Q3 2020 Earnings Call

Company Participants

- Barbara Tuckfield, Director, Investor Relations
- David E. Meador, Vice Chairman, Chief Administrative Officer
- David Ruud, Chief Financial Officer, Senior Vice President
- David Slater, President and COO
- Gerardo Norcia, President, Chief Executive Officer, Director
- Jerry Norcia, President & Chief Executive Officer
- Robert Skaggs, Executive Chairman Elect

Other Participants

- Andrew Weisel, Scotia Howard Weil
- Angie Storozynski, Macquarie
- David Fishman, Goldman Sachs
- Durgesh Chopra, Evercore ISI
- James Thalacker, BMO Capital Markets
- Jeremy Tonet, JPMorgan
- Jonathan Arnold, Vertical Research
- Julien Dumoulin-Smith, Bank of America Merrill Lynch
- Michael Weinstein, Credit Suisse
- Ryan Levine, Citi
- Shahriar Pourreza, Guggenheim Partners
- Stephen Byrd, Morgan Stanley
- Steve Fleishman, Wolfe Research

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the DTE Energy Third Quarter 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 for today, Barbara Tuckfield, Director of Investor Relations. Please go ahead.

Barbara Tuckfield {BIO 19701481 <GO>}

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

With us this morning are Jerry Norcia, President and CEO, who will discuss the transaction we announced this morning that transitions DTE into a predominantly pure-play utility. We also have David Slater, President and COO of DTE Midstream, and President and CEO Elect of the new Midstream company, will take you through the benefits of an independent Midstream company; Bob Skaggs, a member of our Board of Directors and Executive Chairman Elect of the new Midstream company, will say a few words on the transaction. And finally, Dave Ruud, Senior Vice President and CFO, will provide an update on the quarter, our increased 2020 earnings guidance and our 2021 early outlook.

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

Gerardo Norcia {BIO 15233490 <GO>}

Well thanks, Barb, and good morning, everyone. And thanks for joining us today. I hope everyone is staying healthy and safe. So I'll start on Slide 4. This morning DTE announced that our Board of Directors has authorized management to pursue a plan for the spin-off of Midstream from DTE Energy.

On this call, we'll discuss this spin-off and demonstrate how it will unlock significant shareholder value. Position of DTE is a predominantly pure-play utility with visible and superior growth, and creating an independent well-positioned Midstream company with excellent growth potential. Then we will provide you an update on our 2020 results, which continue to be very strong, given us confidence to increase operating EPS guidance for the year. This positions us to exceed original guidance for the 12th year in a row.

I want to thank all the leaders and our 10,000 employees at DTE for creating this tremendous success and a year of great turmoil and uncertainty. We are firing on all cylinders, keeping our people safe and delivering for our customers, communities and investors. It is truly remarkable and certainly a reflection of the great (Technical Difficulty) and determination of the great people of DTE. A big thank you.

We're also providing an early outlook for 2021 and announcing that our Board approved 7% dividend increase for 2021, continuing our history of providing strong dividend growth.

Now on to Slide 6 for an overview of the spin transaction. This decision has separate the two companies, follows a thorough review with our Board to identify opportunities to optimize our portfolio and maximize shareholder value. And in the end, after the evaluation of various alternatives, we determined that our strategic spin of the Midstream business was the best way to create value.

We've recognize that this decision comes now long after our significant acquisition of assets in the Haynesville basin. Our decision to spin Midstream as a result of a series of discussions with our Board that began in the summer of 2019. Prior to the acquisition, when we started talking about a portfolio pivot, to a predominantly pure-play regulated utility.

Through 2019, while business mix discussions were still ongoing, we continue to pursue an aggressive value creation agenda for Midstream, which yielded the Haynesville acquisition. This was a great acquisition of both forward growth and value. Because of this acquisition and the balance of the midstream portfolio continues to perform exceedingly well, provide better than expected growth opportunities and has scale the flag on its own, it crystallize our past to pivotal high growth pure-play utility, with the spin of a well-run midstream company.

We believe this strategy will unlock significant value for our shareholders, spin [ph] has expected to, unlock the full potential of our premier regulated utilities and premium natural gas midstream assets. Aligning DTE's business mix with investor preferences and overall market trends, and create two entities, each with experienced leadership and proven track records.

We expect the entities to pay combined dividends, higher than the current dividends with an 8% to 10% full spin increase from 21 to 22 versus 6% we had planned pre-spin. For well over a decade, our midstream business has created significant growth through Greenfield development and strategic acquisitions. And has become an industry leader with solid cash flows and tremendous opportunities for continued growth.

We believe the separation positions DTE Midstream with enhanced flexibility and provide shareholders an opportunity for investment in a high-quality midstream company. With assets strategically located and premium basins and connected to major demand markets.

As most of you know, my background includes a substantial amount of time in the gas industry, including my involvement in development of midstream business. Our team and I have dedicated a significant amount of time and energy creating a midstream business of DTE that is recognized as one of the best in the country.

So you can imagine how important this decision is to your team and me. After careful consideration and review with our Board, I am confident that the separation is the best way to allow the midstream business and its team to achieve their full potential, and to enhance overall value for our shareholders.

As I said, this positions DTE into a nearly fully regulated utility, but 90% of our operating earnings and an even higher percentage of future capital investments going into our two premium utilities. A five-year plan will hold this 90/10 mix. Well 10% of DTE's operating earnings will be from our remaining non-utility businesses. Separation of DTE and the midstream companies truly beneficial for both entities, positioning them well for the future.

Turning to Slide 7. I'll provide details on a structure of the transaction. DTE and a new midstream company will have distinct corporate structures. DTE shareholders will retain their shares of DTE stock and receive pro-rata shares of the midstream company. We expect the complete spin by mid-year of 2021, subject to final Board approval, the Form 10 registration statement being declared effective by the SEC and other regulatory approvals.

Our main CEO of DTE Energy was Gerry Anderson continuing as Executive Chairman and Ruth Shaw, as Lead Independent Board Director. David Slater, current President and COO of GSP, with the CEO Elect of the new Midstream Company.

Both of you are familiar with, David, who is well respected in the industry. Bob Skaggs is the Executive Chairman Elect of the new Midstream company and will continue to serve on DTE' Board. As many of know, Bob served as Chairman and CEO of NiSource, where he executed the company's successful spin with the Columbia Pipeline Group and went on to become its CEO. David and Bob each have 30 years of experience in the energy industry, the midstream company is extremely fortunate to have these two seasoned leaders along with a really strong team to support them.

Let's move on to discuss the strong growth profile of DTE Energy on Slide 9. This transaction positioned DTE in a predominantly pure-play electric and gas utility, about a 90% of DTE will be regulated by the Michigan Public Service Commission.

We will invest significant capital over the next five years to support utility growth, we are substantially growing our utility rate base with our five year capital investment plan of $17 bullion, an increase of $2 billion over our previous five year plan. This capital plan is strategically aligned with our aggressive ESG targets.

DTE's EPS growth rate has been among the best in the industry over the past decade and is maintaining its long-term 5% to 7% growth target. DTE Electric, we anticipate long-term operating earnings growth of 7% - 8% and about 9% at DTE Gas. Our full separation profile will better align DTE with investors' preferences for high-performing regulated utilities.

We will continue our strong record of providing clean, safe, reliable and affordable energy to our customers, and being a force for growth in the communities where we live and serve. DTE will continue (inaudible) for competitive dividends our investors expect. We have paid a dividend of more than 100 consecutive years and have increased our dividend each year since 2010.

We will target dividend growth that our payout ratio that remains consistent with our pure-play utility peers. All in all, this transaction offers greater appeal to investors focus on the strategic and financial characteristics of our pure-play utility.

Let's move on to Slide 10. Separation will highlight the strengths of our core electric and gas utility businesses. Michigan has one of the best regulatory environment in the nation, continue to work very closely with the Michigan Public Service Commission to support the people of Michigan, particularly this year during the pandemic.

DTE continues to have a distinctive continuous improvement culture, enabling us to continue our superior track record of past management. We also have a strong commitment to service excellence. DTE Energy ranks in the top-10 of energy companies with energy efficiency programs and I'm proud to say, both utilities are in the top quartile for residential customer satisfaction. With DTE Gas recently earning the top ranking in the Midwest by J.D. Power.

Moving on to the next Slide. I'll discuss our capital plan, beginning with DTE Electric. We expect to invest about $14 billion in the electric company over the next five years. This is 17% higher than our previous plan. About $2 billion of the Tobo Electric investments will be in renewables. That will support our plan to reduce 80% of our carbon emissions by 2040 and be net zero by 2050.

We are also focusing our investment of modernizing and aging distribution system, with significant investments in hardening, automation and technology in our distribution business. We are building a flawless grid of the future for our customers. Our capital plan supports a robust near-term outlook for DTE Electric at 7% to 8% long-term operating earnings growth rate.

On the next slide, I will discuss capital investment opportunities at DTE Gas. Over the next five years, DTE Gas plan to invest over $3 billion to upgrade and replace aging infrastructure, potential upside to the five-year plan. Along with our pipeline integrity and main replacement investment, we're investing in innovative technology and products that will reduce methane emissions and reduce the carbon footprint of our gas company. Overall, our capital plan supports a strong near-term outlook for DTE Gas and a 9% long-term operating earnings growth rate.

On the next slide, I'll discuss our plans to achieve net zero greenhouse gas emissions to further strengthen our ESG stewardship. As I mentioned, at DTE electric we are committed to achieving net zero carbon emissions by 2050 for the 50% reduction by 2030. To meet these targets, we plan to double our renewable energy by 2024 and for doublet by 2040.

We are also progressing on our volunteer renewables program. This program enables customers to invest in renewable energy and drive Michigan to a cleaner energy future. We have more than 17,000 business and residential customers enrolled with large industrial customers, including GM, Ford and University of Michigan. We have one of the largest volunteer renewable programs in the country with 750 megawatts of demand commitment from our customers.

DTE gas announced its unique and comprehensive plan to achieve net zero greenhouse gas emissions by 2050. This plan includes working with our suppliers and customers to enable further reductions across the value chain. So as you can see, our strong utility investment profile positions DTE for continued growth and a strong environmental leadership role.

Now, I'll turn it over to David Slater to discuss the new and exciting opportunity with the Midstream Company. David, over to you.

David Slater {BIO 20523364 <GO>}

Thanks, Jerry, and good morning, everyone. I know I've met most of you for the past few years and we've had many discussions on our midstream business. Let me just say that I'm excited about the opportunity this transaction provides.

We've achieved solid growth for over a decade and establishing our business as an independent midstream company will really benefit shareholders by unlocking significant value. We'll also continue our commitment to provide excellent service to our customers, develop growth opportunities and reaffirm our strong relationships with our partners.

As you know, we have been expanding industry business through Greenfield projects and strategic acquisitions to become the premier company we are today. This combination of success has enable the creation of an independent gas focused midstream company in the most prolific natural gas basins connected to key demand centers.

The midstream company has an experienced leadership team that will continue to focus on organic growth and value creation from our well-positioned platforms. We have a strong long-term contract at asset portfolio with a diverse customer base. Including electric and gas utilities, power generators, industrials, national marketers and producers. This portfolio generates significant cash flow and has well position to create value and growth for our shareholders.

The new midstream company will enable better investor alignment, and offer the only independent, mid-cap, gas-focused, C-Corp investment in the Marcellus, Utica and Haynesville basins. We will have a strong capital structure and attractive dividend policy associated with high quality midstream companies, with initial balance sheet target of four times a debt to EBITDA and two times dividend coverage ratio, our balance sheet will support the ability to make value accretive investments and pay a competitive dividend.

And let's turn to Slide 16 and talk about Midstream's platforms. As many of you know, the midstream business is comprised of three platforms; regulated pipelines, regulated storage and gathering. Our footprint is extensive and has been developed through highly accretive organic growth and strategic acquisitions. Also our assets connect the most economic basins with key demand centers in the US. Along with our footprint, the business has underpinned by the strength of our contracts and our counterparties, which I'll go over in more detail in the next few slides.

Future growth is driven by platforms in the early development phase, which include Blue Union (Technical Difficulty) NEXUS, Link and Generation pipeline. Additional opportunities include economic compression expansion to pipeline systems, additional market laterals and continued gathering build outs.

Our other platforms like Bluestone, Millennium, Vector and gas storage are going to more advanced development phase, but still provide the stable and high quality stream of cash flows. So Midstream's platforms position us nicely going forward to deploy organic development capital. And pay a competitive and growing dividend, together adding value for shareholders focused on gas midstream businesses.

Now, let's turn to Slide 17 and discuss Midstream's track record. The Midstream business has consistently achieved strong financial results, delivering 18% average annual operating earnings growth since 2008 and 20% annual growth in adjusted EBITDA over that same time period. The business has contributed significant cash flow, over 3 billion since 2008.

Midstream is producing strong adjusted EBITDA in 2020, which is expected to be about 700 million. You can see that these are a unique set of assets for investors, who are looking for superior value creation from the Midstream Company.

Now, let's move to Slide 18. As we have highlighted, Midstream's assets are located in the most attractive dry gas basins, Marcellus, Utica and the Haynesville. And are connected to key demand centers which provide a great opportunity to continue DTE's history of success. Midstream's counterparties continue to perform according to the plans they shared with us earlier in the year. Our pipeline and storage portfolios are well contracted on average for 10 years. Our major producers are in solid positions, hedged over 70% in 2021 at $2.70, connected to premium markets and have minimal near-term maturities.

Over 9% of our revenue is from demand-based contracts, MVCs and flowing gas. With a position of our assets and strength of our counterparties and contracts, the company has highly visible cash flows and solid long-term growth outlook. The creation of an independent midstream company provides the opportunity to continue our record of success and create value for our shareholders.

Before I turn it over to Dave Ruud, who will discuss DTE's financial performance, Bob Skaggs would like to say few words.

Robert Skaggs {BIO 1801606 <GO>}

Thanks, David. I am grateful and honored to be working with you in the team, also thanks to everyone for joining us today. I am glad to reconnect with investment community.

To say the least, we are very excited about this morning's announcement as Jerry and David mentioned, this spin creates a compelling opportunity for both DTE Energy and the new Midstream Company to unlock their full potential, benefiting customers and employees of both companies, and delivering immediate and long-term value for investors. As I said, I'm thrilled to be part of this new independent Midstream Company and excited to partner with David Slater and his great team.

With that, I'll now turn it over to Dave Ruud, who will discuss DTE's financial performance for the quarter.

David Ruud {BIO 16089859 <GO>}

Thanks, Bob, and good morning, everyone. In the third quarter, DTE delivered solid performances across all of our businesses. As you remember, at the end of the second quarter, we expected to be at the higher end of our earnings guidance at DTE Electric, GSP and Energy Trading. We've accomplished that and more, so we are now raising our 2020 operating EPS guidance midpoint from $6.61 per share to $7 per share. We are confident this increase based on the strong progress we're making on our economic response plan and the solid performance we are seeing this year in our utility businesses and with our non-utilities which are continuing to perform out of plan.

We've made great progress that our utilities working with the Michigan Public Service Commission continue supporting our customers. Earlier this year, DTE Electric received approval on a rate plan that would delay the effective date of our next rate case until 2022, which will keep rates steady during these challenging economic time for our customers.

Yesterday, DTE Electric also filed an innovative, innovative, one-time plan with the MPSC to refund our non-weather related sales increases. This increase was a result of the unprecedented residential electricity usage patterns driven by the Covid-19 pandemic. If approved, the one-time accounting treatment will not impact customer rates and will position DTE Electric to further defers next rate case filing and keep customer rates steady even longer.

In the third quarter, we also received approval for our mended renewable energy plan and we recently filed for the approval of additional voluntary renewables.

At DTE Gas, we received MPSC approval for a rate case settlement in August. The rate increase of $110 million supports our capital investment plan includes in ROE of 9.9%. And as Jerry mentioned, DTE Gas ranked first in Midwest for residential gas customer satisfaction. This is one of the few times in our recent history, where we have no major regulatory outcomes in our forward year. And these regulatory successes have helped solidify our 2021 plan.

Our GSP team placed LEAP into service in the quarter ahead of schedule and under budget. With the favorability that we are experiencing this year, we're also positioning 2021 for a strong year by pulling some O&M work forward. It's increases our confidence in achieving results next year. For 2021, we're providing an operating EPS early outlook midpoint of $7.07 per share that delivers 7% growth from the 2020 original guidance midpoint. And as we mentioned, we are increasing our 2021 dividend by 7%. This outlook is supported by strong growth in each segment, which I'll explain in more detail in a few minutes.

But first, let's move our third quarter financial results on Slide 21. Overall, DTE had a great third quarter. Again, this was supported by our economic response plan savings and strong performance across our businesses. Total operating earnings for the quarter were $504 million, this translates into $2.61 per share for the quarter. You can find a detailed breakdown of EPS by segment, including a reconciliation to GAAP reported earnings to the appendix.

I will start the review at the top of the page with our utilities. DTE Electric earnings were $91 million higher than 2019, primarily due to higher residential sales, the implementation of new rates and warmer weather in the quarter.

Moving on to DTE Gas. Operating earnings were $18 million higher than last year. The earnings increased to driven primarily by the infrastructure recovery mechanism and lower O&M costs. Let's keep moving down the page to our gas storage and pipelines business on the third row.

Operating earnings were up 29 million versus the third quarter of 2019, driven primarily by the first year of operation of the Blue Union system and the LEAP pipeline, which went into service on August 1st.

On the next row you can see our power and industrial business segment operating earnings were 2 million lower than the third quarter of 2019. This decrease is due to lower steel-related sales, partially offset by new RNG and on-site energy projects.

On the next row, you can see our operating earnings and our energy trading business were $3 million lower compared to last year, mainly due to the power portfolio performance.

Finally, corporate and other was favorable by $20 million quarter-over-quarter, primarily due to timing of taxes. Overall, DTE earned $2.61 per share in the third quarter of 2020, which is $0.70 higher than the third quarter of 2019.

Now, let's move to Slide 22 to review our 2020 operating earnings guidance. As we said, DTE is having a very strong 2020 so far and we are raising our operating EPS guidance midpoint from $6.61 per share to $7 per share. We are very proud of how our DTE team is working through the pandemic this year and how we continue to deliver for our customers.

We created and very effectively executed an economic response to plan, our team has consistently achieved against that plan. We've also had favorability from warm summer weather and finally our non-utilities continue to perform ahead of plan. All of these factors have led us to increased 2020 operating EPS guidance. The favorability we are seeing this year is also allowing us to pull ahead future O&M work from 2021 into 2020, which positions us well to achieve our future plans.

Let's move on to Slide 23 to discuss our 2021 early outlook. Our 2021 operating EPS early outlook midpoint of $7.07 per share, provide 7% growth from 2020 original guidance. This outlook does not reflect the strategic separation impacts and any post transaction guidance will be provided later in the process.

In 2021, we are expecting growth in each of our businesses. At DTE Electric, growth will be driven by distribution and cleaner generation investments. DTE Gas will see continued main renewal and other infrastructure improvement investments.

GSP will continue growth across its pipeline and gathering platforms, and continued RNG and cogeneration project development will drive growth in P&I. And at this state of portion of our economic response plan savings will continue through 2021 in each of our business areas. Additionally, we expect DTE's equity needs to remain consistent with our previous plan, even with the spin-off of Midstream.

Now, I will wrap things up before we take your questions. With the transaction we described today, DTE becomes a predominantly pure-play utility company with over 90% of our operating earnings coming from our two utilities. Our company will continue a solid track record of providing safe and reliable energy and excellent customer service, while also being a force for growth in the communities where we live and serve.

Michigan has one of the best regulatory environments in the nation and we are committed to continuing to deliver for our customers, communities and investors. Additionally, we believe today's announcement puts Midstream and its talented team in a position to grow with enhanced flexibility and provide shareholders an opportunity for investment in premier gas-focused midstream company.

The new Midstream company will be building on its history of success with the the leadership of an experienced and respected management team. In 2020, DTE is on track to exceed our original guidance mid-point for the 12th consecutive year and is positioned for a strong 2021 as evidenced by our 7% dividend increase for next year.

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)

Thank you. (Operator Instructions). Our first question this morning comes from Shahriar Pourreza from Guggenheim Partners. Please go ahead.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, good morning, guys.

A - Gerardo Norcia {BIO 15233490 <GO>}

Morning, Shahriar.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

So congrats obviously on the quarter and the news coming out of GSP today. Couple of questions here. Can you first, can you comment on sort of that forward growth expectations post the spin of 5 to7 consolidated verses 7 to 8 electric, 9% for gas. Is that like kind of explained by some dilution from Equity issuance, especially in light of the higher CapEx Outlook? Alternatively, is there some desynergies and splitting the GSP segment that could put some pressure [ph] and just the 5% to 7% it's off the original guidance range. Can you just remind us how are you reiterating and replacing sort of midstream earnings? What's the key drivers there?

A - Gerardo Norcia {BIO 15233490 <GO>}

I'll start Shahriar, and then I'll ask Dave Ruud add, but the 5% to 7% EPS growth is off our 2020 base and it's pretty consistent with our growth pattern that we've described to our investors over many years. And certainly we always end up on high end of that as we've seen this year and other years, but it's driven post spin, It will be driven by our capital programs at both our utilities which are quite robust and very visible. You know, we see five plus years of really strong investment opportunities our two utilities. So that's fundamentally what's driving the 5% to 7% EPS growth for the company [ph] Dave -- do you want to answer that?

A - David Ruud {BIO 16089859 <GO>}

Hi, Jerry and Shahriar to think that I think you actually explained it very well. We had some -- the difference between what you see at the utilities to decide to 7 is, is due to some of the equity coming in but we are very confident in the 5% to 7% growth going forward. (Multiple Speakers).

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Sorry Jerry.

A - Gerardo Norcia {BIO 15233490 <GO>}

I was going to say -- I was going to say Shahriar, in addition to that we're not seeing any incremental equities as part of the spin. So it'll be equity as we had forecasted prior.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it and any desynergies from the split. Dave?

A - David E. Meador {BIO 1908612 <GO>}

There will be essential [ph] costs but the (Inaudible) that we will have to work through, but there's no long-term desynergies after the first year or two.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay, perfect. And so, when we're thinking about this spin, now as you contemplated the four times debt-to-EBITDA sort of implies about $3 billion of debt attributed to GSP in the spin. How should we sort of think about post and leverage on the hold co like seems like it could be a sizable amount of debt that remains. Are the credit metrics going to stay intact? What sort of been the feedback with the agencies and any sort of guidance on pro-forma credit metrics for DTE and [ph] that you can kind of guide to it today?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave?

A - David Ruud {BIO 16089859 <GO>}

Yes, we're committed to maintaining a strong balance sheet at DTE and committed to maintaining our ratings. We do expect that this separation will be credit enhancing for us. And so that's going to allow some flexibility for our metrics while still maintaining our solid investment grade rating. We've owned our initial conversations with the agencies yesterday and those are positive. It [ph] will be providing them more detail in the coming months. But you were right Shahriar the way it will work is that as we spin mid stream and they develop their own capital structure at that four times that the EBITDA that will require them raising debt and [ph] will come to DTE. Our plan at DTE will be to use those proceeds to pay down our parent debt in the same amount.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay. Perfect. And then just lastly for me is, given today's announcement. Curious maybe, Jerry, to get your thoughts on sort of the remaining non-regulated businesses -- really just P&I. Is there sort of invalue to having that segment now that majority of the non reg is slated for a spin just curious on your thoughts here and on the remaining mix?

A - Gerardo Norcia {BIO 15233490 <GO>}

Shahriar the way we are doing P&I is that it's actually complementary to our ESG agenda as we invest in R&D projects and also invest on behalf of some of our industrial customers to reduce their carbon footprints with cogeneration projects. So it's -- we view it as a small part of our business overall. It will be 90% utility, 10% non-utility, but complementary.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

It's Perfect. Congrats guys.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Our next question comes from Andrew Weisel from Scotia Bank. Please go ahead.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hey, good morning, everyone. Congrats.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning, Andrew. Thank you.

Q - Andrew Weisel {BIO 15194095 <GO>}

First question, I want to go about the long-term EPS guidance a little bit differently. So you're continuing to guide to 5 to 7 [ph], that's where you pointed in the past, you've consistently delivered better than that, more like 7% or 8%.

Now it seems like a lot of that upside came from Midstream, so looking forward, should we think about the actual EPS growth rate of 6% or might there be some good old-fashion DTE conservatism still in there that could take it more toward the higher end?

A - Gerardo Norcia {BIO 15233490 <GO>}

Andrew, my sense is that you'll continue to see the DTE better of under promising and over-delivering. So our 5 to 7 [ph] is the target, but, of course, we cover the mid, but we've always done better than that, because we have [ph] built for each year. And as I look at 2021, it's looking really strong and we're also starting to work on 2022 and that's looking really good. So I am confident that you'll continue to see DTE's better as you've seen in the past.

Q - Andrew Weisel {BIO 15194095 <GO>}

Terrific. That's great to hear. Next on dividends, you mentioned a lot of comments about peer average growth rates and payout ratios. Can you maybe put some numbers on that? I mean, we've all got our own calm seas [ph], but what do you consider to be a utility peer average dividend payout ratio or growth rate?

A - Gerardo Norcia {BIO 15233490 <GO>}

Hey Ruud, you want to take that.

A - David Ruud {BIO 16089859 <GO>}

Sure [ph] remained about where we are with our payout ratio, which is the right ground in that 60% range, which is kind of consistent with the best Pure Play peers and then dividend growth that's going to be consistent with our earnings growth going forward.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Great. Helpful. My last question is, you've invested a ton of capital into midstream in recent years including the Haynesville acquisition for over $3 billion about a year ago. My question is, how do you think about regulated utility M&A now? That hasn't really been much of your focus historically, but might you see yourselves as being potentially acquisitive in the regulated world and if so, what kind of and the targets might look the most appealing to you?

A - David E. Meador {BIO 1908612 <GO>}

You know Andrew, we have a $17 billion utility capital plan, right now, which is a very large capital -- organic capital program and that will create tremendous value for our investors -- for our utility investors. And I'll mention again that that's $2 billion higher than our prior 5 year plan. So I -- we're going to remain highly focused on our organic growth opportunities. So we really have no thoughts or intentions at this point in time in terms of M&A.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. And can you come and tell about the potential for a sale of the utility business if one were to -- if you were to be approached given even the pure play look?

A - Gerardo Norcia {BIO 15233490 <GO>}

We've got that great wealth agenda and organic platform for growth at our utilities and we're happy to pursue that.

Q - Andrew Weisel {BIO 15194095 <GO>}

It sounds good. Thank you very much and congrats again.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thanks, Andrew.

Operator

Our next question comes from Julien Dumoulin-Smith from Bank of America. Please go ahead.

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

Hey, good morning, Steve. Thank you for your time. And once again -- once more congratulations (Multiple speakers) appreciate the opportunity to it. Hey, howdy, perhaps just to follow-up a little bit more of the clean-up on the credit side. I think a lot of folks are asking you here. Just to be extra clear about this. You said I think the quote you credit enhancing. Do you know what your new thoughts would be around minimum effort at target specifically here? And you might have been indirectly asked this earlier, just want to try to come back on that, because you're 18% now. Do we think about this being closer to some of your peers, at call it 15%?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd?

A - David Ruud {BIO 16089859 <GO>}

Yes. We are here. We're working through that and we're in discussions obviously with the agencies. We do think it is credit enhancing. And so we do think we can have the opportunity to move our FFO debt down to something that's more in line with peers. But that's yet to be defined as we work through the details now.

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

Got it. And when do you think you'll provide an updated view and and maybe this is the leading question into the 5 to 7 as well, when do you think you'll be in a position where I had an updated view on the credit as well as how you're thinking about that bass line moving off of your current base, right? When do you think you'll roll it forward once you close or more on a pro forma sort of 22 basis? And I asked this specifically, because you obviously have the P&I segment perhaps holding back that 5 to 7 at least given the ref stepdowns coming up here.

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave -- you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Yes. Our plan is to roll things forward sometime in the beginning of 2021 is when we'll get some more detail on how this will play out, but it will be before -- on a pro-forma level before the [ph].

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

Got it. So do you say -- so that wouldn't yet include the step down on the graph for the baseline, right, when you think about it?

A - David E. Meador {BIO 1908612 <GO>}

Well, our 2022 projections, when we put those forward and are 5% to 7% EPS growth rate Julian does include the step-down REF and the replacement that we've been working on at P&I. So we will -- our 5 to 7 -- yes.

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

Sure, absolutely. I only stressed it because the earlier questions at did not fixated on the discrepancy between your utility and your consolidated growth. So that's why I'm fixated on when you could potentially move beyond that big item there. Okay, excellent. Well, thank you all very much. I think I'll leave it there.

Operator

Our next question comes from Michael Weinstein from Credit Suisse. Please go ahead.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hi guys. Good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Morning, Michael.

Q - Michael Weinstein {BIO 19894768 <GO>}

Could you talk a little bit about why not sell the midstream business to another buyer like Berkshire Hathaway similar to we (Inaudible).

A - Gerardo Norcia {BIO 15233490 <GO>}

Well we (Inaudible) Go ahead, please.

Q - Michael Weinstein {BIO 19894768 <GO>}

Yeah, why is spent [ph]? Yeah, that's the question.

A - Gerardo Norcia {BIO 15233490 <GO>}

Yeah, we examine the series of alternatives as we were looking to make this pivot through a more of a pure play utility model. And when we look at all those alternatives, we found that the spin in our opinion created the greatest amount of shareholder value for our investors going forward.

Q - Michael Weinstein {BIO 19894768 <GO>}

Are there any tax consequences and also is the four times debt-to-EBITDA level, is that low enough to compete with a sector that's a publicly-traded industry and sector that's already kind of under stress?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, there are no tax consequences. It designed to be a tax-free spent. And certainly the debt level of the new Midstream company will be very competitive and provide tremendous flexibility to provide a strong dividends and strong dividend growth as well as pursue their capital growth programs.

Q - Michael Weinstein {BIO 19894768 <GO>}

And on that dividend issue, just to follow up on Shahriar's questions. Are -- how would equity needs remain unchanged at DTE Energy after you've lost the cash flow from this business? I know you're said it's credit enhancing, but I'm just wondering if that's -- is that enough to not change any equity needs going forward? (Inaudible).

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd, you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Yes. The piece you mentioned there that credit enhancing those helped support the additional -- the lack of additional equity that will need and we still do have the equity converts that come in 2022, but we see our plan -- our equity plan being very consistent with our previous plan.

Q - Michael Weinstein {BIO 19894768 <GO>}

And one last question. When do you think you'll file the next metric [ph] credit case that's coming up probably early next year?

A - Gerardo Norcia {BIO 15233490 <GO>}

We are looking at first quarter next year, but we're going to remain flexible and we're going to try to obviously delay as much as possible. But that's our baseline right now.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay. All right. Thank you very much.

Operator

Our next question comes from Angie Storozynski from Seaport Global. Please go ahead.

Q - Angie Storozynski {BIO 15115714 <GO>}

Hi. Hope -- thank you. I have actually (Inaudible) couple of questions. The first, I remember the previous EI contractors [ph] talked about how the affordability issue sort of [ph] ability to grow utility CapEx. Now you're showing us this very sizable growth on the electric side and this potential increase on the the gas side. So what's changed since last year?

Well Angie, good question, the pandemic revealed some significant opportunities for us from the cost structure perspective of both our utilities. And as I mentioned in the earlier calls, we had this $2 billion sitting on the sidelines looking to get in. And but we needed to create affordability room while we have in fact done that and created affordability room and pandemic was very revealing as to what we could do. In addition to what we have been doing for many-many years. And so that's how we found the affordability room to bring in that capital and our plan part of utilities.

Okay. And this additional 0.5 billion of CapEx on the gas side, I understand that this hasn't been approved. So what are you waiting for with that incremental spending?

A - Gerardo Norcia {BIO 15233490 <GO>}

The $2 billion is something that's in our plan at the electric company. The $0.5 billion at the gas company is sort of in the same position that the $2 billion was in which is we're looking for our affordability initiatives to bring that into the plan and we're trying to display that we've got a very strong inventory of investment opportunity at both utilities.

Q - Angie Storozynski {BIO 15115714 <GO>}

Great. The 5% to 7% growth that you are reiterating, what's the -- I understand the off of 2020 -- this -- what's the basis? What's the starting point -- so it was like $5.47 on basically stripping out the other GSP earnings from 2020?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd, you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Yes, so what we are showing there now is at 5% below 7% for next year based as if we didn't spend 5% to 7% will be based on as having GSP removed from the baseline.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay, and there's not going to be any type of reallocation of current level expenses or something like that, that [ph] what's going on that 2020 number?

A - David Ruud {BIO 16089859 <GO>}

We will have to work through the current level expenses and how we manage those internally, but they're not expected to be material over the -- [ph]

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. And my last question about the these midstream spin-offs. So we have this debate about among investors about what is the multiple that the settle [ph] business will be trading at? And we see this big disparity between pipeline multiple versus gathering multiples. Can you give us a sense from that EBITDA perspective, what percentage of the 2020 EBITDA is associated with gathering assets, which to trade of meaningfully lower EBITDA multiple?

A - Gerardo Norcia {BIO 15233490 <GO>}

David Slater, do you want to take that?

A - David Slater {BIO 20523364 <GO>}

Sure can Jerry. Angie, good to talk to you and yes, that's a good question. And what we've disclosed previously is we have about 10% in our storage business about 40% gathering and 50% in the pipeline segment. And those percentages are income percentages. So that's a good proxy for your question.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. Well, so with that in mind it's like a simple math [ph] which indicates that this business would have a relatively low market cap like coming around $3 billion, $3.5 billion with seemingly strong technical pressure [ph] its utility investors and that's based on how your stock

(Inaudible) on that with 50% of the -- . So why you convince that this (Inaudible) create value given the relatively (Inaudible) small market cap and technical questions [ph] that it's going to face?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, we think that first of all, the spin creates premier regulated utility 90/10 sort of structure inside our utilities that investors will have the opportunity to invest in with a strong capital growth program for five-plus years. Our midstream company is going to be well capitalized when we compare it to its peers and to have strong dividend growth and we think it's going to be a very attractive investment for the midstream investors and also current investors in DTE.

A - David Slater {BIO 20523364 <GO>}

Curious I could add to that may be.

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure.

A - David Slater {BIO 20523364 <GO>}

Yeah, Angie, I think it's going to be a very unique investment opportunity in the midstream space with predominantly natural gas. And its portfolio is really laying over the best dry gas basins in the country. And fundamentally, there's a lot of fundamental support and growth in those areas. So I think this investment opportunity for those investors that are looking for a really high-quality maturing investment. I think it'll be very attractive.

Q - Angie Storozynski {BIO 15115714 <GO>}

Great. Thank you.

Operator

Our next question comes from Steve Fleishman from Wolfe Research. Please go ahead.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey congrats. just I don't know if you -- hey, Jerry, so I'm not sure your position to answer this just but it has this call was going on Elliot came out and said something about, kind of, being happy with there so could you just comment on any involvement they might have had with this? Or how to characterize that?

A - Gerardo Norcia {BIO 15233490 <GO>}

So I'll start by saying, Steve, that we started to talk about this pivot in the summer 2019 and we started looking at a pivot towards a Pure Play utility model and it was a series of discussions between management and the board that really culminated just in the last few days. We talked a lots of investors, a lots of potential investors and analysts and get feedback, but I'm not going to comment specifically on what we talk to you or don't talk to.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then, just to kind of get a sense of the kind of thought on the new company financial. So obviously the cash flow from the gas business will be separated, but you should have more this 18% [ph] debt target that you've had for a largely pure regulated utility. I would assume that you'll be able to fund it with somewhat meaningfully lower [ph] that. And what is that -- if you look at the piers for a largely regulated utility at your credit, like what would that range be versus the 18 plus that you've been at?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Ruud, do you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Yeah. When we look at our peers we see them down in the 14% to 16% actually in that range that we are still committed to maintaining our ratings. And so we're going to be really careful with that. But we do expect that this will be credit enhancement or us.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then lastly just on the just on the midstream business. So you had a kind of growth targets out there together for the midstream business and it was like 9.5% net income growth type of thing. Could you just comment on how that business is tracking versus the prior growth target? And was it -- is it on track with what you'd said before for midstream through -- I think it was through '22 or '24.

A - Gerardo Norcia {BIO 15233490 <GO>}

So, Steve, I'll start and I'll turn it over to David Slater. But, I would say that nothing's changed fundamentally from a growth perspective in our mainstream business. All of the organic opportunities that we were pursuing continue to play out. David Slater, Why don't you add some more color to that?

A - David Slater {BIO 20523364 <GO>}

Sure thing Jerry, and Steve, that's great question. And I just reiterate that absolute [ph] exchanged in this business between yesterday and today, and we've got a great team -- a great management team that's going to be leading the new company, the next one operating [ph] coming along. As we progress through this standing up of a new C-Corp, we'll be putting out detailed for guidance kind of best in class guidance as expected in the Midstream sector. And certainly, be able to answer the question you're asking a lot more granularity in detail as we move forward in the process here. But suffice it to say absolutely nothing's changed in the business. If anything the fundamentals in the basin's I described earlier are just strengthening right now. So we feel really positive about this new company and it's going to provide an investment vehicle for some of the midstream investors that really doesn't exist in the sector today. There's not another company and c-corp in the midstream spaces position like this company will be positioned around those particular basins in the country, really attached some really strong market centers.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you.

Operator

Our next question comes from Durgesh Chopra from Evercore ISI. Please go ahead.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey team good morning. Just real quick follow-up on the tax implications of the spin. Can you remind us when are you expected to be a taxpayer? I believe it's mid-2020s and it's been impacts that are all.

A - Gerardo Norcia {BIO 15233490 <GO>}

David Ruud.

A - David Ruud {BIO 16089859 <GO>}

Hey you're right. But currently it is in mid 2020s and 2024s and this will be able to tax free Spin. We don't expect it to improve that but we'll get back to you for sure on that.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay. Perfect. And then maybe just one quick one on 2021 guidance. What are you assuming in terms of if anything on COVID impacts? And then obviously strong execution on the [ph] this year, should we expect that to sort of continue into 2021 as well?

A - Gerardo Norcia {BIO 15233490 <GO>}

I would say 2021 is positioned extremely well. We -- as you know we planned very conservatively for our forward years. So we have significant tendency to accommodate any sort of changes in load patterns or potentially incremental expenses. So I feel really good really good about our position in 2021.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay, perfect, thanks, guys.

Operator

Our next question comes from Stephen Byrd from Morgan Stanley. Please go ahead.

Q - Stephen Byrd {BIO 15172739 <GO>}

Hey, good morning and congratulations.

A - Gerardo Norcia {BIO 15233490 <GO>}

Morning. Thank you.

Q - Stephen Byrd {BIO 15172739 <GO>}

I wanted to talk about the Midstream business. Would you be able to give us a sense of the maintenance CapEx? And I'm thinking not just about physical maintenance, but the CapEx needed to keep the cash flows flat and especially for the gathering business. How do you think about just the sort of base capital needs to keep the business running flat on EBITDA?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, I'll start this by saying it's a relatively new system. So those maintenance CapEx dollars will be modest at best. But David Slater, you want to add some color to that?

A - David Slater {BIO 20523364 <GO>}

Sure, Gerry. You're exactly right and see that's a great question and we're definitely going to be providing more color around that as we approach spin date but the systems are all generally new. So very modest maintenance capital required for the foreseeable future and that will be a very small number, especially as you compare this midstream company with some of the other midstream companies that have more mature larger networks that they're having to maintain.

Q - Stephen Byrd {BIO 15172739 <GO>}

Understood. Yeah, as you all think through that, I'd love to get a sense not just the physical which I assume is low, but the economic maintenance for gathering just given the nature of the business. But I guess, moving on to just thinking about the gathering business in credit quality. Could you give us a little more information on the credit quality for that particular segment in terms of sort of range of customer ratings, any customer notices to modify or terminate agreements, and just sort of other credit protections you have that's a pretty common question that comes up on the gathering side especially. Just curious how you think about the credit quality there?

A - Gerardo Norcia {BIO 15233490 <GO>}

David?

A - David Slater {BIO 20523364 <GO>}

Sure. Yeah, that's another excellent question So as we disclosed in the past and we provide a lot of detail on this one -- we did the Haynesville transaction last year. In most of our agreements, we could credit enhancements clauses in there to really protect not only the receivables, but the forward obligations of those customers have. So that would be sort of my first state and that's sort of hard coded into our DNA. It's always do that. So it has the effect of enhancing a credit profile of the counterparty. But as I kind of step back and I know we've shared this in the past with some of our bigger customers on the gathering side of our business would be names like Southwestern, Cabot [ph], obviously Indigo and Taro. So those are some of the names that are in our portfolio. And again, what we looked very closely at their credit and monitor that with a lot of detail have a lot of information that they share with us quarter-by-quarter, so we're monitoring that closely. And all of those customers are in good positions, they have no significant maturities before them and their cash flows are strengthening in the current environment with the fundamental strengthening and dry natural gas. Its it's benefiting all these companies. And so, we actually see their credit profile strengthening. It's easier to see when you look at their -- it just look at their long-term debt and how its trading, you can clearly see a strengthening credit profile across our gathering customers.

Q - Stephen Byrd {BIO 15172739 <GO>}

It's really helpful. And just last one for me, just for the mystery business overall, are there -- are any additional cash flow metrics beyond the EBITDA that you laid out, whether think about distributive cash flow, free cash flow, some definition of cash flow, or is that something that you all are going to provide out a later date?

A - Gerardo Norcia {BIO 15233490 <GO>}

Yeah, you're exactly right, Stephen. Those are, what I would call, best-in-class midstream metrics. Metrics and what the opportunity is standing this company up new we're going to make it Best in Class. So we're going to work through those details and look forward to spending time with you down the road when you get closer to spin date and share all that.

Q - Stephen Byrd {BIO 15172739 <GO>}

Understood, that's all I had. Thank you so much.

Operator

Our next question comes from James Thalacker from BMO Capital Markets. Please go ahead.

Q - James Thalacker {BIO 1794957 <GO>}

Well, thank you very much. And good morning.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - James Thalacker {BIO 1794957 <GO>}

Most of my questions obviously been answered, but just two real quick questions. I guess the first is as you were looking at becoming a pure play. Did you explore potentially the divesting or winding down both the P&I and or the energy marketing business. And what was the determination to retain those businesses?

A - Gerardo Norcia {BIO 15233490 <GO>}

So James, I'll start by saying that when we looked at all our alternatives to unlock shareholder value and create incremental value for our shareholders the biggest mover that we saw that was to really create the spin for GSP. We saw P&I as complementary to our ESG agenda with our remaining utility platform, which will be 90% of our business. And so we've decided to pursue this path at this point in time.

Q - James Thalacker {BIO 1794957 <GO>}

Okay, great. And just I guess could you also just remind us also the -- what would the outlook I guess for equity on a going-forward basis? And the question has been asked a bunch of times, but I know that you're targeting 18%, but with a pure play utility you probably should be down sort of in the mid-teens. And then on top of it, you have the conversion I think in '22 of the convertible that was done to finance the Midstream business. Seems like you have a lot more flexibility [ph] either not to issue equity or maybe to use incremental debt. So could you provide some guidance, I guess, how you're thinking about how much equity leasing your plan now for the 5 year period?

A - Gerardo Norcia {BIO 15233490 <GO>}

David Rudd, you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Sure. And in the deck, in the appendix on Slide 28, it showed our previous planned equity issuances. You can see in the next year, there was 100 million to 400 million and then in '22 was the 1.3 billion of convertible equity units that come into the plan. So that was -- that is and was consistent with what we're seeing going forward.

Q - James Thalacker {BIO 1794957 <GO>}

But as you move, I guess, beyond 2022, should we expect any material equity? Or is this going to be something that's just going to be more sort of 100 million or 150 million -- subtype [ph] of issuances?

A - David Ruud {BIO 16089859 <GO>}

Like in our plan [ph] going forward, there are no major and no equity issuances that we see in those years.

Q - James Thalacker {BIO 1794957 <GO>}

Okay, great. Thank you very much.

Operator

Our next question comes from Jeremy Tonet from JP Morgan. Please go ahead.

Q - Jeremy Tonet {BIO 15946844 <GO>}

(Technical Difficulty). Just trying to see if there any reason to think that EBITDA -- growth is a different estimate trajectory see on the -- to remind us as far -- . How much is How much this quarter is contractually independent with MUC [ph]? It's just trying to get a feeling for that. Thanks.

A - Gerardo Norcia {BIO 15233490 <GO>}

David, do you want to take that?

A - David Slater {BIO 20523364 <GO>}

Sure. I can Jerry. Jeremy, I had a little hard time hearing the beginning of your question. I'm just going to repeat it. I think you're asking about EBITDA growth versus earning growth and how much of that is kind of in hand. So that's a question I'm going to answer and you can change it if I got it wrong. But -- so first off, just to reiterate, nothing's changed in the business from what we previously disclosed. So business is strong , has performed incredibly well this year, been incredibly resilient to a difficult year in the sector and the difficult year with respect to the pandemic?

So that gives me lots of confidence of the durability of the business. In terms of the growth and would EBITDA growth be moving in tandem with income growth I think that's generally a true statement and again I think as I answered earlier we will be providing a lot more granular details, sort of best in class guidance as we progress and get closer to spin date. So, I trust that answered the question.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Yes, that's helpful and just wanted to see the see it sounded contractually on that quote and with over 90% demand contract that seems like a pretty unique in the midstream -- just one conversation. It was up next and it sounds like it does. So that's really helpful context here. And then just flipping it may be towards the midstream and to yourself, I don't know what you can say looking forward as far as the strategic power there is anything that you can [ph]. You know, good organic growth that's kind of unique in the space right now. I don't know anyone else talk about surely near the low end of peers out there. So it seems like you have some like you can build strong flexibility there that maybe you could (Technical Difficulty) just want to get the sense of these things. Are you guys going to stick to your base into what you're doing there or if anything better to be anything going to change strategically?

A - David Ruud {BIO 16089859 <GO>}

Yeah, that's a great question. So yeah first off the assets are great assets and they're positioned across when you look at the resources in the country right now, these are the resources that all the analysts expect are going to get attention in the next year or two. And the company is positioned from an investor perspective to provide an investment vehicle for people that want to have exposure to the midstream around the best natural gas basins in the country and attached literally the best market centers in the country. So I think you alluded to it, it's a very unique investment vehicle that we believe is going to be distinctive in the sector and we're setting it up to have a very healthy balance sheet with the healthy dividend and a lot of flexibility going forward to continue what I'll call the strategic intent that we've had which is continue to make highly accreted value generating investments on and around that portfolio of of assets where we have competitive advantage and asymmetrical information. So I don't think there's a -- there's no significant strategic shift that's expected here in the near term. But again, as we approach spin date, I'm looking forward to laying the plan out in more detail and having good conversations with the investor base going forward. So, thanks.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thanks, Jeremy, for the question.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Jonathan Arnold from Vertical Research. Please go ahead.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Good morning, guys.

A - Gerardo Norcia {BIO 15233490 <GO>}

Good morning.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Just a couple, Jerry, you Jerry, you know in the question about RAF [ph]. You've mentioned the outlook off of the, I guess, adjusted 2020 original base. It includes the replacement that you've been working on. Is that -- are you just referring to the $15 million a year origination pathway that you've talked about or is that something more significant your may be alluding to that?

A - Gerardo Norcia {BIO 15233490 <GO>}

No. It's essentially that $15 million a year that we've been originating in new income, so you're correct.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. So I just want to make sure there wasn't something else that you're hinting at. And then, secondly, there was a comment made about potentially delaying the next right case and filing you'd recently made. And it was a lot of material. I just wonder if you could clarify what you were saying there and maybe put it in context of your comment about the base case timing I think of [ph] 21?

A - Gerardo Norcia {BIO 15233490 <GO>}

Sure. Great question. So, we've had a really strong year in company this year. And some portion of that has been driven by incremental sales due to covid and the pandemic as it relates to our residential markets. So what we're doing Jonathan is essentially the forewing portion of those earnings in 2022 to offset a potential rate increase in 2022. What that does is it gives us the opportunity to reconsider tapping of filing the rate case. So that's really what that's about.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay, and that just any suggestion of to the how far they would it be fairly roughly a year or so, it's good assumption?

A - Gerardo Norcia {BIO 15233490 <GO>}

It's probably too early to say Jonathan, but we'll continue to update you as we move forward.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Great. Thank you.

A - Gerardo Norcia {BIO 15233490 <GO>}

We'd like to see a portion of 2021 start to play out before we make that decision.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. Thank you very much.

Operator

All right next question comes from David Fishman from Goldman Sachs. Please go ahead.

Q - David Fishman {BIO 20818121 <GO>}

Good morning, just a few questions -- with me. I know the spin itself is tax-free, but is there any impact on your ongoing cash tax positions with spend? Does this pull forward when you might become a cash taxpayer at the regulated remain [ph] the five-year plan? Or is there not much for material back there either?

A - Gerardo Norcia {BIO 15233490 <GO>}

Dave Rudd.

A - David Ruud {BIO 16089859 <GO>}

Yeah. We're going to -- we'll look more into that and see what the impact is there and we'll have to get back and let you know on that. [ph] We weren't cash taxpayers until 2024. We don't think it will have much of a material impact.

Q - David Fishman {BIO 20818121 <GO>}

Okay, good to know. And then back on the post REF P&I I know you've pretty much just mentioned that you're still shooting for REF to 15 million or so a year, but could you guys maybe comment on what you kind of broadly see as the opportunities that there for RNG and cogeneration? And do you expect P&I really be growing enough to maintain a 90/10 regulated versus unregulated mix longer term, especially given the elevated regulated growth rates?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, that's what we see now (Inaudible) P&I be able to grow in the sectors that we described which is really through RNG and cogen and we're still seeing good opportunities. We have one that's in late stages right now on the energy front that we're feeling really good about and so, we're continuing to see activity and really nice returns there. But it will be a very small part of our portfolio going forward, but we do see it at that 90/10 over the next 5 years.

Q - David Fishman {BIO 20818121 <GO>}

Okay. And then, I guess, still on the clean energy, on the voluntary renewables initially you guys have talked about a 100 gigawatt target by 2030. Your updated filings looks like nearly that amount of 2025. How have your conversations kind of gone for maybe the second half of 2020 if you even went out that long because it seems that clearly over the next five years, you had a big pull forward. Just to be to maybe give us a little bit more color on kind of how the whole decade is, kind of, shaping out all that there?

A - Gerardo Norcia {BIO 15233490 <GO>}

Well, I have to tell you this voluntary renewables program that we have has been very exciting. You know, it's a product that we have a hard time keeping on the shelf. You know, we are selling it quite a bit through our residential customers and also our large industrial customers and even smaller industrial customers want this product to really green up their power portfolios, power usage portfolios. So as you said, we've been able to pull forward our projection system when we will hit the 1.4 gigawatt but we will continue to sell into this market and continue to update as we go forward, but we're doing much better than we had ever anticipated in that market.

Q - David Fishman {BIO 20818121 <GO>}

Got it, and I imagine it's might this is something to get a little bit more color on [ph]

A - Gerardo Norcia {BIO 15233490 <GO>}

Yes. We will provide an update at EEI, but what we can tell you now is that we have 750 megawatts so [ph]. And we're going to build for that. We've got some filings in front of the commission to pursue those bills. And as we learned more and develop more market, we will continue to update you.

Q - David Fishman {BIO 20818121 <GO>}

And just last one from me. And you briefly touched upon this. The energy trading business, what would you say is kind of a strategic rationale as keeping the energy trading business as a part of the ongoing kind of DTE entity.

A - Gerardo Norcia {BIO 15233490 <GO>}

David it's a very small part of our company and certainly not business that we look to grow and what we use it for is to really be a market maker. So for example with our RNG projects and even in our cogen facilities, we use it to manage risk with those Investments either for ourselves or on behalf of our customers. And that's really the primary purpose of that little [ph].

Q - David Fishman {BIO 20818121 <GO>}

Got it. Okay, congratulations and thanks for taking my questions.

A - Gerardo Norcia {BIO 15233490 <GO>}

Thank you.

Operator

The final question we have time for today comes from Ryan Levine from Citi. Please go ahead.

Q - Ryan Levine {BIO 19520640 <GO>}

Good morning. So --

A - Gerardo Norcia {BIO 15233490 <GO>}

Morning.

Q - Ryan Levine {BIO 19520640 <GO>}

So what are your [ph] tax bases in the midstream portfolio today? And how long would DTE midstream need to remain a public company to avoid triggering tax [ph] event for current DTE shareholders?

A - Gerardo Norcia {BIO 15233490 <GO>}

David?

A - David Ruud {BIO 16089859 <GO>}

Well, I don't think we've -- we haven't released our tax basis or said what our tax base is [ph] midstream. What was the second half of that question?

Q - Ryan Levine {BIO 19520640 <GO>}

Would you be willing to disclose that? And then also how long would DTE midstream need to remain a public company to avoid triggering tax to taxable event for current DTE shareholders?

A - David Ruud {BIO 16089859 <GO>}

I think we'll have to get back to you on that one.

A - Gerardo Norcia {BIO 15233490 <GO>}

Yeah.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay. And then how are you thinking about getting a new DTE dividend -- DTE midstream dividend policy? And how are you defining the dividend coverage ratio in the (Inaudible) with two times for 21 for this pro former company [ph]?

A - Gerardo Norcia {BIO 15233490 <GO>}

Ruud.

A - David Ruud {BIO 16089859 <GO>}

Yes, that's still to be totally down as we established the midstream company. But we do plan to step is one that's competitive with peers and we talked about that thing that two times [ph] in coverage ratio. And that's the distributable cash flow over the dividend is how that we will be defined consistent with other mainstream company.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay. Thank you.

Operator

This concludes the Q&A portion of today's call. And I would like to turn it back to Mr.Jerry Norcia for final comments.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you. Well, thank you everyone for joining us today. I'll close by saying we had a very solid quarter and are well positioned for a strong finish for 2020 and a really great start to 2021. I believe the spin of DTE midstream will unlock significant value for our shareholders and drive future growth. I look forward to talking all of you in the few weeks at EEI. And I hope everyone has a great morning and stay healthy and safe.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you once more for participating. You may now disconnect.