Q1 2021 Earnings Call

Company Participants

- Barbara Tuckfield, Director of Investor Relations
- David Ruud, Chief Financial Officer, Senior Vice President
- David Slater, President and CEO-Elect, DTM
- Gerardo Norcia, President, Chief Executive Officer, Director

Other Participants

- Andrew Weisel, Scotia Howard Weil
- Angie Storozynski, Seaport Global
- Anthony Crowdell, Mizuho Securities
- Constantine Lednev, Guggenheim Partners
- Durgesh Chopra, Evercore ISI
- Insoo Kim, Goldman Sachs
- Jeremy Tonet, JPMorgan
- Jonathan Philip Arnold, Vertical Research Partners
- Julien Dumoulin-Smith, Bank of America Merrill Lynch
- Michael Weinstein, Credit Suisse
- Ryan Levine, Citi
- Sophie Karp, KeyBanc Capital Markets
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good day, and thank you for standing by. Welcome to the DTE Energy First Quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Barbara Tuckfield. Thank you. Please go ahead.

Barbara Tuckfield {BIO 19701481 <GO>}

Thank you, and good morning, everyone. Before we get started, I would like to remind you to read the Safe Harbor statement on Page 2 of the presentation, including the reference to forward-looking statements. Our presentation also includes references to operating earnings, which is a non-GAAP financial measure. Please refer to the reconciliation of GAAP earnings to operating earnings provided in the appendix.

With us this morning are Jerry Norcia, President and CEO; David Slater, President and CEO-Elect of DTM; and Dave Ruud, Senior Vice President and CFO.

And now, I'll turn it over to Jerry to start the call this morning.

Gerardo Norcia {BIO 15233490 <GO>}

Thanks, Barb, and good morning, everyone, and thanks for joining us today. I hope everyone is staying healthy and safe. This morning, I will start off by discussing DTE's strong start to 2021. And David Slater will give some details on our Midstream business and provide an update on the spin transaction. Dave Ruud will provide a financial review of the quarter and wrap things up before we take your questions.

So let's start on Slide 4. As we have discussed before, our priorities of DTE are to support our employees, customers and community, which then enables us to provide the strong consistent growth the investors have come to expect. Our focus this quarter was no different, as we have delivered for all of our stakeholders. Our team at DTE has continued to perform at a very high level. We are recently recognized by Gallup as a great workplace. This is the ninth consecutive year we have received this award. We are off to an extremely safe start in 2021 coming out for our safest year ever in 2020.

As I have said, safety is our top priority at DTE and getting people home safely to their families every day helps drive our success and employee engagement. We are building on our diversity, equity and inclusion focus with employees fully dedicated to helping the company on its journey. DTE is committed to accelerating our progression towards a workplace where everyone feels valued, welcome and able to contribute their best energy. We do understand that all people thrive and succeed when they feel included, safe and welcome.

On the customer front, we continue to deliver safe and reliable energy. Just recently, DTE Electric received approval on its deferral request that delays next rate case filing until October 2021. This provides price stability for our customers, keeping base rates steady through 2021 and into 2022. As you recall, we previously received approval to the delay our general rate case until May and this order extends the delay at least five additional months. This is another step toward stabilizing our customer affordability.

Additionally, DTE is ranked as one of the top 10 utilities in the nation for energy efficiency and customer savings, and J.D. Power has ranked both our electric and gas utility, the top quartile for residential customer satisfaction. These initiatives and recognition show our continued commitment to service excellence.

Supporting the communities where live and serve remains critically important to us. DTE helps thousands of vulnerable customers lower their energy bills in 2020, while significantly reducing natural gas and electricity usage through energy efficiency initiatives.

Our Energy Efficiency Assistance Program was recognized for keeping energy affordable for our most in-need customers. We recently contributed to Habitat for Humanity and supported their effort to weather-proof low income homes. DTE also led a fundraising effort to help small business in Detroit grow past the pandemic. We are also offering personal protective equipment, technical assistance, and opening resources to assist small businesses across the city. With engaged employees, customers are satisfied with their service and communities that are resilient, we deliver value for our investors.

We delivered a strong first quarter with earnings of $2.44 per share and solid performances across all our business lines. We are on track to deliver 7% operating EPS growth from our 2020 original guidance midpoint.

The Midstream spin is on track for midyear completion. The spin positions DTE Energy as a predominantly pure-play best-in-class utility, with significant capital investments of $19 billion over the next five years, 90% of that will go into our utilities. And we continue to target our 5% to 7% operating EPS growth rate, with 2020 original guidance as the base for that growth. The spin also establishes DTM as an independent natural gas midstream company with assets in premium basins and accretive growth opportunities.

On the next slide I will discuss some of our major accomplishments from the first quarter. DTE is continuing to focus on our environmental initiatives. DTE Electrics recently placed three wind parks in service, Izabella I and II, which are the largest wind parks in Michigan. Have a total of 136 turbines with 383 megawatts of capacity. We also placed the Fairbanks Wind Park in service with a capacity of 72 megawatts. DTE now has nearly 1,800 megawatts of capacity from renewable energy sources, enough to power 670,000 Michigan homes. This is a significant step toward our goal of reducing carbon emissions by 50% by 2030.

The electric company recently filed a settlement agreement for voluntary renewables. The settlement includes 800 megawatts of renewable power additions with 420 megawatts of that being slated for 2022 and the remaining 380 megawatts coming online in 2023 through 2025. These sources will support the voluntary renewable program MIGreenPower, which continues to exceed our high expectations.

We recently announced the commitment of a few new companies to the MIGreenPower program, including the State of Michigan, Bedrock and Trinity Health. We have reached 900 megawatts of voluntary renewable commitments with large business customers and approximately 30,000 residential customers. The program is the largest of its kind in the nation that helps to advance our work towards the net zero carbon emissions goal.

The electric company also received approval from the Michigan Public Service Commission for Phase 2 of its Charging Forward initiative to strengthen electric vehicle infrastructure in the State of Michigan. This includes customer education and outreach, fleet advisory services and charging infrastructure components that further support electrification transition of fleet vehicles.

At the end of March, the electric company completed its most recent offering of green bonds. The $1 billion bond offering will help fund the development and construction of solar and wind farms, including transmission infrastructure to support renewable energy facilities. The funding will also strengthen energy efficiency programs that help Michigan residents and businesses to save energy and reduce their bills. DTE Electric has issued three green bonds over the past four years for a total of $2 billion. These bonds help support our progress towards a cleaner, more sustainable energy future.

DTE Gas announced CleanVision Natural Gas Balance. The nation's first program to include both carbon offsets and renewable natural gas for customers to reduce their carbon footprint. This program offers four levels of participation for customers ranging from $4 a month to offset 25% of an average home's gas use emissions to $16 a month to offset 100% of our carbon footprint.

The carbon reduction goals are achieved with Michigan forest preservation and renewable natural gas. By helping to preserve Michigan's forest through this program, DTE customers not only support the removal of greenhouse gases, but also preserve one of Michigan's greatest natural assets. Recently, DTE Gas executed a seven-year agreement to secure forestry carbon offsets to be used for this program.

As per RNG, landfill emissions and wastewater treatment plant byproducts are transformed to the fuel that heats homes and powers businesses and cars. We're excited to invite customers to be part of our ambitious vision to create a cleaner energy future. The program is off to a strong start with over 2,400 customers signed up to reduce their carbon footprint.

Our Midstream company also announced its own 2050 net zero carbon emissions goal just earlier this year. Climate change is one of defining public policy issues of our time and I am proud that this business is driving our electric and gas utilities, and the effort to deliver cleaner energy.

Now moving on to Slide 6, I will discuss DTE's solid start to 2021. Our first quarter financial results were strong, giving us even greater confidence in our 2021 financial plan, which could create invest opportunities later in the year. DTE earned $2.44 per share this quarter, up $0.78 from last year. And so if one quarter behind us, I am confident that DTE is well-positioned to deliver on a financial plan this year, setting up well for success into 2022 and beyond. Longer term, we will continue to target a 5% to 7% operating EPS growth rate with 2020 original guidance as the base. We continue to focus on our balance sheet with strong cash flows and solid credit metrics.

The spin-off of the Midstream business is on track for mid-year execution. Our team is working diligently to make that happen and I thank them for their efforts. As you know, the spin positions DTE as a predominantly pure-play utility with 90% of DTE's total operating earnings coming from our two regulated businesses.

The spin also establishes DTM as an independent low finance gas midstream C-Corp as accretive organic growth opportunities. Just as DTE is well-positioned to deliver for investors, this new independent Midstream company will also be positioned for success with a strong asset base and through the most prolific dry gas basins in the country. The spin is progressing very well with the Form-10 filing and it's in the review process with the SEC and an investor roadshow planned for the second quarter.

Now I'll turn over to David Slater for updates on the Midstream business and the spin transaction progress.

David Slater {BIO 20523364 <GO>}

Thanks, Jerry, and good morning, everyone. I'll start on Slide 7. Our Midstream business has had a solid first quarter, executing well across all platforms and assets. We are on track to achieve our financial targets in 2021, which include an EBITDA range of $710 million to $750 million.

DTM is also committed to a world-class ESG agenda. Earlier this year, we announced a net zero emissions target by 2050, making us one of the first companies in Midstream sector to announce such a goal. We intend to use every tool available to reach our sustainability targets and we believe this will evolve to become a significant business opportunity over time for DTM. Additionally, DTM is establishing a Board of Directors committed to ensuring the company operates in an environmentally and socially responsible manner.

As Jerry mentioned, we are on track for mid-year spin execution. Our Midstream business has been transformed over the last decade and the solid, steady and strategic transformation has positioned this segment to become the industry leader it is today. The creation of an independent Midstream C-Corp will provide the opportunity to further advance the company and create value.

Now let's turn to Slide 8. The spin is on track for mid-year execution. We initiated the Form-10 process with the SEC back in February. Since then we have been diligently working through the comment period and this has been going smoothly as expected.

In March we held discussions with the rating agencies which went very well. We will be receiving a credit rating at the time of our debt raise. The Form-10 will be public in the second quarter. We plan to hold an investor roadshow later in the second quarter as well. DTM shares are expected to start trading on a when-issued basis one or two weeks before DTM shares begin regular way trading on the New York Stock Exchange upon closing. Finally the spin transaction will be executed midyear.

As Jerry mentioned, successfully executing the spin has been made possible by the commitment and dedication of all of our employees. Thank you to our team for bringing their best energy to work each day and keeping everything on track.

Now, I'll turn it over to Dave Ruud to discuss DTE's financial performance.

David Ruud {BIO 16089859 <GO>}

Thanks, David, and good morning, everyone. Let me start on Slide 9 to review our first quarter financial results. Total operating earnings for the quarter were $473 million. This translates into

$2.44 per share. You can find a detailed breakdown of EPS by segment including our reconciliation to the GAAP reported earnings in the appendix.

I'll start to the review at the top of the page with our utilities. DTE Electric earnings were $208 million for the quarter. This was $114 million higher than the first quarter of 2020, primarily due to new rate implementation and colder weather in 2021. DTE Electric also experienced non-qualified benefit plan losses in the first quarter of 2020. We have since taken measures to reduce market variability in these plans, so we have no longer see this variability after the second quarter of 2020. If you remember in the second quarter of 2020, the benefit plan loss is reversed and were positive in that quarter.

Moving on to DTE Gas, operating earnings were $169 million, $48 million higher than first quarter last year. The earnings increase was driven primarily by new rate implementation and colder weather in 2021.

Let's keep moving down the page to our Gas Storage and Pipelines business on the third row. Operating earnings for GSP were $86 million. This was $14 million higher than first quarter of 2020, driven primarily by the LEAP pipeline going into service in the second half of 2020.

On the next row you can see our Power and Industrial business segment operating earnings were $28 million. This is a $2 million decrease from first quarter of last year due to steel-related earnings offset by new RNG projects.

On the next row, you can see our operating earnings at our Energy Trading business were $14 million, which is consistent with first quarter earnings last year. This quarter strong performance in the Gas portfolio was offset by performance in the power portfolio, both which occurred during the period of extremely cold weather in Texas in the first quarter. Together this positioned us a slightly positive to our expectation for the quarter.

Finally, Corporate and Other was unfavorable $21 million quarter-over-quarter, primarily due to the timing of taxes and net change in interest. Overall, DTE earned $2.44 per share in the first quarter of 2021, which is $0.78 per share higher than 2020.

I'd like to note that much of this favorability versus 2020 was anticipated in our plan. However, some of the favorability is due to DTE Electric, GSP and Energy Trading performing better than planned. This is positioning us well for 2021, we should have the opportunity to further invest in O&M initiatives that can improve reliability for our customers, which will also further strengthen our financial plans for 2022 in future years.

Now moving on to Slide 10, I'll wrap up the call and then we can open up for Q&A. In summary, we feel great about our first quarter results. We are on track to continue to deliver on our long-term 5% to 7% operating EPS growth rate from our 2020 original guidance mid-point.

The spin of our Midstream business is progressing as planned and we are on track for completion mid-year. This separation positions DTE as a predominantly pure-play utility and established DTM as an independent gas focused Midstream company with accretive growth opportunities. We believe this transaction unlocks significant value for investors of both companies.

Our utilities continue to focus on necessary customer-focused infrastructure investments, specifically investments in clean generation and investments to improve reliability and the customer experience. Our team deployed many innovative strategies to provide regulatory certainty during what continues to be a challenging time for many of our customers. This will enable DTE to maintain steady base rates through 2021.

We continue to focus on maintaining solid balance sheet metrics. DTE is targeting minimal equity issuances in 2021 and we continue to have minimal equity needs in our plan besides the convertible equity units in 2022. And we have maintained our solid dividend growth with a 7% dividend increase in 2021.

In closing, as we approach the spin of our Midstream business, DTE is well-positioned to deliver the premium total shareholder returns that our investors have come to expect over the past decade.

With that, I thank you for joining us today and we can open up the line for questions.

Questions And Answers

Operator

(Question And Answer)

(Operator Instructions) Your first question is from Michael Weinstein from Credit Suisse.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hi, good morning guys. Sorry about that. My phone was on mute.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Michael Weinstein {BIO 19894768 <GO>}

With the delay in the electric rate case, how would you say that that affects what you're going to file for? I mean, is this going to result in a larger rate filing than would normally be the case? Or is it basically the same case just delayed six months?

A - Gerardo Norcia {BIO 15233490 <GO>}

I would say it's generally the same case, Michael, delayed six months. It'll be a forward test to your result as well we'll be filing for.

Q - Michael Weinstein {BIO 19894768 <GO>}

Yeah. And I'm wondering if you could provide a little bit more information on the RNG business. RNG has been coming up a lot lately and talks about how gas utilities might be able to reduce their carbon emissions exposure on a net basis. Do you see this -- do you see RNG business ramping up significantly outside of the states that you're already operating in as you expand that nationally, as sites are developed?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. So, maybe I'll just start by commenting on our own utility where we have -- we are essentially offering a voluntary offset program that will be driven both by forestry products and RNG and we may be one of the first in the country to offer that type of package to our customers and it's a very interesting offering where for $4 a month, you can offset about 25% of your carbon footprint as a gas customer. So, it's a unique way of packaging carbon offsets through RNG as well as forestry products that deliver a lower carbon footprint for our customers. I do see that expanding across the country, Michael.

Right now most of our efforts in RNG at DTE Energy and our P&I business are focused on very gas going into the California markets, which gives us very nice returns both from our renewable fuel standard as well as the -- low carbon fuel standard in California. We get -- as I've mentioned in prior calls returns where we see our simple cash payback happen in three to four years with pretty modest investments. Lots of projects in the pipeline as well going forward.

Q - Michael Weinstein {BIO 19894768 <GO>}

And is this -- has this come up at all in any of the Democrat's infrastructure spending plans to ramp up RNG production or maybe even expand the fuel credit to natural gas as well as biodiesel?

A - Gerardo Norcia {BIO 15233490 <GO>}

I have not seen those details yet, Michael, but we are looking for them. Most of the credits seem to be targeted at wind and solar at this point in time as far as I can see, another clean sources of energy.

Q - Michael Weinstein {BIO 19894768 <GO>}

Got you. And just one last question, on guidance. Guidance is unchanged even after a really nice quarter and just curious is that just part of the -- it's just early in the year at this point, you're also looking at possible lean or lean in initiatives later in the year to keep guidance --

A - Gerardo Norcia {BIO 15233490 <GO>}

What we're looking, yes, what we're looking at is, using favorability to really build strength for 2022 that's our first goal, as well as investing customer-centric projects in '21 in order to make that happen. And as we get more visibility into the balance of the year then we'll continue to provide you updates on our next quarterly call.

Q - Michael Weinstein {BIO 19894768 <GO>}

Great. Anyway, good quarter. Thanks a lot.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Your next question is from Andrew Weisel, with Scotiabank.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hi, good morning everyone.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Andrew.

Q - Andrew Weisel {BIO 15194095 <GO>}

My first question is on midstream actually, are you able to isolate any financial impacts from the extreme weather in mid-February in Texas and surrounding areas? I don't know if that impacted your Haynesville system or more broadly, any operational surprises or any counterparty risks or issues.

A - Gerardo Norcia {BIO 15233490 <GO>}

David Slater, do you want to take that.

A - David Slater {BIO 20523364 <GO>}

Sure. Andrew, we really didn't see a significant impact to us from an economic perspective. We did see operational challenges probably three or four days into that cold snap. It was primarily upstream of our facilities where we were just seeing the producer struggling to maintain their production at the wellhead, but as soon as the weather broke those volumes came back rather quickly. So from an impact to the midstream business, it was pretty modest.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. Then financially, you were pretty clear that you'll have the IPO style roadshow for DTM in the coming months. When can we expect an updated financial outlook for '21 and beyond for the remaining utility focused DTE? Will we see guidance before the DTM share start trading or would it come more or like with second quarter earnings in late July.

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd, do you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Consistent with the timing of when we're going to go out with the DTM roadshow; we want to be talking about DTE guidance at that point as well. So we -- as we come forward into post-June, we will be coming forward with our DTE guidance post-Midstream for '21.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay.

A - David Ruud {BIO 16089859 <GO>}

For the remainder of '21.

Q - Andrew Weisel {BIO 15194095 <GO>}

Terrific. So, before the DTE shares start trading, post spin we'll have a better sense of what the standalone outlook looks like?

A - David Ruud {BIO 16089859 <GO>}

Yes.

Q - Andrew Weisel {BIO 15194095 <GO>}

Great. Then one last one if I may on the voluntary renewables program seems like you're seeing really strong demand with the additional megawatts. For middle of the decade, are you thinking at all about a potential cap or ceiling from this business and if so what would be the limiting factor? I don't imagine it would be demand. Are there, any physical constraints around land access or regulatory constraints of any sort or could this just continue the pace of growth through the end of the decade?

A - Gerardo Norcia {BIO 15233490 <GO>}

I don't see any limitation other than demand. So, we're -- as if you followed our last settlement filing where we operate 800 megawatts of incremental renewables. That makes us about 400 megawatts long, but I can tell you that we eat up those long positions, pretty quickly. The demand is extremely strong right now for our voluntary renewables program. So I don't see any limitations other than the customer demand.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great to hear. Thank you for all the details.

Operator

Your next question is from Durgesh Chopra from Evercore ISI.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hi, good morning team, solid quarter. Thank you for taking my question.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Durgesh Chopra {BIO 20053859 <GO>}

And just on the quarter, just big picture, Jerry, and maybe the rest of the team. I wanted to get your thoughts. So I believe just yesterday, I mean, I think, there's some news floating around that the Biden administration is now pushing for essentially doubling the clean generation going from like currently 40% to 80% over the next decade. Obviously, this is less aggressive than certainly zero -- net zero goal by 2035. Just, your thoughts on, how is DTE positioned? How is the sector positioned? Is this even achievable?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, I would say just to remind everyone of our goals at DTE where we want to be net zero by 2050, 80% carbon reduction by 2040, 50% by 2030 and we're already at 30% heading into sort of the 2023 timeframe. So I would say we're well advanced, I would expect that the DTE plan will accelerate over time. We are deep into conversations with the -- and as an industry with the Biden administration and I think there will be some consensus we hope as to, how do we all accelerate our plans, which we view as beneficial to DTE's plan. And certainly it will be beneficial to others as well. So yet to be determined, the plans that were described during the election process are very aggressive, but we also saw -- I think we see a meeting of the minds here perhaps to compromise over time.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Excellent. Thank you for that Jerry.

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes, but overall I would say certainly a tailwind for DTE's plans.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Just maybe -- just a quick follow-up, I mean, how high of a priority this is for the Biden administration and just your sense talking to key leaders there as to when could we actually see something tangible on this front? Just open ended just thinking about timing and what to look for over the next few months?

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes. Based on the level of engagement within our industry association, I would say it's very high on their priority list to move forward a plan that affects climate change. So, we're feeling positive that there's a possibility to get something done. All the elements that are being discussed seem quite positive as well. We're just going to need to see how this all plays out in the next several months. I think we'll know probably heading into the summer and fall whether there is something to do here. But it feels positive at this point.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Perfect. Appreciate the time, guys. Thank you.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Your next question is from Jonathan Arnold with Vertical Research Partners.

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

Good morning guys, thanks for taking my questions.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

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

Quick -- could you -- would you mind breaking down the kind of quarterly upside at DTE Electric and Gas just a little more? I mean, how much was -- were the rate cases? And then maybe, the benefit plan items, could you remind us what that was? And also curious, if are you continuing to see mix benefit and COVID-related sales factors and yet to what extent was that driving the upside?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Ruud?

A - David Ruud {BIO 16089859 <GO>}

Sure. Hi Jonathan. As we look at the quarter, the majority of the upside we saw was from the new rates coming in. We did see some weather differential versus last year. It was still a little negative, but it was better than last year and also at DTE Electric, that's where we had those benefit plans that you mentioned, and that was about a $20 million to $25 million difference. So we had a loss last quarter, of course, that's going to be a gain in the second quarter of 2020. And then we since have taken all the actions to make sure we don't see that market variability again. As far as gas, again, in the first quarter of 2020, we had a really negative weather. That's what we were trying to come back from throughout the year. So, we had better weather this year and then the rest of the upside that we would see would be from the new rates coming into effect.

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

Can you quantify how much the rate case helped the quarter on the electric side?

A - David Ruud {BIO 16089859 <GO>}

I think -- what I think we can get back to you on that one to make sure that you have the right number.

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

Okay. And then any comments on the mix -- sort of the question?

A - David Ruud {BIO 16089859 <GO>}

Yes, on the load at electric, overall quarter-over-quarter sales were down about 2%. So, we are -- our residential was up versus Q1. It was up about 3%, commercial down 2% and industrial down 7%. But as we discussed before, we were seeing some upside from COVID related sales at residential. And we're still seeing that right now.

So our residential load in the first quarter, versus what we would have thought it would have been pre-COVID was up about 5% to 7% still and then our commercial and industrial were basically back to where we would have expected pre COVID may be between 95% and 100% of the way back. So our residential usage continues to come in marginally better than expected with more people continuing to work from home and we're seeing that trend continue a little longer than we thought until people go back to work.

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

Okay, great, thank you. And then just maybe on the -- if I may on -- I was looking at the CapEx disclosure in the slides, seems to be a little bit of a slow start relative to annual guidance even adjusting for the normal seasonality. Just anything you can offer there in terms of what you're thinking about the full-year plan and just how we are -- when we ramp up to it?

A - Gerardo Norcia {BIO 15233490 <GO>}

I think the main thing that was a little slower there was one of our wind parks was scheduled to come on in the first quarter. And that will be coming on now in the second quarter and that's will be catching up with the capital there.

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

You also get about 100 odd million down on base electric, Dave. I'm curious, is there anything driving that?

A - David Ruud {BIO 16089859 <GO>}

It's timing of -- just timing of projects and when they come in for the year. There's no -- when we look at our annual plan for capital, we're still right on target, but the timing for a few of our projects was a little slower in the first quarter, but ramping up now.

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

Great. Thank you very much.

Operator

Your next question is from Steve Fleishman, with Wolfe Research.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yes. Hi. Good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, Jerry, just you mentioned that I think GSMP is tracking ahead of plan. Could you maybe say what's driving that?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. David, do you want to take that?

A - David Slater {BIO 20523364 <GO>}

Sure, I can. Steve, I think the big driver quarter-over-quarter is leaping in service this first quarter, then I'd say generally across the platforms just running modestly ahead of plan across all the platforms, there isn't any one item that I would call out. It's just a little modest blush across all the assets.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then also for GSMP, which I guess will be obviously DTE Midstream. The -- when you look beyond '21 as kind of growth, could you maybe give a little color of what drives growth beyond '21 there?

A - David Slater {BIO 20523364 <GO>}

Yes, Steve, it's really no different than I think what we've shared in the past. I mean we're looking at, what I'll call in out our Appalachian footprint and then our Haynesville footprint. We're sitting in really good locations in both of those basins. We are sitting in and around some of the best resource in the country and with pipeline connections to really the best markets in the country. And we're just seeing incremental activity around all those assets right now and as you know some of the assets have some runway on them that give us opportunity to do incremental business.

So I would expect and continue to expect to see that organic accretive growth as we fill in around those assets.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And just for the Form 10, just so we know is that primarily going to be just historical information actuals for DTE Midstream? Are there any projections in there?

A - David Slater {BIO 20523364 <GO>}

Steve, what you'll see in there is you're going to see the past three years audited standalone financials. And you'll also see the first quarter of this year kind of standalone financials. And you'll also see a pro-forma for the full year as a kind of a standalone. So that's what we'll be in the package when it becomes public, which you'll have an opportunity to look at.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. I have one last quick question. Just the RNG business, do you have handy what that business expects within your guide for '21 in terms of earnings or whatever other measure?

A - Gerardo Norcia {BIO 15233490 <GO>}

We -- Steve, we haven't broken it out between our co-gen and our RNG business from a new development perspective. But if you recall we've been landing this $15 million or more each year of new income generation at P&I. I'd say the way to think about that is about half of it has been RNG and the other half has been co-gen. That's how we've been progressing over the last three or four years.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. Thanks so much.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Your next question is from Shar Pourreza with Guggenheim Partners.

Q - Constantine Lednev {BIO 20877967 <GO>}

Good morning team. It's actually Constantine here filling in for Shar and congratulations --

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Constantine.

Q - Constantine Lednev {BIO 20877967 <GO>}

-- for the quarter.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Q - Constantine Lednev {BIO 20877967 <GO>}

A quick follow-up on the GSP and kind of appreciate the kind of the color that was provided. And just thinking about the spin of the business and kind of unlocking the value of potentially growing the platform kind of both organically. Just curious to get an update on kind of growth opportunities you're kind of looking at a 10% CAGR through 2024 kind of before the announcement and just curious to know how that view has evolved and kind of in light of the improving commodity conditions, some of the recontracting like on NEXUS and potentially some updated strategy on GSP for post spin?

A - Gerardo Norcia {BIO 15233490 <GO>}

David?

A - David Slater {BIO 20523364 <GO>}

Yes, sure. I can take that. So, as we've talked in the past in terms of what I'll call our capital investment agenda is for this segment, really not seeing that changing at all. And I think as we approach the spin, we will be able to provide a little more granularity and visibility on what I call the DTM Standalone kind of view going forward.

But if I just look at this year just as a proxy, we're going to deliver strong growth this year, year-over-year. And if you compare us to what I'll call the Midstream sector, we got sector leading growth rate this year year-over-year.

So, the portfolio is strong and healthy. And I look forward to talking to you in more detail about the DTM specific forward view shortly, as soon as we can.

Q - Constantine Lednev {BIO 20877967 <GO>}

Excellent and I kind of have a follow-up on, maybe two-part on kind of the post-spin unregulated exposure. Just given the scale of the commodity impact of businesses that's shrinking within the RemainCo, does that kind of mean the need for DTE Energy Trading kind of remains or just some of that business activity move away post spin?

A - David Ruud {BIO 16089859 <GO>}

So just as a reminder, 90% of our earnings going forward will be utility-based with about 10% being non-utility, and any growth that comes from our non-utility sector will come from our two business lines, co-generation and RNG. We don't expect any growth from our trading company. It's a quite a small operation, generates anywhere from $30 million to $40 million of cash flow for us but also provides us great market insights into some of the non-utility businesses that we're in co-gen as well as RNG where they help us manage some of our market positions there as well as manage risk in, and around some of our utility portfolio. So, it's a small business, we don't expect it to grow and we'll continue to run it that way.

Q - Constantine Lednev {BIO 20877967 <GO>}

And a short follow-up on the RNG piece and kind of the P&I segment. Just with the local and kind of federal decarbonization efforts ramping up -- efforts ramping up, are you strictly looking at RNG opportunities to potentially expand the offering may be hydrogen value chain, carbon capture et cetera?

A - Gerardo Norcia {BIO 15233490 <GO>}

We're primarily focused on RNG at this point in time, that's where the investment opportunities are and I would say really nice returns as well from that business line. As we start to understand more and we are starting to understand a lot more about carbon capture, we will look at that as an opportunity, but that seems to be somewhat into the future at this point in time. Hydrogen again is very early, but certainly promising. So more to come and we'll see how our utilities and perhaps our non-utilities business can play into both those opportunities.

Q - Constantine Lednev {BIO 20877967 <GO>}

Excellent. Thank you for your time and I'll jump back in queue. Thanks.

Operator

Your next question is from Sophie Karp with KeyBanc.

Q - Sophie Karp {BIO 19699392 <GO>}

Hi good morning. Thank you for taking my question.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Sophie.

Q - Sophie Karp {BIO 19699392 <GO>}

A lot has been discussed already but I just wanted to double-check with you guys about the qualified plans in the electric business. So when you say that you took measures to reduce volatility in that segment going forward, can you clarify what that means? Is that does it mean that you diversified the assets in those plans differently or is it an accounting measure? Like how should we think about that?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd?

A - David Ruud {BIO 16089859 <GO>}

Sure, yeah, the main thing we did there is we matched up our assets and our liabilities. So, any movement on one side will be matched on the other and so that will take away any of the market variability that we were seeing there in the past. And we limited the size of the plan a little bit too. So we're confident that we're not going to see these market movements past the second quarter of 2020, where you'll see that the losses that were in the first quarter of 2020 came back in the second quarter.

Q - Sophie Karp {BIO 19699392 <GO>}

That's very helpful. Thank you. And then my other question was on the GSP business -- I'm sorry, P&I business, it looks like it might have a little bit of a catching up to do to for the full-year guidance in the last three quarters of the year compared to what we would think as a ratable distribution of your guidance throughout the year. Is that something that you envisioned? Or is it something is causing such of a project there? Or how should we think about that one?

A - Gerardo Norcia {BIO 15233490 <GO>}

Maybe I'll start and then I'll let Dave give a little more details. But we fully expect P&I to hit its targets this year. I can tell you, we're not concerned about that at all. So feeling real good about the targets and the progress for the balance of the year. Dave, do you want to shed a little more light on this?

A - David Slater {BIO 20523364 <GO>}

Yes, you're right. In the next few quarters, what we see is some of the RNG projects and the benefit of some of those new RNG projects come in a little bit better for us and so. We're confident in that coming back and meeting the full-year guidance.

Q - Sophie Karp {BIO 19699392 <GO>}

Terrific. Thank you. That's all I had.

Operator

Your next question is from Insoo Kim with Goldman Sachs.

Q - Insoo Kim {BIO 19660313 <GO>}

Thank you. Just a couple of questions, one on the -- when we think about the RemainCo going forward and the growth in both the utility businesses as well as the P&I with RNG on the balance, should we still expect a 90% plus of the business over the next five years to be at the utility level?

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes, we do. Absolutely.

Q - Insoo Kim {BIO 19660313 <GO>}

Understood. And then just, this might be a little bit early, but obviously part of the payment for the infrastructure plan that Biden proposed is the potential increase in tax rates. We've gone through this cycle as an industry of the past few years ago, and just assuming the plan that's in place goes into effect. Just any initial thoughts on your end, especially in terms of cash or rate base and rate base growth?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, I'll start. Certainly, we don't expect our growth trajectory to be impacted by the new plan. It will put some pressure on rates and affordability at the utilities that we'll have to manage, but we think all of that at this point in time will be manageable. Dave Ruud, do you want to add to that at all?

A - David Ruud {BIO 16089859 <GO>}

Hey, Jerry, I think that's the right high level. When we saw the tax rate reduction in 2017 and we could -- that was a 14% reduction. Now it's looking like what Biden is saying is about a 7% increase and that could come off as about a 1.5% increase we would see in rates. Also, it would improve our cash position a little bit because cash taxes would lag the book taxes. So it would improve our FFO-to-debt by 0.5% to 4%. But as Jerry said, the key we'd have to do, there's continued to work on cost structure to offset the increase in rates. So it wouldn't impact our capital plans as we continue to improve on our customer liability and clean energy transition.

Q - Insoo Kim {BIO 19660313 <GO>}

Got it and my apologies if you've already got into this or -- and I am just picking up, but from an O&M perspective over a multi-year period, is there a general guidance that we should be using or potential opportunity for more?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd?

A - David Ruud {BIO 16089859 <GO>}

Yes, we are continuing to manage our O&M and trying to keep it well below inflation. And it's so one of our plans going forward. We haven't given long-term O&M guidance on that, but it's definitely an area where we're going to make sure that we can continue to have opportunities for increased capital and infrastructure that's needed for our customers.

A - Gerardo Norcia {BIO 15233490 <GO>}

I think you'll also see that if you look at our O&M performance over the last decade, we've been quite distinctive in the industry with our continuous improvement plans where we've had a very low to no O&M increases on an absolute basis.

Q - Insoo Kim {BIO 19660313 <GO>}

Understood. Thank you so much.

Operator

Your next question is from Anthony Crowdell with Mizuho.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, good morning, Jerry, good morning, Dave.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning Anthony.

A - David Ruud {BIO 16089859 <GO>}

Hey, Anthony.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Jerry, great move on swapping out the multiple Jerrys on a call with multiple Daves. Just I guess -- just two quick questions, one is I think you talked about 1,800 megawatts of renewables. I believe, that's mostly if not all in the regulated utility. Is there any thought to growing renewables or what's the thought process for renewables either in the regulated utility or the P&I business?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, certainly, we've got a significant effort to continue to increase our renewables position on our regulated businesses. I think as I mentioned, we've got 900 megawatts of voluntary renewables lined up and we expect over the next five years to invest about $2 billion in regulated renewables inside our electric utility. As far as the non-utility business, our niche play has really become RNG where we see that as a very lucrative renewable resource and we are a first mover with unlevered IRRs after tax in the teens. And as I mentioned, a simple cash paybacks of three to four years and we see nothing, but demand growth for that product. So we are pretty excited about our position there and how that continues to grow.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. And then last and it's kind of touches on your response, I guess. How do you balance the returns in the renewable project with how it would impact the company's net zero targets or such as, hey, this really contributes to the net zero target, but the returns are lower. Is there a threshold or what's the balancing act of, hey, it's a really, really green project, but maybe less of an economic benefit or how do you handle that?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, right now, all of our regulated renewable investments inside our electric utility attract the regulated rate of return, 9.9% and a 50/50 debt equity structure. So it's a -- these are very accretive projects for us and we continue to see lots of opportunity to finance these renewable projects in that manner. What we are trying to manage through the voluntary program is our customers pay a slight premium in order to make sure that there's no impact on customer rates. So, sort of a win-win for both our customers and our investors.

Q - Anthony Crowdell {BIO 6659246 <GO>}

What about in the unregulated business then?

A - Gerardo Norcia {BIO 15233490 <GO>}

In the unregulated business, we are seeing nice returns, and as long as we continue to see those returns, we will deploy the capital. As I mentioned, the unleveraged returns after-tax are around -- are in the teens and our simple cash paybacks are three years to four years. So as long as we get that steady stream of projects with those types of parameters, we will continue to invest. And the investments are can be -- are modest. They are small projects. Like I mentioned, we are generating anywhere from $7 million to $8 million a year of new net income from RNG and that's building a nice little business line for us.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. Thanks for taking my questions and great job on the quarter.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you, Anthony.

Operator

Your next question is from Julien Dumoulin-Smith with Bank of America.

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

Hey. Good morning, team. Thanks for the time.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

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

If I can play -- hey, if I can do a little cleanup here. I just want to go back to this RNG conversation. It has come up a few times, but I want to press a little bit on targets here as you think about the forward guidance that you guys have. What kind of assumptions have you reflected there just to reset against your $24 million baked into RNG, I heard the $50 million per year comment earlier. But I want to come back to just understand what's reflected against your earlier comments about looking at other states and other perhaps opportunities they are in?

A - Gerardo Norcia {BIO 15233490 <GO>}

We have -- I think at our last VI [ph] meeting we provided guidance for P&I business overall. And Dave Ruud, if you -- if I recall correctly, we are in the $130 million to $135 million in terms of income targets for that business in the 2024 timeframe.

A - David Ruud {BIO 16089859 <GO>}

Yes, that's right. And it's continued to -- our historical development of $50 million of new net income a year. A lot of that within RNG, but also continuing to look at cogen and other opportunities within the kind of ESG space to grow that business.

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

Then let me perhaps let me phrase that slightly differently. When you think about the emerging opportunities outside of California, should we say, how do you think about that reconciling against that? Is this something that you want to keep small? All your comments earlier about keeping energy trading small for instance, do you want to keep RNG small within those parameters or is this something that you are willing to organically grow into whatever opportunity may exist behind it?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, I will start this way, Julien. We are trying to keep our mix at 90/10. So we will pursue as we watch both our utilities and our non-utilities grow. We will continue to pursue RNG and do great projects and as basis we have been. Could it become sort of more dominant in a P&I play? Perhaps, but I think it's something that we will have to watch. Right now we are seeing like I mentioned a pretty even split between cogen and RNG, and that feels good to us. The cogen projects come with 15-year and 20-year agreements, which feels more like utility -- utility like type investments and capital deployment with higher returns in our utilities. And then RNG comes with really hot returns, right, and sort of shorter timeframe commitments in terms of price fixing.

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

Right. But maybe the point is that if you strip out the GSP side of the business, you still have latitude within that 90/10 mix even in the forward years?

A - Gerardo Norcia {BIO 15233490 <GO>}

I think the 90/10 that we put out there took into account the spin of DTM or Midstream. So as we deploy capital, the mix that we are looking at, Julien, is about $17 billion going into our utilities and about $2 billion going into P&I. So that kind of gives you a feel how we are planning -- that's our base plan and how we plan to allocate capital right now.

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

Okay. All right. Excellent. I will leave it there. Thanks, guys.

Operator

Your next question is from Angie Storozynski with Seaport Global.

Q - Angie Storozynski {BIO 15115714 <GO>}

Thank you. So I realize that you guys are busy with the Midstream spin-off. But I was just -- and then seemingly you have plenty of growth opportunities at your own utilities. But just looking beyond the spin-off, it looks to me that your credit metrics will look very strong given the improvement in the credit profile, the risk profile of the business at about 16% FFO to debt. So, typically that strong credit metrics would support some M&A transactions on the regulated utility side and I was just wondering what's your take on this.

A - Gerardo Norcia {BIO 15233490 <GO>}

Angie, good morning. We -- our base plan is really to grow our company organically. We see that being the most accretive way to create value for our shareholders. And we have got a $17 billion plan in front of us, which we are always looking for opportunities to accelerate. And one of the reasons we are primarily focused on the organic growth around our platform, current platforms is that you get in a book value and your shareholders get a multiple of that book value from a value perspective. So it's the most accretive thing we can do. Having said all that, if there's assets that could become available to us and create value for our investors, we are always open to that. But it's certainly, Angie, not our primary focus at the point in time.

Q - Angie Storozynski {BIO 15115714 <GO>}

But do you have any preference as to electric versus gas? How about electric transmission assets? I mean, any comments to that effect.

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. I -- our views probably has been changed in the last couple of years and we are really focused on electric investments. I think if you look at our capital plans, it's very heavy electric both in the renewable space, as well as in wires and -- renewables and wires are primarily electric investment focus right now. So if we were to do more -- we had the opportunity to deploy more capital and we would deploy it in those two spaces, wires and renewables -- regulated renewables.

Q - Angie Storozynski {BIO 15115714 <GO>}

And just as a follow-up, given that the voluntary renewables program seems to be ahead of your expectations, is that in a sense increasing your expectations about the earnings growth at DTE Electric versus what you had stated before or is it just that it offsets some of the other rate-based growth that you would -- you have contemplated?

A - Gerardo Norcia {BIO 15233490 <GO>}

Yeah, certainly, what we are seeing and we updated at last fall is that we put our renewables growth at $2 billion over the next five years of capital deployment. So we move forward, we will continue to update that number, Angie. But I will tell you I have been pleasantly surprised with this program. As soon as we have supply available, it just flies off the shelf with our large industrials and commercial customers have a very strong appetite for this. And even our residential customers, we are signing up thousands of customers every month and we are sitting at about 30,000 customers right now on a residential level. So it seems to be a very appealing product. So more to come on that, but I do expect these investments to continue to grow. But right now we have got $2 billion in the plan as we see it.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay, thank you.

Operator

Your next question is from Ryan Levine with Citi.

Q - Ryan Levine {BIO 19520640 <GO>}

Good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Ryan Levine {BIO 19520640 <GO>}

How is the commercial development opportunities in the Haynesville progressed in the last few months and are you seeing any more meaningful developments there?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. I I'll answer this question, because David Slater is having some phone problems; otherwise he would take this. But, we're seeing lots of opportunities in and around the Haynesville assets and actually doing some nice small projects that are highly accretive. So David and his team have been quite successful. Nothing very large yet, but I think as we evolve that platform, we've got a very significant opportunity with the fact that we were a first mover in building a 150 miles, 36 inch pipeline that takes volumes in the northern part of the Haynesville to markets in the Gulf Coast as well as the LNG export markets.

So we are in discussions with various shippers to see if we can get a project off the ground there. So it's early, but I would say encouraging because as you know, expanding new pipelines can be very economic and also accretive.

Q - Ryan Levine {BIO 19520640 <GO>}

Great. And then maybe just one on RNG, post spin, reached 10% threshold that you had highlighted. But in terms of deal structuring, is there any change in appetite around taking LCFS or other credit risk? And is there any different approach that you may take pro forma for the spin given the changing tax position?

A - Gerardo Norcia {BIO 15233490 <GO>}

So, I would say this that you asked about RNG markets certainly and hopefully this is answering your question. We are using financial instruments to hedge those markets and that's what our trading company is doing for us. So, we're taking a portfolio approach where we hedge we also have fixed price contracts for term and then we leave some of it open to the market. So, that's the portfolio approach we're taking with RNG both in the LCFS markets and the RFS markets.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay, but in pro forma for the deal, would you look to take any more duration risk or less in light of the more utility focused company that you'd be managing?

A - Gerardo Norcia {BIO 15233490 <GO>}

Certainly, we always look for length in our contracts. So that's what we -- that's how we approach it. We will give up a better return to get length in our contracts, but we also do look for a portfolio approach.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay, appreciate it. Thank you.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Your next question is from Jeremy Tonet with JPMorgan.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted to come back to GSP, if I could and kind of slice it a little bit differently maybe. For the first quarter, the pace you landed there would handily beat guidance and was the strength due to seasonality and how should we think about seasonality for the business overall at this point?

A - Gerardo Norcia {BIO 15233490 <GO>}

While the primary strength as David mentioned in his comments was driven by the fact that the LEAP pipeline which was a brand new pipeline that came into service last August. We are starting to see the full impact of that on our financials year-over-year because in the first quarter of last year LEAP wasn't in the -- was not in the portfolio, it was under construction.

So that's the primary lip that we got year over year. And then, as you mentioned, we got moderate favorability from all of our platforms and that's what created the first quarter favorability year-over-year, those two factors. But predominantly the in service of the 150-mile 36-inch pipeline that we put into service.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. So, no seasonality to think of in the business overall for GSP?

A - Gerardo Norcia {BIO 15233490 <GO>}

Typically we don't get seasonality in that business. We are getting a little extra juice from the all the platforms flowing a little higher than we expected. That's likely due to, -- as you know, we plan conservatively and have contingency in our plans. And that's starting to play on that platform somewhat in addition to LEAP pipeline which is a big investment that came online.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Separately for Midstream. Could you discuss how advanced the carbon capture initiatives that I think you're alluding to before were in? Do you see the 45Q as written as sufficient to make these projects economic? Just trying to see how the pace of what could develop for carbon capture with the Midstream side.

A - Gerardo Norcia {BIO 15233490 <GO>}

45Q is helpful, but if you think about 45Q and LCFS in California, that starts to create a little more interesting returns. And so I would say that's what we're going to need to see across the country, a little more juice for these types of projects. Otherwise it'll create a significant burden for customers that are looking to sign on. So it all really depends on new customers have to do this and secondly, while the tax credit regimes both federal and state support it. Certainly, in California, there's more -- I guess it looks more positive than other states.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's helpful. Thank you.

Operator

At this time there are no further questions. I would like to turn the call over to Jerry Norcia for any closing remarks.

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, thank you, and I want to thank everyone for joining us today. I'll just close by saying that DTE has had a very successful first quarter and we're really feeling strong about the remainder of 2021. And we're busy working on putting a really successful 2022 together and beyond. So I hope everyone has a great morning and stay healthy and safe.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.