Q2 2018 Earnings Call

Company Participants

- Barbara Tuckfield, Director of Investor Relations
- Gerard Anderson, Chairman and Chief Executive Officer
- Gerardo Norcia, President and Chief Operating Officer
- Peter Oleksiak, Senior Vice President and Chief Financial Officer

Other Participants

- Andrew Weisel, Analyst, Scotia Howard Weil
- Frank, Analyst, Credit Suisse
- Greg Gordon, Analyst, Evercore ISI
- Jonathan Arnold, Analyst, Deutsche Bank
- Julien Dumoulin Smith, Analyst, Bank of America Merrill Lynch
- Paul Ridzon, Analyst, KeyBanc Capital
- Richard Ciciarelli, Analyst, Guggenheim Partners

Presentation

Operator

Good day and welcome to the DTE Energy 2018 Q2 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.

Barbara Tuckfield {BIO 19701481 <GO>}

Thank you, April, and good morning everyone. Before I get started, I would like to remind everyone to read the Safe Harbor statement on page two of the presentation, including the reference to forward-looking statement. 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 this morning 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 upon during the Q&A session.

And now, I'll turn it over to Gerry to start the call.

Gerard Anderson {BIO 1391607 <GO>}

Well, thank you, Barb, and good morning everyone. Thanks for joining us today. So this morning, I'm going to give you a recap of our performance for the second quarter, and also share some thoughts on our long-term growth plan. Then I'll hand it over to Peter, who will provide a financial review and some additional color around our increased earnings guidance. And then, Jerry Norcia will wrap things up by providing more detail on the progress of both our utility and non-utility growth plans. And then we will take your Q&A.

So I'm going to start on slide five. I told you on the first quarter of the call that I feel good about our financial performance, and halfway through the year I feel even better. To be honest, financially we are crushing it this year. So both utilities are right on track, and both GSP and P&I are having an exceptional year. And so given this, we are increasing our 2018 EPS guidance midpoint by $0.35 or a full 6% to $6.13. And this new guidance implies growth of nearly 10% versus our actual in 2017.

Cash flows are also very strong. So we are increasing our cash flow guidance for the year by 200 million, and as Peter will discuss later, we expect this cash flow strength to reduce our equity issuances over the three year period.

On the regulatory front, I'm encouraged as well. so on the first quarter call, we told you that our recent electric rate case was a bit low. Since then, on rehearing, the MPSC increased the case outcome by just a little more than 10 million and that outcome also had important benefits for one of our local community. So their decision was appreciated. The MPSC also recently approved our plan to move forward with an 1,100 megawatt combined cycle plan, to help backfill some of the coal plant retirements that we have coming. We also recently filed a 1.7 billion renewable energy plan with the Public Service Commission, an investment that will both help backfill the retiring coal plants and meet the 2021 RPS requirement that we have here in Michigan.

In July, we filed an electric rate case, and importantly that case includes an IRM provision or an infrastructure recovery mechanism that we discussed extensively with the MPS in a series of meetings before the filing. And Jerry Norcia is going to give you more detail on that provision in a bit. And finally, our gas rate case will be finalized in September, and we expect the outcome in that case to be without surprises.

So moving on to slide six, I want to transition to a discussion of our future growth. So both of our utilities are evaluating investments that would be additional to those in our current plan. So in the electric utility, those investments are tied to voluntary renewable projects with large customers and those discussions are progressing well with the customers. In the gas business, we filed a plan to further accelerate our gas main replacement program, and Jerry Norcia will give you additional color on both of these areas in few minutes.

There is a lot going on in GSP related to future growth. So NEXUS construction is now 80% complete and progressing well. In fact, a group of us along with some board members flew to the pipeline route yesterday, and saw mostly dirt covering pipe, so that's a good sign. On our Link asset, the DTE Board recently approved a $250 million gathering expansion investment for a key customer. And overall, the Link asset just continues to surprise to the upside. We also have four other laterals or expansion projects that are either under construction or have recently been completed and Jerry will give you some further color on those in a little bit. And finally, we are evaluating acquisitions that are of a scale analogous to Link. And as we look at those, we will keep you of our -- keep you abreast of the work in that area.

So P&I also has a lot on its plate relative to future growth, so the forward central energy plant that we recently closed is now in full bore construction. We've also begun construction on an RNG or renewable natural gas project in Wisconsin, and we sense that there are more projects like these two that I just mentioned that will be coming. So we expect to close an additional one to two cogen or RNG projects this year. And the development queue behind those projects continues to be very strong. And so given all of that, we now expect P&I's 2022 earnings to be materially above the 70 million that we have previously disclosed.

We also remain committed to our 5% to 7% EPS growth rate target over the five-year plan. So there has been some discussion about whether we can hit those targets out in 2022. So I want to spend a minute on that topic.

I'll address the topic from two vantage points, looking forward and looking back. So let me start with the forward look. So there are a range of long-term EPS forecast out there for us, and in our eyes, a few of them are light. And for those who are light, we see a few key themes. These forecast tend to be light on future utility earnings, heavy on future holding company expenses and heavy on future equity issuances versus our plan. And the combination of these factors account for the perceived shortfall. Also say that our portfolio or growth opportunities feels better than it did even six or nine months ago. We continue to look for and find good investment opportunities which has been a pattern for the company over the years.

So that brings me to the second vantage point I mentioned earlier. The five -- and I'm moving on to slide seven now. The five-year forward growth targets that we have provided you over the years versus what we have actually achieved are shown on this slide. So for example, if you look at the second set of bars and from the left, seven years ago in 2011, our targeted EPS growth rate implied an EPS level in 2016 of $4.64. We actually delivered five years later in 2016, 5.28. Similarly in 2012, our five-year forward growth estimate for 2017 was 4.97. We ended up beating that last year by $0.62 or 12.5%.

And based on the guidance update that we've given you this morning on this call, the 2018 EPS growth target that we provided to you back in 2013 looks pretty conservative now, given that we expect to come in $0.90 higher or over 17% above what we told you we were targeting for this year five years back. So what's the point of this backward look. Well, I have to tell you every one of those five year projections that we gave you over the years felt challenging at the time. I can vouch for that. And every one of those five-year plans had some level of go-get in them, that is growth that we expected to play out and we're committed to finding but hadn't yet fully pinned down. And our pattern shows that we've been able to more than fill those future growth goals.

So as I look forward five years to 2022, things feel much the same. There are challenges in the plan and it wouldn't be a decent five-year plan if there weren't some challenges in it, but the challenges feel very analogous to those that we have not only met in the past but have materially beaten over the past decade. Though I hope that's some hopeful perspective on our future growth, and of course, we'll provide you a more detailed update on all of that later this year.

And with that, I'm going to turn things over to Peter for the financial update. Peter, over to you.

Peter Oleksiak {BIO 7535829 <GO>}

Thanks, Gerry, and good morning everyone. I'm going to start on slide nine. Before I get into the quarter I always like to give an update on my Detroit Tigers. While the Yankees, Red Sox, and Astros battle for the best record in the American League, after last night's loss to Kansas City, my Tigers are now 17 games below 500 and deep into the rebuilding process. On the positive side, my minor league prospects are looking good, including the number one draft pick, so there is a bright future ahead for my team. But it really can't come soon enough for me.

Now turning to our financial results. Some of them are positive. DTE is off to a great start this year. As Gerry mentioned, the first half of the year came in very strong. We had operating earnings of 247 million or $1.36 per share, and for reference, our reported earnings were 234 million or $1.29 per share. You can find a detailed breakdown of EPS by segment including a reconciliation to GAAP reported earnings in the appendix.

Let's touch on each of the segments in detail starting with our utilities. We had very interesting weather during the quarter that provided some favorability of both utilities. Our gas utility experienced a very cold April, actually the second coldest April on record. And electric utility experienced warm weather in both May and June. In fact, May was the second warmest on record here in 2018. This weather was positive for both utilities, so a perfect utility quarter for us.

To review the quarter-over-quarter earnings variance, I will start with electric utility. The DTE Electric earnings for the second quarter were 163 million, 15 million higher than the second quarter of last year, driven by new rate implementation and the warmer weather I just mentioned, partially offset by higher O&M expense and rate base growth. A more detailed year-over-year earnings variance walks for DTE Electric to be found in the appendix.

DTE Gas operating earnings of 14 million were 13 million higher than last year, driven primarily by the cooler April whether. In the Gas Storage and Pipeline business, operating earnings were 60 million for the second quarter, 20 million higher than last year. This increase is due to lower corporate tax rates, as well as increased gathering and transport volumes across the platforms, mainly at Bluestone. Future growth that we anticipated at GSP is showing up earlier than we thought and we are essentially seeing growth that we expected to play out next year roll into this year, which really solidifies earnings across this year and 2019. And the strong cash flows that go along with the earnings are going to help reduce equity needs for us.

Operating earnings for Power and Industrial business were 43 million to 13 million higher than second quarter of last year. This increase is due in part to higher REF volumes and our waste water renewable plants performed better than last year. We have been saying that we continue to optimize our REF assets until they begin to sunset in 2020 and 2022 and there we expect to see some earnings upside from these assets in the near term.

While these earnings upside, we are seeing the results of first throughput at some of our existing area of sites. We also moved some of our units to largest sites where they can handle higher volumes. Now these incremental earnings can now be monetized or accelerate the cash flow. You will see this earnings for cash trade play out next year as we get tax equity partners for some of these projects.

Due to the strong growth in our non-utility this year, we have increased guidance and GSP and P&I which I will discuss on the next slide in a minute. Rounding out our growth segments in the second quarter is Corporate & Other, which is up 9 million unfavorable compared to last year due to tax reform and higher interest expense. The Energy Trading had operating earnings of $8 million in the second quarter, up 4 million from last year, driven by stronger performance of the gas portfolio. So overall, DTE earned a $1.37 per share in the second quarter of 2018 or $0.29 more than last year.

Let me turn to the next slide. Let me start with the -- at the top of the slide, the DTE Electric, it is why [ph] our guidance increased. You may remember in the first quarter, we guided towards the lower end of the range and with the favorable weather we experienced this quarter, we now expect to land firmly in the middle of the range for this year.

For DTE Gas, we feel comfortable with the current guidance range for 2018. As I mentioned, both GSP and P&I, we're having a very strong year. We are increasing the guidance range of GSP to $225 to $235 million due to the growth in gathering and transport volumes. Our P&I were increased the guidance range to 155 million to 170 million due to the higher earnings from the REF assets and strong results from our steel projects.

Our non-utility businesses differentiate DTE from our peers and continue to provide some very good long-term growth opportunities for the company. We are decreasing guidance for Corporate & Other due to taxes and other items that should be considered one-time in nature.

As I mentioned, DTE Energy had earnings of $8 million in the second quarter and is on track to have another solid year, due to their trading had earnings of 9 million, so we're comfortable with the 5 million to 20 million guidance range we have in for the Energy Trading business.

Overall, we feel very good about keeping our new operating EPS guidance this year. And with this strength, we provide stronger cash flows and will allow us to reduce equity interest issuances which I addressed already. The earnings strength we're seeing this year is continuation of a decade-plus pattern.

Let's turn to slide 11. You can see this -- you can see this as we have met -- or in most case exceeded our annual earnings guidance that we provided for you last 11 years that is over a decade. Over the front-half of the period, we've got to 5% to 6% annual EPS growth. In most recent years we have guided to a 5% to 7% growth. But as you can see in the green ovals on the top of the slide, our EPS growth over the last decade has been closer to 8% and the growth over the last five years approaches 8.5%. So materially [ph] beaten our 5% to 7% EPS growth rate of over a decade, which is a great track record.

Before I turn it over to Jerry Norcia, I'd like to give you a brief update on the cash flow on the next slide, slide 12. This year's strong earnings and cash performance not only demonstrates for 11th level year in a row our ability to deliver results, but ultimately helps our EPS growth in the future. We are upping our cash forecast this year by 200 million and reducing our expected equity issuance by 100 million across 2018 to 2020. This year's total issuances have reduced from our previously disclosed 300 million to 250 million. Our goal is to minimize equity issuances next year outside of the Link converts and we are targeting 100 to 200 million.

Now I'd like to turn it over to Jerry Norcia to discuss our long-term growth.

Gerardo Norcia {BIO 15233490 <GO>}

Thank you, Peter. I'll begin on slide 14. We continue to see growth in our utilities fueled by our investment in infrastructure and generation. We have a lot of positive things going on in our logic utility that will help secure a generation reliability and improved customer satisfaction. As Gerry mentioned, the Public Service Commission approved the need for new natural gas plant earlier this year. This is a 1,100 megawatt natural gas plant combined cycle that we are building at a cost of just under $1 billion.

Along with renewable energy, natural gas will be a critical part of our power generation capacity in the decades ahead. New plant is scheduled to break ground in August of this year, with full construction underway in mid 2019. We expect the plant to go in service in 2022 which fits with the timing of three coal-fired power plants being retired in the 2020 to 2023 timeframe.

Earlier this year, we submitted our renewable plans with the Public Service Commission. We are planning to double our renewable capacity to 2,000 megawatts by 2022, investing approximately $1.7 billion renewable energy over this timeframe. We are also adding 300 megawatts of new wind capacity, supply of voluntary renewable energy program for large industrial customers who are looking to reduce carbon emissions.

In July, DTE Electric filed a general rate case, which included a three-year infrastructure recovery mechanism which we call the IRM, designed to reduce rate case frequency. As proposed, IRM would recover distribution investments on new natural gas fire power plant and certain fossil generation and nuclear investments. These investments total approximately $1 billion per year and are critical to modernizing our distribution system and improving our reliability for our customers. This current rate case is the fourth in the last five years for DTE Electric. The company's need for rate increases has been and is expected to be largely driven by the need to replace critical infrastructure prior to safely and reliably serve our customers.

With a proper IRM and a electric company in place to address this critical infrastructure, we believe that we may be able to differ filing rate cases on an annual basis. IRM creates alignment, certainty and continuity for our investment strategies as it relates to modernizing and renewing our infrastructure. It also creates tremendous efficiencies in our ability to engineer, procure and construct the infrastructure when we know years in advance what our work will be.

All of this accrues is a benefit to our customers and reduces the frequency of highly repetitive regulatory proceedings. As you know, we have a recovery mechanism for our main renewal capital at our gas utility. And this has worked very well helping our efforts through improved safety and reliability in our gas main infrastructure. Recent refiling also included a request for an electric vehicle program, which we call Charging Forward. This program will help customers realize the benefits of EVs and reduce barriers of the EV adoption through communication, residential charging support and charging infrastructure. Filing also incorporates a customer benefit of tax reform. We've a legislative 10-month rate case cycle in Michigan. So we expect these new rates in the electric business to be effective in May of 2019.

Now moving to DTE Gas. We began reducing customer rates with tax reform in July. Our general rate case is progressing. The rate case include a proposal to increase the annual number of miles of main replacement, increasing the base from -- from a 25-year base to 15-year cycle. This proposal will allow the system to be hardened at a quicker pace and will significantly decrease O&M costs over time. As always, when considering the investment in system hardening, we are very focused on rate affordability for our customers. We filed the plan with the Public Service Commission, returned the balance of the benefits from the tax rate decrease to customers. This rate reduction will go a long way toward mitigating the effects of the gas rate case and will allow us achieve our new affordability -- achieve our affordability goals.

Now let's move to slide 15 to provide an update on our Gas Storage & Pipeline business. I'd like to start with an update on the NEXUS pipelines. Before I highlight some of the progress we have made on construction, I want to take a step back and talk about the project as we see it. It is a long-term project that will help grow this business segment for many years to come. We are very encouraged by forecasts of future production in the basin served by NEXUS. The pipe is located in one of the most prolific dry gas basins in the country. Basins production capacity is expected to grow significantly from 28 Bcf a day to 40 Bcf a day by the end of the next decade.

Forecasters are also predicting that the basin will be short takeaway [ph] capacity in the very near future. And our ongoing discussions with producers of LDCs and industrials reflect this sentiment. We have enough volume under discussion to fill the pipe, so this pipe is clearly needed and well-positioned. Given this, we are focused on getting long-term deals to provide a strong base for NEXUS for years to come. We expect these deals to play out after the construction has complete and the pipe goes into service. This is something that is contemplated in our financial plan.

Speaking of construction, we have made significant progress on all aspects of construction and we are approximately 80% complete. 100% on mainline welding on the pipe is completed, leaving this welding as a key milestone (inaudible) any pipeline project and we are in very good shape with this space. Regarding our horizontal threshold drilling, we have completed 16 of the 18 HDDs we need to drill, which is another key phase in construction and the two remaining HDDs are pretty minor in terms of size. So all-in-all, we are very pleased with how the NEXUS project is coming together. We look forward to growing this platform much like we have done with our other existing pipeline assets. And we expect the pipe to be a strong contributor within GSP for many years to come.

Our Link lateral and gathering assets continues to perform well and make progress towards future growth. Gerry mentioned the $250 million expansion of Link that our Board of Directors recent -- Board of Directors recently approved. This is the third expansion of Link. This investment is really coming along well. Volumes and investments are coming in faster than the pro forma when we have shared with you.

Additionally, we are currently evaluating a number of acquisition opportunities, roughly the size of Link. We have multiple assets under consideration and we are in detail evaluation phase of one asset in particular. As I've said before, when taking to investors about potential -- talking to investors about potential acquisitions, we are very disciplined in our approach. We're focused on assets that fits strategically in our GSP portfolio, and keep our business mix where we like it. We'll continue to update you on our progress in this area.

As far as some of our other GSP projects, they are progressing well. Millennium Valley Lateral was recently placed in-service after receiving approval from the FERC. This is an 8-mile lateral that moves natural gas to a 720 megawatt power plant in New York. This is a good size lateral that can deliver about her 130 million cubic feet of natural gas. Also on the line, we have the Eastern System Upgrade on track for in-service in the fourth quarter this year. This expansion will provide 220 million a day of additional capacity in the Northeast markets. On our Bluestone pipeline, we will complete ongoing construction of 100 million a day expansion by the third quarter of this year. Finally, on our Birdsboro lateral, we are in full construction mode. This 14-mile lateral is expected to be in-service in the fourth quarter. So, as you can see, we have a lot of positive momentum, perhaps in our GSP business and we'll continue to update you as these projects progress.

Now I'd like to move on to the Power and Industrial business on slide 16. Our P&I business continues to see progress in the development of both industrial and energy projects, and renewable natural gas projects. We began construction on the Ford Motor Company central energy plant that we have discussed with you in the past. We're also finalizing an agreement on another cogeneration project with a large industrial customer in the Midwest and expect to close that project this year.

In our RNG business, we have made good progress since our last call. We finalized agreement in one of the gas capture projects we told you about and have started construction. (inaudible) Wisconsin, we expect it to be in service in early 2019. Between these two business lines, we've been evaluating about 10 projects. As a result, we have closed one RNG deal this year and expect to close one or two deals on the cogen RNG space later this year. So we're feeling really good about the progress of our current P&I projects. We believe we have a good pipeline of future projects that will secure growth in this business.

Previously I told you that our 2022 earnings grow almost $70 million and then we needed $45 million in income from new projects involved between 2017 and 2022 to hit that target. At the end of this year, we expect over two-thirds of the 45 million to be in hand. Only two years into the five-year period. So given this, as Gerry said earlier, we expect P&Is earnings by 2022 to be materially about $70 million level.

Now, I'll wrap up on slide 17, then we'll open it up for questions. All-in-all, I feel great about position we are in at both our utilities and non-utilities to deliver another strong year in 2018. We delivered strong second quarter results and significantly increased our 2018 operating EPS and cash flow guidance. Our utilities continue to focus on necessary infrastructure investments to improve reliability and the customer experience. With additional expansions and business development, we continue a sustainable growth at the non-utility businesses. Given this, I'm confident that we are on track to deliver strong EPS and dividend growth that will drive premium total shareholder returns. We are confident our plans to reach our 5% to 7% long-term EPS growth target over the five-year plan.

With that, I'd like to thank everyone for joining us this morning. And April, you can open the line for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions). And we'll take our first question from Shahriar Pourreza with Guggenheim Partners. Please go ahead.

Q - Richard Ciciarelli {BIO 20790073 <GO>}

Hey, this is actually Richard Ciciarelli here for Shah. How are you guys doing today?

A - Gerard Anderson {BIO 1391607 <GO>}

Doing fine. Thanks.

Q - Richard Ciciarelli {BIO 20790073 <GO>}

All right. Good to hear. I just wanted to touch a little bit on your midstream growth strategy. Can you just provide a little bit more color on your valuation process for acquisitions like how much is it from gathering and processing versus transportation assets? And can you just maybe touch on the long-term strategy, how much is fueled by acquisitions versus organic growth opportunities?

A - Peter Oleksiak {BIO 7535829 <GO>}

The assets that we're looking right now are gathering and transportation. So there is some high pressure transmission as well as gathering assets that we're looking at. In terms of mix into the five-year future, there is a balance that we try to maintain between, what I would call purely demand-charged style projects and what I would call demand-and-variable charged project. So that mix there, we try to maintain. We try to maintain a good balance. So there is a balance of both gathering investments through acquisition as well as organic development.

A - Gerard Anderson {BIO 1391607 <GO>}

The other thing I would say is that we have had a pattern of building a platform and then expanding organically from the platform. In many cases, our best growth comes from those organic expansions. So you look at Millennium, Millennium led to Bluestone, which was an organic expansion, Bluestone led to some gathering which has turned out to be a nice business line for us and that whole area continues to produce growth opportunities.

So for example, we recently reached an agreement with Cabot there, which we think will be a good relationship, a positive relationship for us in that area. And we see a Link playing out analogously where we made an acquisition, but we expect that acquisition to lead to a host of agreements like the one we just mentioned, where we -- we've got board approval and are ready to anchor 250 million-ish investment with one of our counter parties there. So that's the thought process that has worked out well for us, and these acquisitions we're looking out are meant to repeat the same pattern.

Q - Richard Ciciarelli {BIO 20790073 <GO>}

Got you, guys. That's very helpful. That's all I had. Thank you.

A - Gerard Anderson {BIO 1391607 <GO>}

Thank you. Appreciate it.

Operator

And we'll take our next question from Julien Dumoulin Smith from Bank of America Merrill Lynch.

A - Gerard Anderson {BIO 1391607 <GO>}

Good morning, Julien.

Q - Julien Dumoulin Smith {BIO 20008787 <GO>}

Hi. Good morning, everyone.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Julien Dumoulin Smith {BIO 20008787 <GO>}

Hi. So I wanted to follow-up a little bit here on the comments on the long-term guidance. And perhaps just to kick it off, can you comment a little bit on how you think about the Link sized acquisition in the context of the 5 to 7 and how that might position you within that guidance range?

And then separately, let me also just throw these other questions in there while you talk about the 5 to 7. How do you think about the P&I segment, specifically you talked about being materially above that, certainly in an '18 context, you're certainly tracking very well. How much of that is REF related versus some of these other elements like RNG? And when you materially, can you maybe expand a little bit more on that?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. So maybe I'll start with P&I. Here we're having a very strong year in 2018. As Peter told you, we had a -- we had focused on optimizing these projects and positioning them to get as much as we could out of them, which is going better than we thought, but we're also moving toward the phase where we're going to be doing tax equity transactions and the goal there is to accelerate cash flows, and then redeploy those cash flows into other growth projects, debt reduction and equity reductions. So we are -- I think what we're going to see out of P&I projects is higher earnings in the short term, and then the long-term benefit will come from the higher cash flows the projects will generate versus what was in our plan even a handful of months ago.

Concerning the Link style acquisitions. We are looking at those. We're disciplined about how we go about those. So -- and we will do it if it's right for us to do, but if it is, I think it would be one of the things that really helps us shore up our 5% to 7% growth targets. So we aren't saying if we do one of those, we are going to raise the 5% to 7%. It's really meant to achieve that. I'd say in general, those platform investments as I've described them, have surprised us to the upside. So the whole Bluestone platform certainly did. So far the Link platform is.

So we're seeing at things come at us faster on Link than we had anticipated and we're ahead of the pro forma that we shared with you when we invest in the project back in 2016. And so our take for Link is, everything we've seen there is positive. And so if we think we can do another of those and we like the investment and our history would suggest that there are fruitful places to firm up and fill out the growth plan that we shared with you.

A - Peter Oleksiak {BIO 7535829 <GO>}

Other area that we're seeing strength than P&I is our Steel business. With surge in steel production, we're seeing the value for coke that we produce go up this year and we expect that will provide some value next year as well.

A - Gerard Anderson {BIO 1391607 <GO>}

And then long-term with P&I, I think Jerry mentioned this. When we continue to add cogeneration projects and I think in part that's a reflection of the positive natural gas environment in the United States and the confidence with industrial producers have in their fuel. On top of that, there is a real push nationally to bring some renewable into natural gas. That's true both at the federal level through the EPA and in various states.

For example, California has a renewable natural gas push in the transportation sector. And currently, there is the sector short supply. So it's providing favorable dynamics and so on this renewable natural gas base which is an area we haven't been doing it as renewable, but we've been doing waste methane capture for decades. It's an area we have the skills for, but it's one of these niches that I think we've stepped into that has some very favorable growth wind behind it. So we think that's going to be a attractive area for us to grow and is one of the things that's convinced us with the 70 million number that we've been communicating for the last couple of years, feels conservative now and now we think we're going to materially beat that.

Q - Julien Dumoulin Smith {BIO 20008787 <GO>}

Got it. Excellent. Can you comment a little bit on the utilities then, I mean, you obviously alluded to some incremental capital spend specifically with the renewables program, et cetera. You delineated a capital plan through '22 for electric and gas of 10.4 [ph] to 2.1 [ph] respectively previously. Can you elaborate just where you stand relative to those perhaps as well just to kind of give me some --

A - Gerardo Norcia {BIO 15233490 <GO>}

We will give you a full capital kind of re-stack later this year, but I can't say that the voluntary renewables is added about 450 million of renewable investment to the plan that we communicated previously, and we also have the item Gerry mentioned which is the acceleration of the gas main replacement as additional to the gas plant and that is a program that as we further look at both operating impacts, environmental impacts of an old system, we just think we've got to move and get that system fixed and modernized. So that's an acceleration as well .

Q - Julien Dumoulin Smith {BIO 20008787 <GO>}

Got it. Excellent. And then lastly on the GSP segment. Just to make sure I'm understanding what you're saying. Obviously the Link would be incremental. How far above plan are you when you talk about your original Link investment that you talked about and/or anything else. I mean, is there anything new that we should be considering in the context of the 2022 CapEx plan and earnings growth target range?

A - Gerard Anderson {BIO 1391607 <GO>}

Well, I guess I would say that we're multiple years ahead of plan. So in 2018, we kind of sit where we thought we might be in terms of volumes and so forth out a couple of years from now on. And I'd say we've more than locked in there -- kind of locked in our base case and are now working on upside to that. So we got to continue to produce good results there, but it's a lot better than being behind, I'll say that, to be well ahead of plan and the dynamics there continue to be positive. I mean, we bet on the asset, because the reserves are such high-quality and that's what's playing out. The nation continues to deplete and needs to drill to replace production and this is a very good place to do that. So one of the producers there substantially increased plans versus what we thought they would do in the -- in our pro forma and it's accruing to our benefit.

Q - Julien Dumoulin Smith {BIO 20008787 <GO>}

Excellent. All right guys. Thank you so much.

A - Gerard Anderson {BIO 1391607 <GO>}

Thanks, Julien.

Operator

And we'll take our next question from Greg Gordon from Evercore ISI. Please go ahead.

Q - Greg Gordon {BIO 1506687 <GO>}

Thanks guys. Really impressive results around -- all the way around the horn.

A - Gerard Anderson {BIO 1391607 <GO>}

Thank you.

Q - Greg Gordon {BIO 1506687 <GO>}

Not to beat a dead horse, but you know, I know that you're -- you guys are very comfortable with the long-term plan, but when we think about the base of earnings that you're using for your 2008 -- for your 5% to 7% earnings growth target for 2022, I mean, I just want to -- given that the steel business can be cyclical and that the REF business obviously has a tail.

How should we think about the -- despite the fact you're crushing into those businesses today, like what base you're using to -- to set that 5% to 7% earnings growth target, because I just fear that investors will get ahead of you or get behind you in terms of the long-term view on where you are going to be given the cyclicality in the steel business, the falling away of the REF stuff and you know there is some natural cyclicality to potentially in midstream. So I just wanted to get a sense of how you think about the end point versus the beginning point and so we can rightsize our expectations?

A - Gerard Anderson {BIO 1391607 <GO>}

So we're still guiding up of where we always have after the initial guidance we gave you for 2018 and we're clearly seeing a very strong earnings performance this year. So if you look at GSP, for example, I mean, our guidance year-over-year is up over 40%, that business is not going to be up 40% every year. So we're not guiding to that. But it's great to see your plans, your long-term plans evolve at the front end of your investment period because it brings certainty and allows you to move on and focus on adding to that rather than trying to peruse what you hoped you could. So yeah, we are still guiding to 5% to 7% of our initial guidance from this year in 2022 and we know that, for example, in GSP, there may be times when we bring a lot to the table in a particular year, you know some year down the road may be slower, but that's fine as long as the overall growth rate is good.

In P&I, yeah, we've talked about REF and sunset there and harvesting cash flows from that business we've been talking about that for five years or more. So that's not news, but the -- you mentioned steel. That is a business I think the breezes are generally good. So people talk a lot about tariffs where the prices for domestic steel are up some 20% and we are seeing increased production. It probably gives us an opportunity here as we see that strength to bring some contract term to some of our position. So we'll be looking to do that.

And then some of the other businesses, cogen and REF, those are all businesses where we see longer-term trends.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, I was going to add that the steel business is going to give us some favorability, of course, and already is, but the fundamental growth in P&I is driven by asset investment for long-term contracts and that's going to revolve around cogen deals that we're pursuing and we are very close to closing on one this year -- another one this year. And the RNG deals, I mean, these are all asset investments with long live deals. So that's really the -- if we were to model where is the growth kind of come from, the P&I will come primarily from those two types of investments.

Q - Greg Gordon {BIO 1506687 <GO>}

Yeah, that's what I thought. I just wanted to get a sense. You're actually replacing overtime ssome of these more cyclical revenue streams with longer life to assets with more predictable revenue streams. Is that your summary?

A - Gerardo Norcia {BIO 15233490 <GO>}

We said last year maybe, even earlier that, what we needed to get our longer-term growth plan at a P&I was 70 million of recurring earnings, and then we needed 45 million of incremental earnings to achieve that. Last year we got 15 of those incremental earnings. This year, we're projecting to get the next 15. So we're two years into the five-year plan and we're two-thirds done and the fundamentals are more favorable than we saw a year or two ago. So when we put all that together, we think P&I is going to be a incremental payroll up to bringing our 5% to 7% growth -- bringing certainty to all of that. It feels better than it did a year ago.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay, thank you guys. I appreciate it. Have a good day.

A - Gerardo Norcia {BIO 15233490 <GO>}

You as well.

Operator

And we'll take our next question from Michael Weinstein from Credit Suisse. Please go ahead.

Q - Frank {BIO 16067637 <GO>}

Hi, actually this is Frank [ph] for Michael.

A - Gerard Anderson {BIO 1391607 <GO>}

Hi, good morning.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Frank {BIO 16067637 <GO>}

Good morning. Just go back on the pipeline segment. So good performance this quarter and this first half, but what should we think about -- it seems to be implying the lower -- the lower second half versus first half?

A - Gerard Anderson {BIO 1391607 <GO>}

We've raised guidance in this sector as Peter and Jerry have mentioned for the balance of the year. So we're not predicting a lower second half.

A - Gerardo Norcia {BIO 15233490 <GO>}

The second half is going to be strong just like the first half is, which is why the guidance is up so strongly, and I mentioned the 40% growth rate year-over-year. Some of that's taxes, but some of it's just fundamental volumes on various platforms. So we expect a strong second half for the year as well.

Q - Frank {BIO 16067637 <GO>}

So far has any one-time non-repeating items in this first half?

A - Gerardo Norcia {BIO 15233490 <GO>}

No.

A - Gerard Anderson {BIO 1391607 <GO>}

No, not in the gas storage and pipeline segment. There is no one-time.

Q - Frank {BIO 16067637 <GO>}

Okay.

A - Gerard Anderson {BIO 1391607 <GO>}

Now actually the only one-time non-repeating items that I mentioned is 40% growth. I don't, expect to see that repeat here.

A - Gerardo Norcia {BIO 15233490 <GO>}

As Gerry mentioned, the other was a tax change that you'll see when you bump around the tax reform of our corporate rate.

Q - Frank {BIO 16067637 <GO>}

Yeah, okay. Thank you very much.

A - Gerard Anderson {BIO 1391607 <GO>}

Thank you.

Operator

And we'll take our next question from Paul Ridzon with KeyBanc. Please go ahead.

Q - Paul Ridzon {BIO 1984100 <GO>}

Good morning. Congratulations on the quarter, not so much the year for Tigers.

A - Peter Oleksiak {BIO 7535829 <GO>}

Cleveland is going well, so --

Q - Paul Ridzon {BIO 1984100 <GO>}

Just a follow-up on that, I mean, the first quarter you said the unregulated business were coming out swinging and you pointed to the top end. And now with the second quarter under your belt, you're actually raising guidance, kind of, is there any conservatism built in for the second half of the year?

A - Gerard Anderson {BIO 1391607 <GO>}

You mean, do we have any contingency left?

Q - Paul Ridzon {BIO 1984100 <GO>}

Yes.

A - Gerard Anderson {BIO 1391607 <GO>}

Yeah, we have some room left if we were to run into unfavorable weather or storms, et cetera. We could cover those.

Q - Paul Ridzon {BIO 1984100 <GO>}

I was just -- at the unregulated businesses, I mean, is there kind of how much more strength are you baking into the second half of the year and is there upside to that?

A - Peter Oleksiak {BIO 7535829 <GO>}

Paul, this is Peter. In terms of the guidance for non-utility, we're feeling really good where we're at right now with our non-utility segment. As Gerry mentioned, we do have contingency filled in our utility segments, depending how weather plays out, we may have upside overall the guidance, whether it'll be coming from out utilities segments.

A - Gerard Anderson {BIO 1391607 <GO>}

You know we mentioned the mix of weather in the second quarter, cold April -- hot May and so forth. But June was warm and so was July. July is playing out warm too. So from a weather standpoint, it's been favorable and that gives us some strength through weather in the utilities which covers some of the -- provide some of the contingency we're talking about. And then, could we conceivably see a little more out of the non-utilities, we will just have to see how the year plays out possibly, but we're giving you the best guidance we can.

Q - Paul Ridzon {BIO 1984100 <GO>}

Gerry, you mentioned as you look out at some forecast for the out years that some people are light. And one of those issues is the utility forecast. Is there any aspect of that that you think might be missing? What are they missing?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, in regards to the utility forecast, we -- despite a point of clarification post tax reform between people, maybe a little bit light; earnings will be growing 1% faster than the rate base for both utilities. So that electric [ph] utility rate-based growth is 6% to 7% and earnings growth would be 7% to 8%. And for gas utility, the rate base growth is 7% to 8%, so our earnings growth of about 8% to 9%, and that is because as we're giving back cash -- deferred cash to our customers, we're replacing that with equity over this timeframe.

So we believe that some people are missing, the nuanced post tax reform as an increase of equity that's coming in to both utilities which just provides earnings growth over and above rate base.

Q - Paul Ridzon {BIO 1984100 <GO>}

Where do you see --

A - Gerard Anderson {BIO 1391607 <GO>}

So capital is financed with more equity and less deferred tax in our base, so that's the effect Peter just mentioned. Then on top of that, there are renewables in an area where we're seeing customers reach out and working with large customers and just wanting higher percentage in their mix. And so that's I mentioned -- the short of $0.5 billion we think in the five-year plan for that and then the gas main replacement program. So the combination of some additional important investments along with the shift in kind of the utility is financed is where we think the differences.

Q - Paul Ridzon {BIO 1984100 <GO>}

Where do you see the 2022 equity layers at the electric and gas utilities?

A - Peter Oleksiak {BIO 7535829 <GO>}

They are currently around 38% when we look at overall capital structure. So it will start bleeding in. We don't have -- I don't really disclose the precise number (inaudible) but I think it's really about $70 million a year that providing the fact the customers across both utilities, about 35 of that will be going into both utilities. But there is a technique that probably gets into the more low 40s by the end of the year of the five-year period.

Q - Paul Ridzon {BIO 1984100 <GO>}

Thank you very much.

A - Gerard Anderson {BIO 1391607 <GO>}

Thank you.

Operator

And we'll take our next question from Jonathan Arnold with Deutsche Bank. Please go ahead.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Good morning guys.

A - Gerard Anderson {BIO 1391607 <GO>}

Good morning.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Jonathan Arnold {BIO 1505843 <GO>}

A quick question on -- so you talked about the IRM that you will file it -- you filed in the electric rate case and that it will help you defer having to file annual cases. Can you go, I mean, how long do you think you would potentially be able to stay out with that mechanism?

A - Peter Oleksiak {BIO 7535829 <GO>}

Well we're targeting -- I think you will see in our filings, we're targeting multiple years as an approach, but that's something to be worked out with the commission staff and the commissioners over time here as to how long we could stay out, but we're looking for at least three years and if things play out well beyond that, but that's what's in our current filings.

A - Gerard Anderson {BIO 1391607 <GO>}

So we've got in the IRM -- look if I step back in there and what we've been talking to the commission and commission staff about is, elements of our capital -- are driving rate increases, but are totally predictable and agreed upon. So this gas plant, for example, we know the schedule, we know the cash -- what the cash flow is going to look like. So covering that in an IRM is something that could make sense. We've also been talking a lot about our long-term distribution investment plan and trying to reach agreement with the commission and staff and what that should look like for customers. Once agreed upon, that's not something that needs to be a ongoing basis of re-discussion in rate cases, it just needs to be executed and reconciled.

And so we're trying to bring those sorts of items into the plan to focus rate cases and things that really are extraordinary. You know how our sales changing, our cost changing and so forth. That needs to be done less frequently than every year. And so I think the commission recognizes that and we do too. We've been clear with the commission that we think this IRM can reduce rate case frequency and that is our goal. We've also been clear that we can't promise, you know some stay out period because you never know what happens in the world. So I think the understanding on our side and there is that the goal is to reduce frequency without a specific locked in target as to what that means.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay, great. And if I heard you correctly, you feel you've been able to have sufficient dialog with the commission and the staff that what you've filed is -- it is likely to be aligned with something they would find acceptable?

A - Gerard Anderson {BIO 1391607 <GO>}

We had many rounds of dialog with them. So I can never kind of pre-judge where the commissioners will land, that's their call, but we did try to take a process where we had many rounds of detailed discussion about what would make sense to them and what made sense to us and where our needs lie and so forth.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Right. Okay. And then just quickly on NEXUS. You're now saying you expect it to fill in terms of contracts after it into services. Are you still seeing the same as you were saying last quarter there effectively or is -- yeah, I think you were saying around the time it enters service. I'm just curious if that is a shift or not a shift?

A - Gerard Anderson {BIO 1391607 <GO>}

Jonathan, I would say that last quarter we were saying that we are moving onto capacity that we feel is really valuable in this basin as capacity becomes short in this basin and are growing -- very quickly growing basin. So we've got -- we continue to have discussions with producers detailed discussions of our capacity commitments and we're trying to maximize volume in term and we think this will play out once the pipe goes under construction and/or is in construction and goes into service. So we've seen intensity of the discussions heat up as we predicted as we went into the construction and we look forward to concluding deals here as we go into service that gives us the price and that we're looking for?

Q - Jonathan Arnold {BIO 1505843 <GO>}

Would you expect that to happen here in this calendar year?

A - Peter Oleksiak {BIO 7535829 <GO>}

So, Jonathan let me -- let me just add, and then I'll answer that one is that I think we've been saying it for probably a couple of years. The way these things play out is the serious discussions happen once your pipe is in construction. And people believe it, they know it's going to be there. And it absolutely has played out. Our team is in deep discussions with multiple producers at a scale that is very significant. So that's promising.

For a variety of reasons, these deals are going to close after the pipe is in operation and that's probably all I can say on that. But I think we will -- we will see deals close not over multiple years, but I think it's going to take months for what Gerry talk play out. So will conceivably see late 2018 into 2019 after these discussions to play out and the reason is that people see the basin going short takeaway capacity in a couple of years, the writings on the wall for that.

And so as producers try to set up capital plans in '19, '20 and beyond, they can't -- it's not capital plans until they've got take away. And so that's what people are talking to us about and as Gerry said, we're going to make sure that we use what we think is a really valuable resource and our basin that's going to go short in the best way for DTE and its partner.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Great. Okay. Thank you. And then just -- your comments on equity, have those sort of -- does those encompass doing a Link sized acquisition or would that presumably change your comments on equity?

A - Gerard Anderson {BIO 1391607 <GO>}

That would change the comments that we did an acquisition some of the Link, we'd be issuing shares just for that project in itself, that project to support the additional equity that we would be issuing.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. And then just one other thing on the RNG projects, you talked quite a lot about that business here. If I'm not wrong, those -- that business kind of keys off of the RIN values in the RFS program. And I'm just curious how you have long-term visibility on the value on those contracts. Given that the program, some sets in 2022, and yeah just adding further insight, you can just sort of give us on how -- how much term visibility you have on what the earnings are likely to be on these deals in the longer term? And maybe I'm incorrect about some of that?

A - Gerardo Norcia {BIO 15233490 <GO>}

Some of the first deals that we did have long-term OpEx. So that was very valuable to us and there is an ability in the market to hedge some of these products that we're producing. So that is one of the ways that we're going to manage cash flows going forward. But based on what we see and sort of the requirement that has been established by Congress or the provision to provide these deals, we see the market remaining short on supply and long on demand, which we think will continue to put a lot of pressure on -- upward pressure on pricing. So again, multiple strategies. One is long term upticks with counterparties, bilateral arrangements, as well as hedging programs that help secure cash flows in the future.

A - Peter Oleksiak {BIO 7535829 <GO>}

Another thing I would think is that the RIN program is one source. And by the way, that's not short. It's way short supply demand and it has been consistently supported through congresses of every stripe and EPA's by the way of every stripe as well. So it seems to be a durable program that as a provision that -- it just got a supply-demand gap, that's not going to be closed any time soon. But actually some of the deals are not driven by that market, that could be a support market that are actually driven by state markets.

So, example, California has a market that's wants to pull renewable gas in the transportation sector and some of our deals are directed at that market and its dynamics. And again, there are producers, they are who need to fulfil those obligations and where we are supplying gas to those counterparties.

A - Gerardo Norcia {BIO 15233490 <GO>}

One of the added features that makes this market attractive for us as that as we look at IRRs and cash flows, the simple payback is very fast. So the exposure to market fluctuations is less of a concern from an IRR perspective.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Sort of filling in the REF falloff perspective, then what is your visibility on the sort of post 22 pricing on those deals?

A - Peter Oleksiak {BIO 7535829 <GO>}

I think first of all -- I think are actually really good dynamics in terms of filling in those earnings, because they are strong earnings and good return. And I think that as Gerry has been implying, we've got visibility through that period. Could Congress change out in late 2020, I suppose it's possible, but there's -- we've seen no sign of that. It is just been very durable support in Congress for these sorts of provisions. But beyond that, I guess I would point you away from Congress to more some of the local markets that we're supplying which have been -- if anything had at the stronger and deeper into these sorts of provisions.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. So how long are the deals you've signed so far and how can you disclosed that?

A - Gerard Anderson {BIO 1391607 <GO>}

Actually, we don't disclose deal specific terms, because we are negotiating other deals. So --

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay.

A - Gerard Anderson {BIO 1391607 <GO>}

We're probably keep those proprietary, but we can -- we can give you a feel for how we view this business long-term as we shed more light on it down the road.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Great. Thank you very much guys.

Operator

And we'll take our next question from Andrew Weisel with Scotia Howard Weil. Please go ahead.

Q - Andrew Weisel {BIO 15194095 <GO>}

Thank you. Thanks for squeezing me in, Just a couple of quick ones on the utilities. First question is, as far as generation with the increased renewable spend the new gas plant, is there any change you're thinking from a supply demand perspective as far as generation needs over the next say 5 to 10 years or would the incremental renewables come as a replacement for something else you had been thinking about whether existing or new?

A - Gerard Anderson {BIO 1391607 <GO>}

I do know if you noticed the discussion in the state on long-term renewables that happen. So we had a ballot initiative emerge in the state. There was going to push Michigan do a 30% renewable standard. I actually wasn't crazy about it, because it was from someone outside the state. The state was very well aligned behind what was happening here. We actually had republicans and democrats and environmentalists and utilities on a common dim [ph] sheet, but what happened interestingly out of that whole discussion about a ballot initiative was an agreement that came out that targeted a 50% clean energy standard which is -- when you dig behind what that means, it implied for us 25% renewables by 2030.

And when you look beyond this current renewable plan that we said has some upside for customers that are requesting voluntary increases, we think it implies in the 2022 to 2030 period incremental investment in renewable to what we would add to some measure. So -- and I think that one thing I would say is that as we continue to see renewable cost go down, I think those go hand in hand. So I would expect that renewable investments in the 2022 to 2030 period will probably surprise to the upside given trends and technologies and on the agreement that was just reached.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, thanks. Then on the IRP scheduling, you guys are going to be going next year whereas your neighbors are going this year. What in particular will you be watching for to see how that process unfolds? And what you might be able to learn from them being the guinea pig so to speak?

A - Peter Oleksiak {BIO 7535829 <GO>}

Well, I think we will certainly watch it very closely I mean their proceeding. And we are looking to file in March and we filed a version of IRP under the old legislation as part of our CON filing. You know, it's a need filing for the new power plant that we are going to build. So we'll be updating it. I don't think they are -- we don't expect fundamental shifts in our plan. So I think you can rely on the current IRP that we filed as a projection into the future. We may update the renewable investments as we -- as Jerry mentioned as we start to think about the -- how the next decade may evolve, but that will only likely mean a higher renewable content or business.

A - Gerard Anderson {BIO 1391607 <GO>}

Yeah, one of the things that I think people need to realize about us versus our neighbors is their starting points are different. So they have a much higher gas mix currently than we do. I think their mix is in the order of 30%, ours is much lower. So, our gas plant needs sense from that perspective.

And then I think one of the things we will be watching is technologies above is the need for another gas plant in the late 2020s versus the ability to handle that via renewables, and time will tell on that, we will just have to see how both our load and technologies evolve, but that will be one of the things I'm sure that we evaluate in the IRP next year scenarios that evaluate both potential outcomes.

Q - Andrew Weisel {BIO 15194095 <GO>}

That's helpful, and that certainly ties back to my first question as well. Lastly, just a quick one on NEXUS. You previous talked about waiting for talk about -- for talking on some of the expansions whether it's compression, looping, all the other good things that you have done at Bluestone and Millennium. Should we still be thinking of those types of announcements is coming only after US commitments in excess of the initial capacity?

A - Gerard Anderson {BIO 1391607 <GO>}

Yes, that's correct.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Thank you.

A - Gerard Anderson {BIO 1391607 <GO>}

Thank you.

Operator

And this concludes today's question-and-answer session. At this time, I would like to turn the conference back to today's speakers for any closing or additional remarks.

A - Gerard Anderson {BIO 1391607 <GO>}

Well, again I want to thank everybody for joining the call. As I said at the beginning of the call, we had a great first-half of the year and our increased guidance shows that. Second-half of the year as I mentioned, I think we are really well-positioned also. So I think you will see some really surprises, 2018 will be a strong year. I also feel really good about the position that we are in to continue the track record of delivering premium results that we have shown over the last 11 years. So we look forward to providing you with updates as we move through the year and as we move through our longer term plan. Thanks for joining. We look forward to talking to all of you soon.

Operator

This concludes today's presentation. We thank you for your participation. You may now disconnect.