators to increase access to RNG for our customers.

And finally, we continue to pursue innovative hydrogen use cases, including our blending pilot in Utah, which based on early assessment confirms the ability to blend at least 5% and potentially up to 10% without adverse impacts to appliance performance, leak survey, system safety, or secondary emissions.

Over the long term, achieving these goals will require supportive legislative and regulatory policies and broader investments across the economy. This includes support for the testing and deployment of technologies. For example, we support efforts to research and develop new technologies through collaborations, such as the low-carbon resource initiative of which we are founding sponsor. And we will never lose sight of our fundamental responsibility of the customers providing safe, reliable, affordable, and sustainable energy.

With that, let me summarize our remarks on Slide 27. Our safety performance was our second-best ever. We reported our 24th consecutive quarterly result that normalized for weather meets or exceeds the midpoint of our guidance range. We affirm the same 6.5% operating EPS growth guidance through 2026 and affirmed our existing dividend growth guidance through 2026. We're focused on executing project construction and achieving regulatory outcomes that serve our customers well, and we are aggressively pursuing our vision to be the most sustainable regulated energy company in the country.

We're now ready to take your questions.

Questions And Answers

Operator

Question And Answer

Thank you, sir. At this time, we will open the floor for questions. (Operator Instructions). Thank you. Our first question will come from Jeremy Tonet with J.P. Morgan.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted Just wanted to start off here. If you could walk us off from the prior planned CapEx to today's and the impact on targeted equity included the expected LDC sale proceeds, and just wondering, are there any other non-core assets in the portfolio you might look to sell an asset such as Millstone for equity source?

A - Robert M. Blue {BIO 16067114 <GO>}

Hey, Jeremy, it's Bob. I'll start and then I'll turn it over to Jim to -- I'll take the second part, turn it over to Jim to walk through the first part. Our announcement related to Hope was about scale. As we think about, as we mentioned in our remarks, Hope Gas is great company, but in terms of customers, it's a quarter of the size of our next smallest LDC.

And so as we thought about capital allocation, it made sense to us to think about divesting that great company, and I think, the our colleagues who work there are also going to a great company. As to the sort of broader question, we like the mix of assets that we have and we think they support our growth rate and allow us to continue to execute, which is what we're most focused on is executing on that strategy regulated pure-play.

Now, like every company, we obviously regularly evaluate assets to see what makes sense with respect to credit, earnings, accretion all those kinds of things. But we're very comfortable that the asset mix that we have today, supports the growth rate that we've outlined and we're just focused on executing on that. And I'll get Jim to talk a little bit about sort of tying that capital plans and equity.

A - James R. Chapman {BIO 19939701 <GO>}

Yes, Jeremy, good morning. As I mentioned in prepared remarks, we provided a lot of detail on our growth plans and capital spending in the Appendix. So wouldn't expect anyone to digest it all that. Yes, but I would draw attention to Page 34, which is a bridge from our prior five-year capital growth plan to the new one, $32 billion to the $37 billion. And let me just quickly tick through some of the changes.

The most material single change is simply moving from one 5-year period to the next. Drop 2021, check that box, add 2026. And just in doing that, you're also incidentally including the full time frame for offshore wind spend. Then if you look at budget changes for some of our capital programs. For example, the budget we discussed in November on offshore wind is actually fully neutralized in our five-year capital spend plan by postponement for further evaluation as we talked about in November of our pump storage project and our Virginia CTEs which are further out in time outside the five-year period. So that nets to zero.

And then, you'll see some other drivers there. Just true ups of our capital spending across gas distribution, R&G and all of our other decarbonization investment programs. So that's what bridges the prior plan to new.

And then Jeremy, you asked a lot of sub parts to that question. You also asked about equity. So let me say few things about that. We -- I observe that we're one of few companies that actually gives detailed guidance on equity issuance. So I'm happy it's noticed. There's no change in our equity guidance for '22. There's some very modest weeks, $100 million in some years, $200 million in others thereafter. Keeping in mind that spending is up. So equity is up, cash flow is up, debt is up a little bit.

So how could that change? If spending in our five-year plan as we move forward goes up, which would be good, these equity amounts could trend up slightly as well. Conversely, if it goes down, which we don't expect, they'd go down a little bit. But we think this level of constant equity through our existing programs, as I mentioned, 1% to 1.5% of our current market cap is, I mean it's accretive, it's modest and it's appropriate to keep us in the right spot from a credit rating metric perspective.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's all very helpful there. Thank you for that. And just another one if I could hear, the inclusion of Scope 2 and Scope 3 emissions in the net zero commitment is a big step forward there. What are the impacts? I guess that, that drives in your long-term CapEx in the plan. Just wondering if any of the CapEx plan is attributable to that? And then specifically, can you provide an update on your RNG plans in light of these commitments?

A - Robert M. Blue {BIO 16067114 <GO>}

Yes, let me start and then I'll turn it over to Diane to talk a little bit more specifically about RNG. As we described in our opening remarks, Jeremy, Scope 2 and 3 emissions reductions by 2050 are going to require technology and supportive regulatory environment. So a lot of this that we would be thinking about are sort of longer term, it's hard for us to put as much definition around it as we can the Virginia, particularly -- Virginia regulated rider investments in some of the others that you're seeing in that 15-year chart.

Obviously, nothing in the five-year plan what we think would move the needle there, but lots of opportunities we believe and we think it's important that's what our customers are looking for us to do, it's what our shareholders are looking for us to do. So we'll have opportunities to flush that out. There's, as we mentioned, we've already got a fair amount going and a big chunk of that right now is our investment in RNG, and I'll ask Diane to talk a little bit more detail about that.

A - Diane Leopold {BIO 16365511 <GO>}

Okay, good morning. So our RNG program, our capital program has really increased over this last year. So we now have 10 projects under construction and one in service, but two of those under construction, both Dairy, will be in service in the coming days and weeks. We expect six projects to come into service this year. So we're really kind of ramping up even though it's very small right now. But we see that pace continuing of new projects, and during the construction stream and more coming online in these next few years.

So we do see this what we've said before is about $2 billion of capital investment through 2035, through our main platforms of the dairy and the swine with our partnerships with Align and Vanguard. So that's on the development side. On the LDC side specifically as it relates to Scope 3, we really see that program eventually moving towards a long-term strategy of having RNG directly into our regulated gas customers.

So we already have that on a voluntary basis in Utah and it's been very well received there, and just got approval in North Carolina. And looking to work with stakeholders to increase the amount of RNG blending into our local gas distribution companies. So whether we build it or not, whether it's part of our program or not, we're really looking to see more RNG access for our customers in our LDC program.

A - Robert M. Blue {BIO 16067114 <GO>}

Got it. That's all very helpful. Thank you.

Operator

Thank you. Our next question comes from Steve Fleishman with Wolfe Research.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes. Hi, good morning.

A - Robert M. Blue {BIO 16067114 <GO>}

Hey, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Just -- hey. So Bob, just -- there was a lot of focus late last year on the Virginia election and new governor and alike. And maybe you could just talk a little bit about how things have been going with registration and if there's any kind of maybe specifically the political support you're seeing or not for the offshore wind projects.

A - Robert M. Blue {BIO 16067114 <GO>}

Yes, Steve. So things have been going well with the new administration and the general assembly. Obviously, the session in Virginia is less than -- little less than halfway over, but Virginia session moves pretty quickly. It's really energy just has not been a big focus. As we discussed I think on the last call, the campaign was focused on education and taxes and that's what the general assembly has been focused on not surprisingly.

And so energy has not been a huge part of the equation. So we'll, obviously, you make predictions about the legislative process at your peril, but we're participating and finding that we continue to work well with both Republicans and Democrats as we have for quite a long time. As regards to offshore where there continues to be very strong support for offshore wind as we discussed on in our opening remarks. There is a great opportunity for Virginia with respect to new jobs and new industry, and our project is recognized as one that can bring a lot of benefits to the state. So still seeing great support for offshore wind.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then one other question offshore wind. Just Orsted a week or two ago talked to cost pressures that it sounds like things that you had already maybe reflected in your budget. But one of the things they specifically pointed to was vessel cost for like non -- not to Jones-Act vessels, but for other things like the foundations and alike. Just -- could you just talk to is that part of the mix of what you have locked up already?

A - Robert M. Blue {BIO 16067114 <GO>}

Yes, in fact. Diane and I met with the executives at Prysmian and Demi who are handling, we talked about these large packages there that transport and install. So they're doing the cable and installing the monopods. We just met with them earlier this week and things are very much on track with them. So our -- and as regards our own vessel, the installation vessel, the steel for that example has been on site for quite some time. So I think the premise where you started the question, saying that, the pressures that you may have heard about were factored into our contracting is exactly right. We entered into these contracts late last year with counterparties who are very experienced every, every single one of them is very experienced in this industry. So we still feel very good about that project both in terms of schedule and budget.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. And one quick follow-up on Hope Gas. Just curious -- been the debate about the future of LDCs, it looks like you got a good price here for it. Just could you give us some sense of the competitive dynamic of that process and or and just what your kind of what do you think it means for kind of thinking about the value of your remaining LDCs?

A - Robert M. Blue {BIO 16067114 <GO>}

We feel very good about the value of our remaining LDCs as we have for some time. As I mentioned, this was a decision that we made related to scale as it pertains to our LDC for LDC businesses. They are growing, they're in what we describe as premium states, very pro-business states, strong customer bases, very supportive of natural gas and with customers who want natural gas for cooking and heating their homes. So this was not, from our perspective, a reflection on our thinking about the LDC business going forward. And that being said, we have a lot of interest obviously in this process and we feel very good about the price and equally important about the quality of the counterparty. So I think it was a good outcome and one that we think will be very well received, but we expect to continue operating our LDC as well.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you very much.

Operator

Thank you. Our next question will come from Ross Fowler with UBS.

Q - Ross Fowler {BIO 16864050 <GO>}

Good morning, Bob. I hope you and the team are well.

Q - Steve Fleishman {BIO 1512318 <GO>}

Good morning.

Q - Ross Fowler {BIO 16864050 <GO>}

I just wanted to walk through Slide 11 one more time to make sure I understand very clearly what you said. So we know the CapEx is up playing the plan, basically as you are adding '26 and taking '21 away. So what you're saying is there's no change here to '22 equity, a small increase to equity and '23 forward. And that whole proceeds are really going to be used to repay debt, and that capacity turns around to be available for regulated CapEx. Did I frame that correctly? Is that what I heard you say on the call?

A - James R. Chapman {BIO 19939701 <GO>}

That's exactly right. On the equity sources and uses, the overall sources and uses I should say. So to simplify it a little bit, what are we doing here with the proceeds from the small sale? After tax proceeds, we're paying down parent level of debt. And then in coming years, we'll use that debt capacity modest as we invest in our spending programs across our key regulated states.

Q - Ross Fowler {BIO 16864050 <GO>}

That's perfect, Bob. Thank you. And then on your comments on solar on the call. So you noted that costs are up and prices are tight here. But then you've gone in a lot of '20 procurement already. So that stuff is on track. And on '23, you're on track, but you're watching it. How much of '23 have you already procured and how much is maybe still out there that maybe a swing factor for maybe pushing projects to '24?

A - Diane Leopold {BIO 16365511 <GO>}

So this is Diane Leopold. Thanks for that question. So for 2023, as Bob talked about, we are seeing some shortages of panels and other items, but we are actively in the stages now of working out the contracting for these projects. We are well along the way in that process and project by project getting access to the modules we need. So I won't say it's simple and not without some additional cost, we're managing it and I just say that we're well along the way.

Q - Ross Fowler {BIO 16864050 <GO>}

All right, great. Thank you very much.

Operator

Thank you. Our next question comes from our Durgesh Chopra with Evercore ISI.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning team. Thank you for taking my questions.

A - Robert M. Blue {BIO 16067114 <GO>}

Morning.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Good morning, Bob. Just Jim, a quick clarification. You mentioned $800 million if I heard that correctly on the Offshore CapEx that was indexed. Is that $800 million part of the $7 billion locked or is that $800 million out of the total roughly $10 billion projector project cost?

A - James R. Chapman {BIO 19939701 <GO>}

Yes, Durgesh, good morning. That $800 million is part of the $7 billion locked across those five project components that we announced in November. The remaining amount, as you recall, is the onshore transmission and contingency.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. Perfect. So $7 billion of the roughly $10 million locked and $800 million is a component of that. Then just maybe just quickly, Jim, I just want to understand the rate base growth disclosures. And then on Slide 10, for Virginia, I would have expected the rate base CAGR to be higher given the higher spending versus the last year plan? Is that sort of a starting point issue? Because if I compare Q4 last year to Q4 this year, the rate base CAGR is actually lower with the spend actually materially higher.

A - James R. Chapman {BIO 19939701 <GO>}

Yes, Durges. We are happy to connect. We have, as I mentioned, a lot of detailed backup and the appendix, but what you're mentioning there is just a timing issue from the starting point. There's not a material change to the programs or the overall pace that's just timing quarter-to-quarter.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thank you. And really appreciate all the all the disclosure in the appendix. Thank you for continuing to provide that, appreciate it. Thanks.

Operator

Thank you. This does conclude this morning's conference call. You may now disconnect your lines and enjoy your day.