Q2 2018 Earnings Call

Company Participants

- Diane G. Leopold, Executive Vice President and President & Chief Executive Officer – Gas Infrastructure Group
- Mark F. McGettrick, Executive Vice President & Chief Financial Officer
- Paul D. Koonce, Executive Vice President and President and CEO – Power Generation Group
- Thomas F. Farrell, Chairman, President & Chief Executive Officer
- Thomas Hamlin, Vice President-Investor Relations & Financial Planning

Other Participants

- Angie Storozynski, Analyst, Macquarie Capital (USA), Inc.
- Julien Dumoulin-Smith, Analyst, Bank of America Merrill Lynch
- Praful Mehta, Analyst, Citigroup Global Markets, Inc.
- Stephen C. Byrd, Analyst, Morgan Stanley & Co. LLC
- Steve Fleishman, Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and welcome to the Dominion Energy and Dominion Energy Midstream Partners Second Quarter Earnings Conference Call. At this time, each of your lines is in a listen-only mode. At the conclusion of today's presentation, we will open the floor for questions. Instructions will be given as to the procedure to follow if you would like to ask a question.

I would now like to turn the call over to Tom Hamlin, Vice President of Investor Relations and Financial Planning, for the Safe Harbor statement. You may begin.

Thomas Hamlin {BIO 1506669 <GO>}

Good morning, and welcome to the second quarter 2018 earnings conference call for Dominion Energy and Dominion Energy Midstream Partners. During this call, we will refer to certain schedules included in this morning's earnings releases and pages from our Earnings Release Kit. Schedules in the Earnings Release Kit are intended to answer the more detailed questions pertaining to operating statistics and accounting. Investor Relations will be available after the call for any clarification of these schedules.

If you've not done so, I encourage you to visit the Investor Relations page on our website, register for e-mail alerts, and view our second quarter earnings documents. Our website addresses are dominionenergy.com and dominionenergymidstream.com. In addition to the

Earnings Release Kit, we have included a slide presentation on our website that will follow this morning's discussion.

And now, for the usual cautionary language. The earnings releases and other matters that will be discussed on the call today may contain forward-looking statements and estimates that are subject to various risks and uncertainties. Please refer to our SEC filings, including our most recent annual reports on Form 10-K and our quarterly reports on Form 10-Q for a discussion of factors that may cause results to differ from management's projections, forecasts, estimates and expectations.

Also, on this call, we will discuss some measure of our company's performance that differ from those recognized by GAAP. Reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measures we are able to calculate and report are contained in the Earnings Release Kit and Dominion Energy Midstream Partners' press releases.

Joining us on the call this morning are our CEO, Tom Farrell; our CFO, Mark McGettrick; and other members of our management team. Mark will discuss our earnings results, financing plan and Dominion Energy's earnings guidance. Tom will review our operating and regulatory activities and review the progress we have made on our growth plans.

I will now turn the call over to Mark McGettrick.

Mark F. McGettrick {BIO 2066297 <GO>}

Good morning. Dominion Energy reported operating earnings of $0.86 per share for the second quarter of 2018, which was well above the top of our guidance range. Drivers of these positive results for the quarter relative to our guidance include: lower operating expenses, favorable weather, and more benefit from tax reform than anticipated.

GAAP earnings were $0.69 per share for the quarter. The principal differences between GAAP and operating earnings were an update of the expected coal ash remediation costs and the impact on prior year's results from a FERC capitalization review. A reconciliation of operating earnings to reported earnings can be found on Schedule 2 of the Earnings Release Kit.

Moving to results by business segment, EBITDA for our Power Generation Group was $639 million in the second quarter, which exceeded the top end of its guidance range. Lower operating and maintenance expenses and favorable weather were the main contributors.

Our Gas Infrastructure and Power Delivery groups produced second quarter EBITDA of $534 million and $410 million, respectively, both of which were near the middle of their guidance range. Overall, we are very pleased with the strong results from our operating groups.

Dominion Energy Midstream Partners produced adjusted EBITDA of $76.3 million for the second quarter of 2018, compared to $68.6 million produced in the second quarter of 2017. Distributable cash flow was $49.3 million, which was 21% above last year's second quarter.

On July 25, Dominion Energy Midstream's board of directors declared a distribution of $0.351 per common unit payable on August 15. This distribution represents a 5% increase over last quarter's payment. Our coverage ratio remained strong at 1.11 times at the end of the second quarter.

On June 29, the board of directors of the general partner, or Dominion Energy Midstream, exercised its IDR reset election option pursuant to terms outlined in the partnership agreement. By restructuring the IDRs, we expect to extend our ability to recommend distribution increases while we continue to evaluate next steps for DM.

Tom Farrell will discuss FERC's recent clarification on the recovery of income taxes by MLP owned pipelines in a few moments. However, neither the FERC's recent actions nor the reset election changes our previous guidance of no drops into DM during 2018, while we continue to monitor the sustainability of MLP capital markets.

Moving to treasury activities at Dominion Energy, execution of our 2018 financing plan is well underway with continued progress toward achieving our credit goals as discussed on last quarter's call. The most significant remaining transaction is the $3 billion project level financing at Cove Point, which will be in the form of a three-year non-amortizing term loan. This financing is currently in syndication with commitments for over half of the total already received and the balance will be committed in the next two weeks. We expect to close this transaction next month. As a reminder, proceeds of this financing must be used to repay parent-level debt. As to asset sales, we are in the process of evaluating indications of interests for a number of our non-core assets and expect to announce results of that initiative before our next earnings call.

Now, to earnings guidance at Dominion Energy, operating earnings for the third quarter of 2018 are expected to be between $0.95 and $1.15 per share compared to $1.04 per share earned from last year's third quarter. Positive factors for this year relative to the third quarter of 2017 are earnings from Cove Point, lower tax expense due to tax reform, and a return to normal weather. Negative factors relative to last year are lower solar-related investment tax credits, higher financing costs and a higher share count. Operating earnings guidance for 2018 is unchanged at $3.80 to $4.25 per share. The midpoint of our range is 10% above the middle of last year's guidance range. Given the strong results for the first half of this year, we expect to produce full-year results in the upper half of our guidance range. Our earnings growth rate also remains 6% to 8% for the 2017 through 2020 period.

So, let me summarize my financial review. Operating earnings were $0.86 per share for the second quarter, exceeding the top end of our guidance range. These results were driven by strong performance by our Power Generation Group and higher-than-expected benefits from tax reform. Based on the very strong results for the second quarter, we expect to be in the upper half of our 2018 guidance range, and our 2017 to 2020 earnings growth rate remains 6% to 8%.

I will now turn the call over to Tom Farrell.

Thomas F. Farrell {BIO 1509384 <GO>}

Good morning. Our employees' strong safety performance continued through the first half of 2018. I'm very proud of our company-wide commitment to industry leading safety performance. Our nuclear fleet continues to operate well. The net capacity factor of our six units for the first half of this year was 95%. Dominion Energy's nuclear fleet has been operating for 660 days and counting, without an unplanned reactor shutdown. The previous record was 339 days set in 2012.

We continue to see strong electric sales growth at Virginia Power. Weather normalized sales for the first half of the year were 2.25%, above the first half of last year, and have grown at a 1.7% rate for the last 18 months, led by growth in sales to data centers and residential customers. During the first half of this year, nine new data center campuses were connected. Over the past year, we have added over 400 megawatts of demand capacity across 14 data centers and expect to see continued strong growth.

Cove Point Liquefaction entered commercial service early this quarter, and has been operating as designed. Customer utilization is high, as evidenced by the more than 60 billion cubic feet of LNG loaded across 19 cargoes thus far. We continue making progress tuning and ramping activities typical for these early months of operation.

Now, for an update on our growth plans, construction of the 1,588 megawatt Greensville County combined-cycle power station continues on time and on budget. The $1.3 billion project is 95% complete. We have achieved first fire and grid sync of the GT-1C and GT-1B turbines, and expect to fire and sync the one GT-1A turbine within the next two weeks. 226 of 253 systems are in commissioning. The Greensville County station is expected to achieve commercial operations late this year.

We have begun full construction on numerous portions of the Atlantic Coast Pipeline and Supply Header Project, including full construction on all 2018 Supply Header scheduled spreads and active construction in all four West Virginia mountain spreads for the Atlantic Coast Pipeline.

You may have read that we voluntarily requested a temporary suspension in water body crossings in West Virginia. We remain committed to full compliance with our nationwide permit and have requested this stay temporarily to ensure that the Army Corps has the adequate time to review our plans. We do not expect any significant delays resulting from that review.

Just last week, FERC approved our request to begin full mainline construction in North Carolina and mobilization is already underway. Upon approval of our erosion and sediment plan by the Virginia DEQ, which we expect in the coming weeks, we will file a FERC Notice to Proceed for mainline construction in Virginia as well. Atlantic Coast Pipeline and Supply Header Projects are expected to be in service in the fourth quarter of next year.

In regulatory matters, we are pleased that the Department of Energy and Environmental Protection issued its final RFP for procurement of zero carbon resources yesterday in Connecticut. Moreover, we are pleased the DEEP modified the at-risk time period. By doing so, DEEP acknowledged that an existing resource that is determined to be at-risk should have all of its attributes valued now.

On May 1, Dominion submitted a petition for at-risk treatment with the Public Utility Regulatory authority which included a full accounting of Millstone's financials. We expect Millstone to be granted at-risk status, which means the bids will be judged on price and non-price attributes, such as carbon, economic impact and fuel security.

RFP bids for all zero carbon resources are due September 14, and DEEP is expected to select winners by the end of the year. Winning bidders will execute contracts with the local electric distribution companies thereafter and receive final pure approval early next year.

We are also pleased that FERC responded to request for clarification of its March statement on income tax recovery for pipelines owned by MLPs. In an order two weeks ago, FERC reinforced its position that commercial contracts with negotiated rates such as those for Cove Point and the Atlantic Coast Pipeline are not affected by tax-related recourse rate modifications.

We continue to study other aspects of the Commission's revised guidance. While FERC's action provides some increased clarity, we will need to have more confidence in the long-term sustainability of the MLP capital markets before resuming our drop-down strategy.

Last week, we made our first regulatory filing of the Virginia's Grid Transformation & Security Act, the law enacted earlier this year that paves the way for immediate customer savings, expanded investments in renewable energy and smart grid technology; a stronger, more secure electric grid and improved energy efficiency programs. The filing requests a Corporation Commission to approve the programs, investments and costs included in the first three-year phase of the 10-year grid transformation program.

The phase 1 filing calls for over $900 million of investment in grid reliability, resiliency and security. In a separate filing, the company will seek to add 240 megawatts of solar energy in Virginia. The company will soon seek SEC approval for its proposed Coastal Virginia Offshore Wind project. The 12-megawatt facility would be the first of its kind in the mid-Atlantic located in a federal lease area about 27 miles off the coast of Virginia Beach. This two-turbine test project is being developed with Ørsted Energy of Denmark, a global leader in offshore wind generation.

Finally, I want to make a few comments on our offer to merge with SCANA Corporation. As you know, on January 3, we announced our agreement where Dominion would exchange 0.669 shares of its common stock for each SCANA share. Included in the offer was a customer benefit proposal including upfront payments and ongoing bill reductions, which would substantially and permanently reduce the cost to customers from the abandoned nuclear development project.

SCANA has filed a motion to enjoin the South Carolina Public Service Commission from imposing a temporary rate reduction pursuant to legislation enacted earlier this summer on grounds that it is an unconstitutional taking and violative of its due process rights. Hearings on the matter were held Monday and Tuesday of this week, and we are awaiting the judge's decision. The judge stated that she expects to rule soon and before August 7.

And yesterday, the merger was overwhelmingly approved by SCANA's shareholders, with a 98% vote of those voting. We've also received clearance from the Federal Trade Commission and approvals from the Georgia Public Service Commission and FERC. We will file testimony with South Carolina Public Service Commission this week. We are optimistic that our proposal will be viewed favorably by regulators and we can complete the transaction later this year.

So, to summarize, our business has delivered record-setting operating and strong safety performance for the second quarter. Construction of the Greensville County project is on time and on budget. We have begun full construction on portions of the Atlantic Coast Pipeline and Supply Header Project, and anticipate full construction along the entire route later this summer. We are on track to be in service late next year.

Cove Point Liquefaction achieved commercial in-service early in the second quarter and is operating as designed. We are optimistic that we will complete our merger with SCANA late this year. And finally, our operating earnings continue to be very strong, and we expect to finish the year in the upper half of our guidance range.

With that, we will be happy to take your questions.

Q&A

Operator

Thank you very much. Our first question will come from Steve Fleishman, Wolfe.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah. Hi. Good morning. I know this order just came out, but just the decision by FERC or proposed decision by FERC yesterday on the Enable MRT case and how they interpreted the kind of C-Corp/MLP tax relationship. Any thoughts on how that might impact from your standpoint?

A - Thomas F. Farrell {BIO 1509384 <GO>}

We're taking a look at the order. Obviously, Steve, as you said, it came out last night. But I'll let Mark comment further on our whole issue around MLP.

A - Mark F. McGettrick {BIO 2066297 <GO>}

Steve, as we've talked about in the past, there's two main issues around the sector today. The first and the largest issue has to do with, is the MLP sector open to equity at all. And based on my knowledge, over the past eight months, there's only been one transaction done. It was done at a very significant discount for a very small amount of equity. We're a drop-down story and so that market is not open to us and this mechanism doesn't work for us at DM.

The second issue is the one that you referenced and that is the FERC ability to gross up for assets that are held within MLPs. Our structure is a little bit different than Enable, but it is of a concern to us and it's something we will be watching closely. But I have to say, of the two issues, market access is the bigger one for us. We've been watching it closely for several months, and we'll be talking to both Dominion Energy board and the Dominion Midstream board over the next several months on what the current state of the MLP market is in terms of equity for their consideration.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And just is there any timeline on this kind of review with DM? Is it the next three to six months? Is it a year?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Oh, no, it's going to be certainly no longer than the three to six months. And I would say it's probably going to be more on the short side of that.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then one other question, just on the Atlantic Coast Pipeline, so this Fourth Circuit Court seems to be a problem, at least on Mountain Valley. I know you're addressing the Army Corps permit. But then last week, we had the permit from the Forest Service and BLM, and I don't know if you have an issue potentially with those two. Could you just talk a little bit more about how you're managing things other than just the water crossings and conviction that you can hit the timeline?

A - Thomas F. Farrell {BIO 1509384 <GO>}

So, Steve, I'll give a preliminary answer and I will turn it over to Diane Leopold. Speaking about the Fourth Circuit, I just saw headlines. I haven't read the decision. It actually came out this morning that Fourth Circuit upheld the MVP 401 permits from Virginia just this morning.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great.

A - Thomas F. Farrell {BIO 1509384 <GO>}

And I can assure you, ours has been a very thorough review with the Virginia DEQ on our 401 permit. And as far as the others, the stay that we asked for voluntarily with the Corps of Engineers, I'll have Diane talk about it. The Forest Service issues we have are different than MVP had had, but Diane will cover that for you.

A - Diane G. Leopold {BIO 16365511 <GO>}

Okay. Good morning. So let me start with the Army Corps issue. In that case, it's related to a 72-hour time limit to cross the stream. And our cases are very different in there. And Mountain

Valley is through theirs right now. We have been committed, remain committed to be able to make those crossings in that timeframe to meet the compliance requirement, and we'll continue to do so.

Just out of an abundance of caution, we decided that we would request this temporary suspension so that we can have the time to talk that through with the Army Corps and they can thoroughly review the crossings and our design and our methods for compliance within that.

With respect to the latest one with Mountain Valley, there were two issues: there's the BLM, which does not apply to us; and then the Forest Service. And while there are certain aspects of the case that was raised in the Atlantic Coast appeal also, we do believe the facts and circumstances to be quite different between the two. And the Forest Service, in our case, has conducted a very thorough and rigorous and very transparent review of our impacts. And so, we do believe and are confident that the agency will proceed with our – will be upheld – the approval will be upheld and affirmed by the court in the case of the Forest Service issue.

And then our final issue is we're continuing to work through this incidental take permit. The Fish and Wildlife Service helpfully put on record to FERC that it does not impact the majority of our areas, including North Carolina. So we received our Notice to Proceed for North Carolina last week and are mobilizing there. So we answered questions back to the Fish and Wildlife Service as they process our new incidental take permit, and we expect that to be resolved quickly.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Long and short of that, Steve, is that nothing has happened and we don't expect anything to happen that will take us off our schedule late next year.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

Operator

Thank you very much. Our next question will come from Angie Storozynski, Macquarie.

Q - Angie Storozynski {BIO 15115714 <GO>}

Thank you. So my first question is you guys mentioned that there was a larger-than-expected tax benefit. So is it just related to this quarter or will it have annual implications?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Hey, Angie, this is Mark. We operate in multiple jurisdictions. And as we put out guidance at the beginning of the year, we've put our best foot forward on what we thought how different people would handle things. Obviously, it's going to be better than what we thought this year. On the first quarter call, I think we expected $0.10 to $0.15 annual benefit from tax reform. It's certainly going to be probably in the $0.15 to $0.20 range, at least, and a large portion of that will continue mainly driven by our contracted or unregulated assets.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. That's okay. Thank you. On the term loan on the project debt for Cove Point, is this – I mean, the fact that it's a three-year loan, I mean, is it surprisingly short or it's just my perception?

A - Mark F. McGettrick {BIO 2066297 <GO>}

I think ultimately we would want to have a longer loan for Cove, but the legal structure around Cove Point involved Midstream right now. And to make sure that it's a very clean document, we elected to go short on this and got all of our banking partners comfortable. So they're going to take this loan for the three-year period. It's important to note that we can prepay this loan at any time with no penalty. So we'll see what the long-term financing should be around Cove. I suspect it will be much longer than three years.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. And my last question, the renewable growth in Virginia. Just remind me, was this included – so both solar and offshore wins? Were those included in your updated growth plan that you launched last year?

A - Paul D. Koonce {BIO 3892592 <GO>}

Angie, this is Paul Koonce. The Grid Transformation & Security Act found that 5,000 megawatts was in the public interest of renewables, onshore and offshore. So, last week, we announced our intent to have 3,000 megawatts, either in operation or in development by 2022. Some of that will be in the form of PPA, some of that will be self-developed, and we are in the process of updating those capital schedules now. Mark and team will be communicating that later this fall.

A - Mark F. McGettrick {BIO 2066297 <GO>}

Angie, let me add, the incremental spend that wouldn't be disclosed already would be mainly in the 2020 to 2022 timeframe. We announced previously that we're going to have CapEx reductions of about $1 billion from previous plans. We're committed to that. But there will be incremental capital added 2020 to 2022. We'll give that update as we usually do in the fall timeframe.

Q - Angie Storozynski {BIO 15115714 <GO>}

Great. Thank you.

Operator

Thank you very much. Our next question will come from Julien Dumoulin-Smith, Bank of America.

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

Hey. Good morning, everyone.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Good morning, Julien.

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

Hey. So perhaps just a quick clarifying question, following up on Steve's earlier one on the ACP. Can you just give us a little bit of a sense for potential critical milestones when it comes to just timeline itself? Obviously, there's certain windows for construction et cetera, just to give us a little bit more sense of your added comfort here on the timeline, so sort of sidestepping the specific issues of which obviously you've addressed already with Steve earlier, but just – is there a critical date by which you need to get clarity?

A - Thomas F. Farrell {BIO 1509384 <GO>}

There's nothing pending that we'll – nothing we're working on, nor anything pending that gives us any concern about the timeline.

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

Excellent.

A - Thomas F. Farrell {BIO 1509384 <GO>}

If something happened in the future, but where we are today, there is nothing that we are working on with regulators or it's in the courts that we think will affect the timing.

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

Excellent. Thank you for the clarity there. But, separately, going back to some of the other commentary about financing, can you elaborate a little bit on your thoughts on asset sales at this point just vis-à-vis you've obviously got a number of different things potentially contemplated? Just curious, Blue Racer, power plants, et cetera, I mean, is there a preference, a pecking order, if you will, on assets to potentially sell down to reach your targets and again the timeline there, it would seem at least per the media that things are already underway?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Julien, it's Mark. We don't really have a preference. We're going to take the best value that we offered if we think it's fair value on the assets that we talk about previously. Obviously, from some of the prepared remarks you can see we're pretty far down the road on some of this since we're going to – we believe anyway we'll announce results prior to the next quarter's call.

There's been a lot of interest in both Blue Racer and in the fossil assets, and we're talking to a number of different parties seriously about those. So we think we'll have closure on FPs (29:35). They probably won't be closed by the end of the third quarter, but we'll certainly have clarity and have signed documents to go ahead and move toward a closing process in the near term after that. We're quite optimistic on it. The asset is a whole of lot value, and I think the counterparties we're talking to, at least in the early stages, agree with that.

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

Okay. And to clarify there, just to be extra clear, could you potentially sell all of the assets, or are you singularly solving for a proceeds number?

A - Mark F. McGettrick {BIO 2066297 <GO>}

We don't have to sell all those assets to meet the credit targets and debt reduction that we've committed to, but we could sell all those assets if the value met the thresholds that we were looking for.

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

Got it. Excellent. Thank you, all. Best of luck.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Thanks, Julien.

Operator

Thank you very much. Our next question will come from Stephen Byrd, Morgan Stanley.

Q - Stephen C. Byrd {BIO 15172739 <GO>}

Hi. Good morning.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Good morning.

Q - Stephen C. Byrd {BIO 15172739 <GO>}

Just to follow up, I think I understood that last point on Julien's question on the non-core assets. But I guess in general, are you encouraged by the level of interest and indications that you've been receiving so far?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Very encouraged. Again, we...

Q - Stephen C. Byrd {BIO 15172739 <GO>}

Okay.

A - Mark F. McGettrick {BIO 2066297 <GO>}

...we're always talking to assets that have a lot of value and based on discussions with multiple parties, so obviously a lot of other people do as well.

Q - Stephen C. Byrd {BIO 15172739 <GO>}

Okay, great. And then just on Atlantic Coast Pipeline, I think you gave a lot of great color. I just wanted to make sure I understood the Fish and Wildlife process in the state of Virginia. Where do we stand on that, and what's the sort of next steps there?

A - Thomas F. Farrell {BIO 1509384 <GO>}

Well, Fish and Wildlife, we have the permit we need from the Fish and Wildlife. There's been a lawsuit filed over that permit that's sitting in the courts right now. There's no other process with Fish and Wildlife.

A - Diane G. Leopold {BIO 16365511 <GO>}

Just the Incidental Take.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Yeah. There's the permit through the Forest – I'm sorry. I was confusing out, I thought you were asking about Forest Service. Forest Service were done. Fish and Wildlife, the court said that their Incidental Take permit needed more specificity. They've been working on that, and we expect it to be issued relatively soon. But they've put on the docket at FERC that a very small part of the pipeline was affected by the Endangered Species Act and the Incidental Take permit, and that's why we've been able to go full bore with a lot of construction.

Q - Stephen C. Byrd {BIO 15172739 <GO>}

I see. So, basically, yeah, the portions affected were very small. That allows you to continue forward with your work. And then I guess we'll just have to assess when the court comes out with the revised language on the Incidental Take I guess then we would then assess what that means, or is there anything further to read into that?

A - Diane G. Leopold {BIO 16365511 <GO>}

No, there's really nothing further we would expect. This is Diane Leopold, sorry. The Fish and Wildlife Service would quickly then reissue a new revised Incidental Take Statement consistent with that. But all through this time, their biological opinion remains in full force and effect.

Q - Stephen C. Byrd {BIO 15172739 <GO>}

Great. That's all I have. Thank you.

Operator

Thank you. Our next question will come from Praful Mehta, Citigroup.

Q - Praful Mehta {BIO 19410175 <GO>}

Thanks so much. Hi, guys.

A - Thomas F. Farrell {BIO 1509384 <GO>}

Good morning.

Q - Praful Mehta {BIO 19410175 <GO>}

Good morning. So just to follow up on the asset sales, just in terms of tax and tax leakage, what's the kind of numbers we should be thinking about for potential tax leakage and is there a preference given the tax profile of those two assets in terms of which one you would like to sell?

A - Mark F. McGettrick {BIO 2066297 <GO>}

There is probably a preference, but it's not one I'd like to talk about. They all have different tax profiles. And so, again, we'll look at the bottom-line value that's offered net of tax. It's important to note, too, we have a significant number of NOLs currently, so we may be able to protect ourselves on some of the tax exposure. But tax will be part of the ultimate decision, so I wouldn't lean one way or the other on what the tax basis is for any of those as being the driving factor.

Q - Praful Mehta {BIO 19410175 <GO>}

Got you. Fair enough. And sorry if you've already addressed this question, but just on the MLP side, given there's no real drop-down planned at this point and given where the market is, is there a call you plan to take at some point in terms of the future of the direction of the MLP?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Well, I mentioned earlier that we will be talking to both the Dominion Energy and Dominion Midstream board here over the next couple of months on the status of current equity markets in the MLP sector. I referenced that, at least this year, to my knowledge, there's only been one very small equity transaction in the market, and it's been at pretty significant discount. So, obviously, if these equity markets aren't open to us, the DM structure that we've set up to finance assets that are dropped in doesn't work, and we'll have to determine what the best course is. But I would expect we will review that more in the near term than in the long term.

Q - Praful Mehta {BIO 19410175 <GO>}

Got you. So by year-end 2018, you would have a direction kind of where you want to take DM?

A - Mark F. McGettrick {BIO 2066297 <GO>}

Well, I think one of the other callers asked a timeframe of three to six months, and I said I'd probably put it on the short side of that.

Q - Praful Mehta {BIO 19410175 <GO>}

All right. Okay. I appreciate it. Thank you, guys.

Operator

Thank you very much. Ladies and gentlemen, at this time, this does conclude this morning's conference call. You may disconnect your lines and enjoy your day. Thank you.