Q1 2020 Earnings Call

Company Participants

- Barbara Tuckfield, Director, Investor Relations
- Jerry Norcia, President and Chief Executive Officer
- Peter Oleksiak, Senior Vice President and Chief Financial Officer

Other Participants

- Andrew Weisel, Analyst, Scotia Howard Weil
- Anthony Crowdell, Analyst, Mizuho Securities
- David Fishman, Analyst, Goldman Sachs & Co.
- Jonathan Arnold, Analyst, Vertical Research Partners
- Julien Dumoulin-Smith, Analyst, Bank of America Merrill Lynch
- Michael Weinstein, Analyst, Credit Suisse
- Ryan Levine, Analyst, Citigroup
- Shahriar Pourreza, Analyst, Guggenheim Partners
- Sophie Karp, Analyst, KeyBanc Capital Markets Inc.
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the DTE Energy First Quarter 2020 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) Thank you.

I would now like to turn 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 2 of the presentation, including the reference to forward-looking statements. Our presentation also includes references to operating earnings, which is a non-GAAP financial measure. Please refer to the reconciliation of GAAP earnings to operating earnings provided in the appendix of today's presentation.

With us this morning are Jerry Norcia, President and CEO; Peter Oleksiak, Senior Vice President and CFO; and Dave Ruud, Senior Vice President and Incoming CFO, effective May 4th. And now, I'll turn it over to Jerry to start the call this morning.

Jerry Norcia {BIO 15233490 <GO>}

Well, thanks, Barb, and good morning, everyone, and thanks for joining us today. First off, I just want to say to everyone listening that I hope you and your families are healthy and safe. This is a very difficult time for everyone and we are doing everything we can to try and help limit the pressures that all of our customers and communities are facing. I also want to thank the tireless efforts of our employees who are out there every day, ensuring our community has safe and reliable service. We are holding this earnings call from separate locations as we follow our shelter-in-home guidelines.

This morning, I'm going to provide details on how COVID-19 is affecting our business and what we are doing to respond to the challenges that it has presented. I'll also provide highlights on the progress of each of our business units. Then, Peter will provide a review of our financials and then we'll wrap things up before we take your questions.

Now let's start on Slide 4. At the state level, a group of business leaders, medical experts and government officials have come together to develop recommendations on how to restart the Michigan economy as quickly and as safely as possible. Our Executive Chairman, Gerry Anderson, is the co-chair of this group that was set up by the Governor. Our expectation is that the first part of May, the construction industry resumes its work and the autos and the other industrial companies start to resume operations later in May. Here at DTE, we plan to resume our construction and maintenance work the first part of May.

I'll provide more detail on these plans a little later in the discussion. We are working very closely with state and local leaders, as well as our regulators to respond to this crisis, in a way that is best for all of Michigan's residents. During these difficult times, regulators and companies can come together or they can come apart and in Michigan, we have been working with our regulators and state government to come together during this pandemic.

Now let's talk about what our company is doing to respond to this crisis. Throughout the COVID-19 crisis, our priority has been the health and safety of our employees and customers. We are working on multiple fronts to ensure that everyone at DTE is safe, as we continue to deliver safe and reliable energy to our customers. We're also working to address the needs of our communities through philanthropy and volunteerism. As far as the impact that this crisis will have on DTE's financial plans, I would just say we are planning for a significant impact. Although no one knows exactly how this will play out over the year, we believe we can mitigate the challenges for our original plan with management actions.

I will go into more details on these actions in a few minutes, but I want to reassure you that we have a plan to achieve our financial targets. This plan allows us to reaffirm our original operating EPS, cash and capital guidance, while maintaining a strong balance sheet and continue to offer a healthy 7% dividend increase this year. I'll provide more color on the assumptions in this plan and the biggest variables as we move deeper into the discussion.

DTE has a proud heritage of rallying at the toughest of times, whether we're dealing with catastrophic storms or economic crisis, in every case, emerged a better and stronger company. There is no doubt that the work required of us today, set us up for another successful decade.

Now let's move to Slide 5, as I talk more about our efforts fighting this pandemic. To ensure the safety and well-being of our employees, we implemented work from home in mid-March and currently we have over half of our employees working from home. It's going well and our systems are working great in supporting our people. We sequestered key operating personnel in orderly and prioritized way to ensure we have the right mix of operating personnel continue with reliable and safe operations. And we have also taken a pause in all non-essential work for some of our employees. To ensure that we are doing all we can to keep them safe as we gain further understanding of the virus.

For our employees who must leave their homes to perform essential service for our customers, a big thank you. They haven't missed a beat in the work they do and have maintained excellent operations. We have equipped these employees with the proper protective equipment, such as masks and protective suits for entering homes. We are performing our tasks with safe social distancing and are regularly sanitizing our facilities, trucks and tools. Every employee that leaves their home gets their temperature checked.

We have created detailed return to work plans for our employees and we'll follow the guidance of our state leaders. As I mentioned, we are deeply involved in developing those practices. We will restart our construction and maintenance activities in early May and ramp up through the month. We expect our office employees to remain at home into the summer as we determine when it is safe to return. We will continue all the safe practices, I just mentioned, which have been very successful in mitigating the health impact of this virus for the thousands of DTE employees who leave their homes every day to perform their work.

Now let's move to the next slide. From our community perspective, our foundation, supporting the basic needs such as food and shelter for over a 100,000 families, funding more than 1 million meals to those who are in need and ensuring that families have access to core medical services. We created an emergency stabilization fund to aid non-profit organizations and small businesses. To-date, we distributed more than 4,000 respiratory masks to Detroit Police Department and over 900,000 respiratory masks to area hospitals and plan to deliver more of these critically needed masks.

We're assisting state-based institutions through a trusted resource for community members. I also have personally hosted many calls with state-based leaders and social agencies in order to more deeply understand the needs of the community. We are also partnering with the City of Detroit, philanthropic organizations and business leaders to enhance high speed Internet citywide and providing devices to over 50,000 students, ensuring they continue their education during these tough times. We are matching charitable giving of employees, contractors and DTE alumni to support non-profit services. Our employees are virtually volunteering at different organizations to assist their communities, while ensuring everyone's safety and well-being.

Our employees have stepped up during this time and continue to do the work that is so critical for our communities. And that is to deliver reliable power to our customers in a safest way possible. I'm extremely proud of all of our DTE family. This is just another example of our employees coming together when it is most critical, to respond to the needs of our communities.

Now let's move to Slide 7, where I will start to walk you through the expected impact of this pandemic on our business. We have spent a lot of time over the last few weeks understanding the potential financial impacts of the pandemic. Building and implementing a plan to react to these challenges. While we updated our forecast for the balance of the year, we looked at the potential sales impacts and additional cost associated with COVID-19 and also recognized that we were down in the first quarter against our plan due to warmer than normal weather, along with other economic impacts, offset by favorability of the non-utilities.

These changes are larger than the contingency that we normally carry in our annual plan. When we rolled all of this up, we saw $60 million of earnings pressure that we needed to offset. We went to work and create a new plan that not only covers this $60 million shortfall, but at least doubles this to build up additional contingency to cover other potential impacts including a potential slower return-to-work in Michigan causing even higher COVID-19 impacts. A potential cool summer and warm fall in our non-utilities only hitting their annual plan.

Currently, we are ahead of plan at our non-utilities and our assumption is that this favorability has held this contingency for the balance of the year. We feel it is prudent to plan to cover potential earnings pressures from these items, even though all of them may not occur. This is how we've been able to reliably deliver on our earnings targets in the past. This is a conservative plan. We have over $2.5 billion O&M to manage through lean times as well as the benefit of investing incremental O&M ahead of schedule in previous years.

We faced recessionary pressures before in 2008 and 2009 and we came through that time stronger than ever, achieved operating EPS and cost reduction targets and exceeded cash from operations guidance. We are facing similar pressures and I am confident that we have built a robust plan to respond to these challenges.

On Slide 8, I will discuss the sale scenarios we created to understand the potential impacts of COVID-19 on our business. We have been putting together some recessionary scenarios based on assumptions of Michigan's time frame of returning to work. Our goal of these scenarios to size the impact and communicate that with you. However, we realize that no one knows for sure how this will evolve. Slide 8 lays out some of these assumptions for our two scenarios.

One scenario assumes that our return-to-work begins in May. And the second scenario assumes a slow start case. For our scenarios, we have the advantage of our advanced metering capabilities, which allows us to see sales changes real time. AMI data has given us great information on a daily basis and it really has been a powerful tool that gives you insight into how this crisis is impacting our sales. I'll go over a few of the details of our May start scenario.

Construction, manufacturing and outdoor businesses will begin to return-to-work in May and advance throughout the year. Non-essential retail, restaurants and lodging start returning to work during the summer months. Non-essential office works starts later in the summer and universities and schools return to normal in the fall. The result of developing these scenarios is an estimated impact on our electric sales by each class.

Now I'll go over the sales impacts. As you might expect, our residential load has been stronger with more people at home and it has increased by 10% to 11% in April. However, our commercial load has dropped by 16% to 18% and our industrial load has dropped by 40% to 46%. We believe we have seen the bottom for our load at this point. Michigan remains under the stay at home order with only essential businesses operating and our load has been pretty consistent over the last several weeks.

AMI data has allowed us to see the load by major customer class and the impacts by sub-segment within each of these categories, including groups like auto, hospitals, grocery stores and schools. This gives us some very powerful analytics to be able to understand what is happening with our load. We use these analytics and the insights from the return-to-work plan at the state level to come up with a forecast scenarios and the impacts on earnings under each scenario.

You can see on the slide, the estimated electric sales impact from COVID-19 pandemic is $30 million to $50 million, understanding that none of us know exactly how this will all play out. We estimate a range for each scenarios we laid out. For residential, we estimate an increase of 3% to 4% for the year -- part of the year. This increase in residential sales translates into an increase in earnings of $40 million to $50 million on an annual basis.

For Commercial sales, we estimate a decline of 6% to 9% which translates into decrease in earnings of $50 million to $75 million. And finally, on the industrial side, we estimate a decrease in sales of 18% to 22%. This translates to $20 million to $25 million in lower earnings for the year. We put this altogether in a focused economic recovery plan to ensure that we can deliver within our guidance range.

I'll discuss that plan more in a minute. Obviously, many different scenarios could play out, including ones that are more favorable or those that are less favorable scenario, we would have to reassess our economic recovery plans to ensure it could address all of the challenges. The pace at which load returns is one of the largest variables at our economic recovery plan.

Let's turn to Slide 9. Our management team reviews of our plan and in this time of economic stress, we have been reviewing it daily. As we have discussed before, we have robust planning that includes starting every year with contingency across all business lines. We also have lean plans that we can pull off the shelf. While this year we needed to add additional steps to our process, including our daily executive management review of the current year financials and additional one-time actions to achieve our goals. Since much of the annual contingency, we will now work from our deeper lean playbook, which includes a list of one-time items, to reduce cost in the near-term, but are not sustainable over the long-term.

Some of the triggers that we will pull include pausing on any new hires, minimizing overtime, reducing contract and consultant spend and deploying our people into those required activities and deferring bank maintenance work that we accrued during the last three years. We are also able to reduce materials and support expenses, decrease travel expense, accelerate automation, work from home projects and postpone non-essential work always with maintaining safety as our highest priority. With all of these lean actions, I am confident we will achieve our financial goals for the year without sacrificing safety or customer service.

Now I will turn it over to Peter to share our financial results for the quarter, provide a snapshot of the financials for the remainder of the year. But before I do, I'd like to take this opportunity to thank him for his dedication to DTE over all these years. I'm sure you all know that Peter has decided to retire this year. I'm happy to see him get to pursuit of his life outside of DTE. We've had many good years together and I'll miss him as a trusted leader. The good news is that he has agreed to stay on as an Adviser as Dave Ruud transitions under the CFO role.

With that, I'll turn it over to Peter.

Peter Oleksiak {BIO 7535829 <GO>}

Thanks, Jerry, and thanks for those kind words. And good morning, everyone. First of all, I want to thank everyone for all the congratulations and well wishes I've received from so many of you. I've been fortunate to work closely with all of you over the years and appreciate the relationships we built together. I also like to thank the DTE family with whom I've had spent over 20 years and I congratulate David Ruud on his appointment to the CFO role. And I will be fully supporting him during this transition. A little bit of sweet to be on my last DTE earnings call, but I'm excited about this new chapter in my life.

Now to my last update on my Detroit Tigers. My Detroit Tigers are keep in safe, like everyone else. I would also contributing to the community in COVID-19 response efforts. And I'm looking forward to the MLB draft in June where my Tigers have the number 1 pick, but I'm really looking forward to as when we all can return safely back to the ballpark to watch a game.

Let's move on to our financial plan update on Slide 10. Total earnings for the quarter were $320 million. This translates into a $1.66 per share for the quarter. And you can find a detailed breakdown of EPS by segment, including our reconciliation to GAAP reported earnings in the appendix.

Let me start my review at the top of the page with our utilities. Overall, this quarter was warmer than normal and was the sixth warmest on record. DTE Electric earnings were $94 million for the quarter, which is $53 million lower than 2019, largely due to warmer weather, non-qualified benefit plan investment losses and implementation of higher depreciation rates, offset by a new rate implementation. Just a quick note on the benefit plan investment losses, since it was a big driver in the quarter, our non-qualified employee benefit plans are substantially funded and baked by investments, similar to our pension plan, I like our pension plan, the investment changes are recognized immediately versus smooth over time. These investments were down approximately 15% in the quarter.

Let's move down the page. DTE Gas operating earnings were $30 million lower in 2020. The earnings decrease is driven primarily by warmer weather. Let's keep moving down the page to our Gas Storage and Pipeline business on the third row. Operating earnings for our GSP segment were $72 million for the quarter. This is driven by our Blue Union acquisition and higher pipeline earnings at our other platforms. As a result, this quarter is up $24 million versus the first quarter of 2019. Our GSP business performed ahead of plan in the first quarter.

On the next row, you can see our Power and Industrial business segment operating earnings were $30 million, earnings were $4 million higher than the first quarter of 2019, and this increase is due to the cogeneration and RNG projects, offset by lower REF volumes. P&I also performed ahead of plan.

On the next row, you can see our operating earnings at our Energy Trading business were $14 million, earnings were $9 million higher in Q1 2020 compared to Q1 2019 due to power portfolio performance. The appendix contained our standard Energy Trading reconciliation, showing both economic and accounting performance. Our Energy Trading business had a very strong first quarter.

Finally, Corporate and Other was unfavorable $8 million in the first quarter of 2020 compared to the first quarter of 2019, and this is due primarily to the timing of taxes. I'd also note that $27 million of the $54 million variance was anticipated in the plan. Overall, DTE earned a $1.66 per share in the first quarter of 2020.

Now let's move to Slide 11. As Jerry mentioned, we are well positioned to achieve our 2020 guidance. The assumptions underlying that comfort include, Michigan starting to go back to work in mid-May, sales increasing for residential customers by 3% to 4% for the year, decreasing for commercial customers by 6% to 9% and decreasing for industrial customers by 18% to 22%. Recovery will be slow and continue into 2021. Earnings over the balance of the year include growth at our utilities from rate orders in May and September, contracted growth from our non-utilities, including our Blue Union LEAP acquisition at GSP and RNG and cogeneration projects at P&I and the execution of our economic response plan.

Now let's move to Slide 12 to discuss the balance sheet. As you know, maintaining a strong balance sheet is always a priority for us. We continue to have a strong balance sheet, which gives us the ability to maintain our capital plans and liquidity position. Our treasury team at their lighting speed to increase our liquidity, when it was apparent that the financial markets would be choppy for some time to come. We have $3.2 billion of available liquidity as of April this year, and that's up from $1.6 billion at the start of the year. This includes a significant credit facility backed by a portfolio of large banks. And we issued $1.7 billion of long-term debt at DTE Electric in 2020 at extremely favorable rates. And secured debt term loans for additional liquidity were significantly mitigates commercial paper and capital markets risk.

Moving on to the next slide. Our leverage and cash flow metrics are within target ranges, and we are planning on achieving our capital guidance. We will maintain solid investment grade credit ratings and focus on our top-tier cash control management, and are targeting the low end of our 2020 equity range. Before I turn it over to Jerry to talk about our business update and wrap things up, I'd like to thank everyone listening in. It's been a great journey working here and I may see some of you on the road in the future at your city's baseball setting.

Now, I'll turn it back over to Jerry.

Jerry Norcia {BIO 15233490 <GO>}

Well, thank you, Peter. And I'll pick it back up on Slide 14. We've made a lot of progress in all of our businesses in the first quarter, and I'll be highlighting some of those successes on the next few slides. At DTE Electric we refiled our IRP back in March and the MTSC approved our plan, increasing our energy efficiency at 1.75% in 2020 and 2% in 2021 and filling our capacity need in 2030 with a mix of wind and solar.

We filed our updated renewable plan this month, also on a regulatory front, we expect to receive an electric rate order in early May. And through our conversations with the MTSC this rate order will not be delayed. We continue to expand our voluntary renewable program and currently we're ahead of our five-year plan we mentioned at EEI back in November of last year.

In 2019, we added over 400 megawatts of voluntary renewable energy for our commercial customers and reached 10,000 residential customers who committed to voluntary renewable power. 2020 is off to a good start with General Motors subscribing an additional 250 megawatts. We are ahead of pace of our five-year plan for voluntary renewables. We look forward to increasing our voluntary renewable base with customers and continuing to provide clean and reliable energy.

Our Blue Water Energy Center, which is an 1,100 megawatt natural gas plant that we're building, is also progressing on plan. We're over 50% complete with an expected spring of 2022 in-service date, it supports our carbon reduction plan by reducing our carbon emissions by 70% compared to the three coal plants that we're retiring. Overall, I'm feeling confident that our Electric business will have another successful year in 2020.

At DTE Gas, we received the approval from the Michigan Public Service Commission in our first gas transmission renewable project. Project is in the design phase and construction should begin mid-summer of this year. We put a pause on our main renewal project and expect to resume work in May. Last year, we completed a 180 miles of main renewal, we are targeting approximately a 180 to 200 miles this year. Overall, these projects showcase DTE Gas' commitment to provide safe and reliable service to our customers, including our commitment to 80% methane reduction by 2040.

Now let's move to Slide 15. Our non-utilities continue to perform well and are on track to achieve 2020 targets, and are well positioned to deliver the long-term growth we have laid out. As Peter mentioned, they really proved to be very valuable and are currently ahead of plan. At our Gas Storage and Pipeline business, the integration of our Haynesville asset is going very well. The investment is performing as expected and the LEAP pipeline is on track to be completed on time in the third quarter of this year.

The GSP business is producing strong adjusted EBITDA in 2020 with a range between $665 million to $703 million. Our assets are well positioned and are supported by strong contracts and our producers are drilling according to their original schedules. We continue our due diligence and review our producers' credit metrics and model their liquidity and ensure that producers are paying their bills. Our fixed fees are supported by the fact that the majority of our producers in 2020 are 85% hedged at approximately $2.75, and 50% hedged in 2021 at $2.65.

We are also encouraged with the strengthening of the gas price complex in 2020, '21 and '22. 85% of GSP's revenue is covered by fixed revenue contracts, deploying gas over a three-year period. Our major producers are in solid positions, are highly hedged over the next couple of years, connected to premium markets, have minimal near-term maturities and the contract structure is robust that includes demand fees, MVCs and credit provisions. In addition, longer-term natural gas supply and demand fundamentals remain attractive. We believe the supply correction for natural gas has started with the reduction of drilling activity, especially in the oil basins with associated gas. Gas demand is forecasted to grow 2% through 2030, mainly driven by LNG exports.

Wood Mackenzie expects supply to come from areas where our assets are located, including the Northeast and Gulf Coast. While the demand is forecasted the growth, supply will be pressured to remain flat. Given decline profiles of flowing wells, 19 Bcf a day of new production is needed just to keep supply flat. Current low oil prices will decrease oil production and associated natural gas production and positively affect us due to our position in the dry natural gas market. With that said, we continue to focus on organic growth and value creation from these and our other well-positioned platforms.

Now let's move to Slide 16 and discuss our Power and Industrial business. At P&I, we continue to focus on the development of RNG and co-gen businesses for driving long-term earnings to backfill the sunsetting REF projects. Wisconsin RNG and Ford Motor projects are fully operational this quarter. We originated our targeted earnings since 2017 and are targeting $15 million of new projects per year and there is a good pipeline of projects that we are reviewing. Business holds up well in recessionary times and we didn't see much variability in the 2008 and '09 recession. Going forward, we will continue to develop additional RNG and cogeneration projects with additional targets and early screening. The decarbonization across the energy sector continues to support RNG development and will bring other associated opportunities for our P&I business.

Now let's move to Slide 17 to wrap things up. Overall, we have been presented with some significant challenges in the first quarter related to warmer than normal weather and the emergence of the COVID-19 pandemic. As you would expect, our leadership team and our company spring into action to rapidly respond to these challenges. We have modeled the depth of the crisis and created ranges of possible impacts. We are fortunate to have AMI data, which allows us to understand current impact and calibrate our modeling assumptions going forward.

At a detailed level, we have created a viable response to the impact on our earnings and cash as it relates to these scenarios, which gives us the confidence that we will deliver on our 2020 targets. We will execute this recovery by focusing on the safety and well-being of our employees, providing support to our customers and addressing our communities' most vital needs and continue our track record of delivering for our shareholders, while maintaining strong credit metrics and a strong balance sheet.

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

Questions And Answers

Operator

Certainly. (Operator Instructions) Your first question comes from the line of Shar Pourreza with Guggenheim Partners. Your line is open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, good morning, guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey, good morning, Shar.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

So just a couple of questions here. First, you do call out that $60 million headwind with plans to sort of offset that in Slide 7. Just -- what scenario from Slide 8 are you embedding in the $60 million assumption for the year? Is it the May, is it the slow-start scenario? And does, sort of, that $60 million offset get you to the midpoint of the 2020 guidance range assuming normal weather, obviously.

A - Jerry Norcia {BIO 15233490 <GO>}

So great question, Shar. So I'll start by saying it does address the May start in terms of earnings impacts from sales reductions. So the $60 million is just to go through it. Deals worth a COVID sales reduction at $30 million, the incremental costs associated with the COVID-19 pandemic and also incorporates the results of the first quarter that were driven by weather and the trust performance as well as the favorability of the non-utilities and also considers the original contingency in the plan.

So that delivers the $60 million earnings pressure that we have to go and find and replace with further contingency development as well as we're also considering further delay, the other $20 million in our contingency development and potentially unfavorable weather in the summer and fall. So those are the things that we are building in addition to the $60 million. So we're going to build response from $60 million, in addition to that we're going to build contingency around that $60 million to address potential further degradation in sales or unfavorable weather.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah. And Shar, this is Peter. And with that, the contingency build is going to be about -- it's about double that $60 million. So we understand there is uncertainty in the plan, so we're going to be developing contingency really to cover that.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

And then, just the normal weather. If we assume normal weather and summer weather does return, are you comfortable sort of with the midpoint of that earnings guidance?

A - Jerry Norcia {BIO 15233490 <GO>}

Yes, we're comfortable with the midpoint and we're actually even building contingency beyond the $60 million, Shar, to accommodate things like cooler than normal weather or perhaps a warm fall.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Perfect. And then, the detailed lean plan is targeting that $2.5 billion O&M budget. Would, sort of, those lean actions you guys guide to on Slide 9 that's embedded in the $60 million offset, do you need to sort of rebuild this contingency throughout the remainder of 2020? How much of it is sort of locked down? And how much of that sort of O&M budget you expect to flex as one-time? Is there any of it that could be perpetual for sort of forecasting purposes? And maybe, just a little bit more specificity. And I guess, any dollar amounts in that $2.5 billion budget you think you can collect?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, as Peter mentioned, our target to build the contingencies is approximately $120 million to $130 million, which is much more than the $60 million and the reason we're doing that is to ensure that we have plenty of contingency in our $60 million go-get [ph]. And the tactics that we'll be using will be delaying additional hiring, minimizing overtime, reducing our contractor and consultant spend and really deploying our people into that work as well as, Shar, we've developed deferred -- we've developed a bank of maintenance work over the years that we can now defer without sacrificing safety or service.

We'll also be looking at other items such as reducing materials and support expense. Those are the big items and we've got a very detailed plan. I will tell you that, about a month ago, we saw this evolving and we started to study our load and then looking at how return-to-work could happen. We sprang into action and have built a very detailed plan at each of the operating units to go after this $120 million to $130 million of contingency built. So we're in execution shuttle at this point.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

And so are you -- you are well placed around the nature or the one-time nature, how much is sustainable?

A - Peter Oleksiak {BIO 7535829 <GO>}

Right, right. Right now, you'll -- where most of these are -- majority of these are going to be one-time in nature. We know we got the bridge between rate cases and we plan on filing another case in summer. So -- and with a 10-month process we know will get trued up on sales then. Not to say that as we do these, is there new efficiencies and productivity that make more sustainable and we definitely would like to do that, that provide more headroom for capital investment.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Terrific. And then just lastly on sort of the equity. I mean, you obviously mentioned in the slides you're at the low end of guidance in 2020. How do we sort of think about equity needs in '21. Does that increase the equity needs in '21? The reason why I say that there was obviously some -- little bit of credit rating pressure in recent months with DTE and I think agencies are somewhat not comfortable with the level of the midstream exposure. What do you sort of need to do to offset the concerns there? Do you need more equity down the line? So how do we sort of think about the equity guide beyond 2020?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, Shar I'll take those [ph]. It's Peter again. First on the rating agencies, we had a recent action by Fitch, which was anticipated. We have a strong investment credit rating across all the agencies now. They're all at the same level with a cushion with them all. Our plan is not actually to use that cushion. We really want to keep a strong balance sheet as we move into these are more uncertain times.

So we are driving to the low-end of the targeted range and we have a $1 million to $300 million range here in 2020 and that's not going to be deferring equity into next year. It's really going to be based on the strength of cash and the balance sheet for this year. And we do have some plans. I mean, we talked about the earnings contingency we're building. We're also looking at cash as well. And because we're now, we would like to, where we can, minimize the equity for this year.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Terrific. Peter, congrats on Stage 2. I know it's not a good bye, so I'll just tell you I'll see you later.

A - Peter Oleksiak {BIO 7535829 <GO>}

Thank you.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Thanks again, guys. Appreciate it.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, thank you.

Operator

Michael Weinstein with Credit Suisse. Your line is open.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hi, good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hey. Just to be clear, I just want to make sure the guidance does hold up under the slow start scenario? I want to make sure I'm clear on that. And also, what is the monthly degradation rates for the summer under the slow start scenario, assuming things drag on?

A - Jerry Norcia {BIO 15233490 <GO>}

So I guess the answer to the first question, Michael, is yes. The guidance does hold up under the slow start scenario. We've modeled that way and we've also modeled our contingency build that way. So we're comfortable that the plan that we have today can deliver under the May start and the slow start.

We've given the annual impact on Slide 8 from sales reductions. We really haven't -- we've modeled -- we've got various scenarios and a band of scenarios that get you between the May start and slow start scenario on a monthly basis, but we haven't laid that out here.

Q - Michael Weinstein {BIO 19894768 <GO>}

And how much of that $120 million to $130 million contingency that you're planning on is coming from capex postponements versus opex cuts?

A - Jerry Norcia {BIO 15233490 <GO>}

Our -- we're maintaining our capital guidance. So we basically pause some of our capital projects, as you can imagine, due to the shelter-at-home order from the Governor, but we're resuming our construction activity here in May and we plan to catch up on our capital investments and deliver on our capital guidance for the year.

Q - Michael Weinstein {BIO 19894768 <GO>}

And is there -- has the IRP -- the new, the refiled IRP and also the one, the new our renewable plan. Has any of that changed any of the capex forecast going forward?

A - Jerry Norcia {BIO 15233490 <GO>}

It has not changed the capex plan going forward. As a matter of fact, the IRP recently got approved and we filed our contracts associated with our renewables plan. We expect approvals of that in July. We feel good about that as well. And that's both the self-build and some amount of PPAs.

Q - Michael Weinstein {BIO 19894768 <GO>}

And just to confirm, it sounds like things are moving along pretty well for Gas Storage and Pipeline business, but just want to confirm that in the Haynesville especially, that the current forward curve of gas which is building, is supportive of growth (Technical Issues) producers and your customer -- your producer customers. The long-term growth plans are supported by the forward curves.

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah, the positive for the pipeline and storage business in the first quarter is that it's delivered better than plan for the first quarter. And so that's been a positive start to the year. And I think if you look at Slide 29 and talk about the price complex in the gas business, you see that the reason that the price complex is being influenced in a positive way is that the associated gas at the front-end of that dispatch curve is expected to decline in terms of production volumes and what that does is it starts to -- on that cost curve starts to slide you right in order just to replace supply that's slowing today.

So the price -- pricing that's in the market today and what our producers are hedged at is well to the right of where our resources dispatch. So you can see, for example, the blue is our Haynesville assets. As you can see, they're at the very front of the dry gas dispatch curve, well within the current price complex for both 2020, '21 and '22. So we're feeling that our resources that we ship on our pipelines are extremely well-positioned in all our basins that we operate in.

Q - Michael Weinstein {BIO 19894768 <GO>}

Obviously [ph] the dry gas basins?

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah. Yeah, so it also helps that high quality resources. Yes.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay. All right, thank you very much.

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks, Michael.

Operator

Julien Dumoulin Smith with BoA. Your line is open.

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

Hey, good morning, team and Peter, congratulations.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning, Julien. Thanks.

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

Hey, good morning. Absolutely. So okay, let's do a cleanup by following some of these questions here. So if I can go back to the ongoing nature of the cost reductions that you just alluded to or just talking about that in ways [ph], how do you think about balancing the ongoing elements of this cost reduction relative to rate increases and how that frames your future capex spending, given what that implies for rate increases? So I know that applies more holistically to the industry, but since we're specifically talking about cost reduction today and what the shape of that looks like, can you speak to that a little bit? And especially in the context of -- it seems like you all are very specifically confident about being able to cash up on your contemplated capex in '20 despite some of the hurdles here, which is impressive. So just want to talk about the other side, about that, on recovery, etc.

A - Jerry Norcia {BIO 15233490 <GO>}

Sure. As it relates to cost, Julien, I think you know that we've got a long track record of managing our costs to our customers and also managing rates and bills at rates less than inflation over a great number of years and we will continue with that. This event has presented a unique challenge where we have to pursue some one-time items to reduce cost. But like Peter said, we will have the opportunity perhaps as we go forward here to persist with some of those cost reductions and if that happens, what that will do is it will provide more headroom in our investment plans.

I think we've mentioned before that we've got $2 billion of capital sitting on the sidelines, looking for affordability headroom. Well, I think this event may provide the opportunity to bring some of that in as we go forward. But the first thing we need to do is secure this year and as we look forward, we'll look to see if some of these cost reductions provide an opportunity for us.

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

Okay, fair enough. And then, turning to the other side of the business here, on the non-rec side. Can you talk to what the implications of higher gas prices are? And I know you've already done that so or thus far in the conversation, can you speak specifically to incremental opportunities? Right. So I suppose the perception is that this is largely de-risking to counterparties, etc. And how does this potentially accrue to your trajectory in that business altogether when you think about it?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we're seeing that most of our -- most of our growth, Julien, in the pipeline business has been contracted over the next three years, but we are seeing a lot of action in the Haynesville where small projects that are starting to emerge. The fact that we will have a pipeline that can move significant volumes from north to south and could be doubled in capacity very economically, that's also starting to show signs of promise in terms of opportunity.

So too early to tell, since we're new in that basin. But I think we're starting to see some really positive movement and potential growth there, and they will be small projects with very high IRRs, so very accretive. We've also seen movement on NEXUS, we're seeing some very positive movement there with customers showing interest and also value, valuing up -- the value of that pipeline, valuing up in the short-term markets and even the medium-term markets and even our Bluestone asset, which is mature, we're starting to see some activity there as well. So I think it's positive that the price complex is moving in the right direction and I think it will help to propel some of our developments.

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

Well, thank you all very much. Take care.

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks, Julien. Thank you.

Operator

Stephen Byrd with Morgan Stanley, your line is open. Stephen Byrd, your line is open.

Your next question comes from the line of Jonathan Arnold with Vertical Research. Your line is open.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Hi. Good morning, guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey, good morning, Jonathan.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning, Jonathan.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Thank you for the detail. And Peter, congratulations from me.

A - Peter Oleksiak {BIO 7535829 <GO>}

Thanks.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Just quick question, just -- you mentioned both GS&P and P&I were ahead of plan in the first quarter. Can you be a bit more specific on what drove that variability versus plan?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, the ahead of -- the pipeline and storage, which is ahead of plan, primarily due to favorable volumes in all our platforms, our first [ph] platforms as well as our gathering pipelines, and so we're seeing favorability there in that regard. And P&I was primarily driven by the new projects that we brought online are showing some favorability.

Q - Jonathan Arnold {BIO 1505843 <GO>}

And given the nature of those areas, curious just what's the source of variability there?

A - Jerry Norcia {BIO 15233490 <GO>}

I would say that the pipeline favorability, unless there is other events that undue that for the balance of the year, we plan to hold on to that favorability for the balance of the year at great contingency in the plan. We're not completely counting on that, Jonathan, so we're building contingency in and around both the pipeline business and the P&I business in order to have the conservative outcome for the balance of the year. So we've got approximately about $30 million of favorability in the first quarter for our non-utilities and we're not going to count on all of that for the balance of the year and build some contingency around that $30 million.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay, great. Thank you. And then, just to the assumption you have around residential sales -- well, actually before that, are you making any -- what are you assuming around natural gas? And how significant is that to your contingency plan for the current situation? Or are you primarily focused on weakness in electric sales?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, our -- in the pipe -- you're talking about the natural gas utility, Jonathan?

Q - Jonathan Arnold {BIO 1505843 <GO>}

Yeah, yeah.

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah. We're seeing modest impact on the natural gas utility from this COVID-19 experience, primarily because most of it has happened beyond the first quarter.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Yeah.

A - Jerry Norcia {BIO 15233490 <GO>}

So I don't see much of an impact for the balance of the year. The primary pressure is coming from the electric company.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. And then to the...

A - Jerry Norcia {BIO 15233490 <GO>}

To the task.

Q - Jonathan Arnold {BIO 1505843 <GO>}

The 3% to 4% increase in annual electric sales. And I think you mentioned that you're currently seeing glimses of about 10% to 11% in April.

A - Jerry Norcia {BIO 15233490 <GO>}

Right.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Can you just help us sort of bridge to how you have confidence that, that number is, I guess, as high for the year as a whole, when you're assuming that we kind of -- it will have effectively been a month or two at home and then, starting to kind of move back.

A - Jerry Norcia {BIO 15233490 <GO>}

Sure. We are very close to the plans that the state is developing in terms of return-to-work and so we have a pretty good understanding as to when office workers will return-to-work as well as when industrial workers will return-to-work. So we understand that schedule that's being planned and obviously, we've modeled scenarios around those return-to-work plans both a May start scenario as we call it and a slow start.

And so, what we do is we migrate our residential sales from 10% to 11% higher than planned here in April and part of May and then we slowly start to drift that down back towards normal by the end of the year with the milestones embedded in the plan that we are aware from the state.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. So there's a -- there's an element of the summer and air-conditioning seasonal...

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Which helping on that.

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah, we're -- the expectation is that the office workers return-to-work in our offices later in the summer. They won't be forced out of the gate because on a risk basis they are viewed as very high risk because they operate in very close quarters in a highly congested environments, so the state and the medical experts in the state believe that the office workers will be the last to return to their office complexes.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Great. Thank you for that extra color.

Operator

Andrew Weisel with Scotia. Your line is open.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hey, good morning, everyone.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey, good morning, Andrew.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Andrew Weisel {BIO 15194095 <GO>}

I want to echo the congratulations to Peter on a fantastic run at DTE. Through good times and bad, you kept thing stable.

A - Peter Oleksiak {BIO 7535829 <GO>}

Thanks.

Q - Andrew Weisel {BIO 15194095 <GO>}

Dave, congrats to you as well, you have big chose to fill. But at a minimum, at least the earnings call will be one minute shorter. So we don't have to hear about Tiger philosophy [ph] anymore.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, yeah. I'm sure.

Q - Andrew Weisel {BIO 15194095 <GO>}

So first question, I just want to clarify the $30 million to $50 million potential impacts from COVID. Does that mean $30 million would be the May start scenario and $50 million would be the slow start? Or is that just kind of the range for the May scenario?

A - Jerry Norcia {BIO 15233490 <GO>}

$30 million is the sales impact for the May start scenario and $50 million is the sales impact with a slower start scenario.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. Just wanted to be clear on that. And in terms of the contingency, can you compare the $120 million to a $130 million to what you were able to cut in '08, '09, if you had the memory to get that back that far?

A - Jerry Norcia {BIO 15233490 <GO>}

While, it's similar, we targeted back in '08 and '09, a $150 million but that was pre-tax. So this is a $120 million to $130 million after tax, but we are a much larger company at this point in time and have a much larger base to pursue.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. Then on the IRP, congrats on getting the modified version approved. Can you remind us and walk us through the changes you made, particularly on the self-build generation side? And what would happen if the economic downturn is deeper and longer-lasting? Is there a risk to the plan to add a lot of generation capacity?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we are actually ahead of the plan on our voluntary renewables, we had planned to sign up about 600 megawatts over the next three or four years and I'm happy to report with the most recent announcement just weeks ago from General Motors to sign up for another 250 megawatts of voluntary renewables, that we were actually at 650 megawatts of sold against the target of 600, which was a three or four-year target. So we're well ahead of plan on this and so, that's quite exciting and we continue to market the product. Obviously, our marketing efforts and sales efforts have slowed a bit here, but we plan to resume that in summer. A great amount of interest in this product from both our industrial customers as well as our commercial and residential customers.

In terms of what we filed for self-build, we filed 225 megawatts of self-build, which is a wind park and also we signed some PPAs for solar to meet our 15% requirement. That's our RPS requirement for here in Michigan of 15% by 2021, that's what they -- it will fill that requirement. The 650 megawatts of voluntary, we had 400 of that approved last year. And so, this summer we will be pursuing 250 megawatt filing with some self-build -- with a lot of self-build and some PPAs.

Q - Andrew Weisel {BIO 15194095 <GO>}

Very good. Then just the last...

A - Jerry Norcia {BIO 15233490 <GO>}

Which supports our -- Sorry, it supports our capital....

Q - Andrew Weisel {BIO 15194095 <GO>}

No, go ahead.

A - Jerry Norcia {BIO 15233490 <GO>}

Long-term, yeah. All of that supports our capital plan long-term.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. And then lastly, just to be abundantly clear, can you describe do you have any appetite for potential additional midstream M&A given the turmoil in that space?

A - Jerry Norcia {BIO 15233490 <GO>}

We've essentially, what I would say, filled the order book for acquisitions in the pipeline space. We are in the process now of really digesting what we own. We acquired the Haynsville asset, we've got the Link asset and we have NEXUS. Those are all sort of new platforms, if you will, and we're going to pursue highly accretive and high return expansions and organic developments in and around those platforms. That's our plan right now.

Q - Andrew Weisel {BIO 15194095 <GO>}

Sounds good. Thank you.

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks, Andrew.

Operator

Steve Fleishman with Wolfe Research. Your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, good morning. Thank you.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey. Good morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

So just...

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, Jerry. And congrats, Peter. Again, best to you.

A - Peter Oleksiak {BIO 7535829 <GO>}

Thanks.

Q - Steve Fleishman {BIO 1512318 <GO>}

The April data that you provided, do you have just like overall sales when you net for the company for that?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah. The total -- this is Peter. Yeah, the total load was down 16% to 18%.

Q - Steve Fleishman {BIO 1512318 <GO>}

Down 16% to 18%.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then just the -- could you give any update on what you're seeing in terms of customer payments, any non-payments? And then, maybe tie into that this uncollectibles deferral that the Commission proposed and any kind of cost-related component to that too?

A - Peter Oleksiak {BIO 7535829 <GO>}

Sure. So...

Q - Steve Fleishman {BIO 1512318 <GO>}

So two questions in there. Yeah.

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks, Steve, for those questions. So I'll start with what we've done for our customers. We've suspended shout outs for our low-income customers and our seniors and most vulnerable customers till the first week of June and that's something that we work very closely with the Michigan Public Service Commission on, so total alignment in that regard. In terms of arrears, Steve, we watch that daily, every morning in our financial call and one of the first things we look at is arrears and it has started to move, but not in a fundamental way, but we -- we're planning that it may, as part of our contingency build.

The positive here is that the Commission issued an accounting order that allows us to defer those expenses. And we have filed for cash recovery those expected expenses in our gas base, which is underway right now and we will look to file for recovering those cash expenses in the electric case that we file later this summer. So we have an accounting deferral and then followed by cash recovery in future cases.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, and this is, Peter, just the first...

Q - Steve Fleishman {BIO 1512318 <GO>}

And that's what you're assuming...

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, that's correct.

Q - Steve Fleishman {BIO 1512318 <GO>}

That's embedded in your plan.

A - Peter Oleksiak {BIO 7535829 <GO>}

That's embedded and it's very constructive. Back in 2008 and '09 we did have a track in the gas, but not the electric. So it really -- the Commission now we can really work with them around our disconnect strategy with these customers, start with a very constructive order for us and it really does cap the amount of exposure we'd have on our collectibles.

Q - Steve Fleishman {BIO 1512318 <GO>}

And then I think there were some talk in the CMS call yesterday that there could be a cost offset to the deferral though. Could you talk about that at all? Is that something you need to monitor?

A - Jerry Norcia {BIO 15233490 <GO>}

Sure.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, the...

A - Jerry Norcia {BIO 15233490 <GO>}

The commissioning indicated that they would consider extraordinary cost related to this pandemic. Things like cost to sequester employees in hotels, cost for a home reserve workforce and also cost for incremental PPE. So they have asked us to make a filing to take all of those costs into consideration. So there'll be a case for future, something that we'll have to look for in the future.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yes, Steve, that suffered from the uncollectible, the uncollectible kind of stand stand alone they're asking for comments now on around potential deferment of real direct COVID-related costs.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And last question is, just -- it's hard to compare exactly, but it does seem like your sales sensitivity is a little bit less than then CMS sale sensitivity, do you have any way to kind of maybe better explain that? Do you have higher fixed charges maybe or some other component there?

A - Jerry Norcia {BIO 15233490 <GO>}

Peter, any thoughts on that?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, one of the things that's embedded in here and I know we've had some questions on the residential. The residential increase, we're saying, is 3% to 4%, obviously less than the commercial, industrial down but 1% change in residential about $15 million positive for us and it's about 2.5 times commercial and 15 times industrial. So I think we have done a really detailed job of forcasting out for the whole year, the residential. And we did see residential up even in the first quarter 2%, it really related to that March shelter in place. So I think that's some of the difference and as it that's also a difference back in 2008 and '09 we had a housing crisis back then, we did see residential decline. So that's -- it really is offsetting and the overall load reduction, even though we're down 68% the residential is really helping to net some of that exposure down.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Okay, thanks very much.

Operator

Ryan Levine with Citi. Your line is open.

Q - Ryan Levine {BIO 19520640 <GO>}

Hey. Good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Ryan Levine {BIO 19520640 <GO>}

What are you seeing -- or what's your EBITDA and capex for the midstream business this quarter and where do you see the favorable variance in terms of which asset?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, the -- I'll start with the -- where we saw the variability. We saw it across all platforms. We saw positive movement, as I mentioned in our Haynesville platform as well as our NEXUS platform and Vector platform, which go together as well as our Bluestone assets and Millennium assets. So we -- again, it was across all platforms. In terms of the EBITDA for the first quarter Peter, is that something that you have handy?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, we don't -- we haven't broken that out yet. As you know, we've recently introduced this EBITDA overall for the year, but it's -- there is proportional to the earnings, I'd say, so we did see some EBITDA increase as well along with those earnings. Or maybe something in the future that's going to...

Q - Ryan Levine {BIO 19520640 <GO>}

Okay, that's...

A - Peter Oleksiak {BIO 7535829 <GO>}

Breaking out. At least we're not breaking it out.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay, great. Okay, great. Appreciate it. And then recognizing your Haynesville contract structure, are you and your customers considering a mutually beneficial delay to the expansion that's expected for next quarter?

A - Jerry Norcia {BIO 15233490 <GO>}

We are not. The construction in that pipeline is progressing on plan and actually our customers are very excited to start shipping gas on that pipeline. So none of those conversations are happening.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay. And then just to follow-up on the bad debt expense, is there any data points that you could point us to that you've noticed?

A - Jerry Norcia {BIO 15233490 <GO>}

It's modest, the uptick. So we're watching it daily, right. We have to watch daily and I would not say that is pressuring UCX at the moment. But then again, we're not early in the aging buckets. As you know, the more the accounts age, the higher the reserve. So we're early in that and do expect some pressure there. But we have an accounting order that differs that expense and it gives us the opportunity to recover in the future rate cases.

Q - Ryan Levine {BIO 19520640 <GO>}

Okay. And then in midterm you mentioned that you can't -- you're not disclosing the quarter EBITDA. Are you able to share the capex spend for the quarter?

A - Jerry Norcia {BIO 15233490 <GO>}

Peter?

A - Peter Oleksiak {BIO 7535829 <GO>}

Yes, we have not provided that and that may be something, I got Barb on the line, you can see we have, we can those public documents that potentially we can point you to to give you that number.

A - Barbara Tuckfield {BIO 19701481 <GO>}

We did provide the non-utility capex of $338 million for the quarter.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, in totality we did.

Q - Ryan Levine {BIO 19520640 <GO>}

Yeah, thank you.

A - Peter Oleksiak {BIO 7535829 <GO>}

Okay, thanks.

Operator

Sophie Karp with KeyBanc. Your line is open.

Q - Sophie Karp {BIO 19699392 <GO>}

Hey, guys. Thanks for squeezing me in. Couple of questions here...

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - Sophie Karp {BIO 19699392 <GO>}

On the, kind of -- good morning, yeah. On the customer non-payments, potentially right and I know it's been deferred for -- from account in order and it looks like you can recover that cash quite quickly because of your cadence of rate cases, but just give us something that we shouldn't be concerned as far as balance sheet pressures as a result of that or is it something that you looking into?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we've modeled the cash that comes along with higher arrears to bad debt expense and our corresponding actions to respond to that pressures involve a lot of cash actions. So we believe that the offsets will come through our cash initiatives and earnings initiatives. Most of our earnings initiatives are cash initiatives as well. So that $120 million that we're targeting will offset any pressure that we may see from arrears.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah. And this Peter, and I guess, Sophie, just to add to that, we are seeing that in those package some cash upside for us. The tech AMT is going to be accelerated. If you recall back in 2018 AMT has eliminated with a three year refund for us and I guess it's related to two years. So I -- just one example that's about $75 million availability. So we're going to continue to look for opportunities on the cash side as well and we are modeling both earnings and cash with uncollectible separate and our goal would be to offset that cash impact.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. Of those things that you realized this year that one-time that you're talking about, how much of that could be kind of stick in and being run rate going forward as opposed to just being a one-time going lean and then going back to some base line?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, that's a great question, because we've had the same discussion in '08 and '09 when we started a similar initiative. What's started out as one-time items over time, we were able to convert some portion of that into permanent cost reductions, which of course, creates a benefit for our customers and with our aging infrastructure, it gives us headroom to invest without creating affordability pressure for our customers. So I view it as a positive over time, but it's hard to quantify right now, because we're early in some of these one-time items. But our goal will be to try and use this opportunity to create headroom in the future.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. And the last one for me, maybe given the topography of your gas network in the Marcellus, is there any incentive at all for some of your off-takers to potentially reject their contracts with you guys in favor of maybe other routes to market, if they were to become financially distressed or proactively seeking some kind of relief?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we've looked at that very closely, especially when the gas complex was heavily pressured from a price perspective. What we look at is obviously a lot of the -- of our customers are captive to our system because of the infrastructure. The infrastructure is hard to reproduce to deliver, to source and deliver the gas to locations that are being sourced and delivered to, so that's one. Two, we also look at the competitive nature of our contracts in terms of pricing and we're very competitive with all our contracts. Three, our contract structure is very strong and has strong credit provisions in it as well.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. Thank you very much. Appreciate the color.

A - Jerry Norcia {BIO 15233490 <GO>}

Right. Thanks, Sophie.

Operator

David Fishman with Goldman Sachs. Your line is open.

Q - David Fishman {BIO 16446252 <GO>}

Good morning, Peter, David.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning.

Q - David Fishman {BIO 16446252 <GO>}

Congratulations.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey, good morning.

Q - David Fishman {BIO 16446252 <GO>}

Just going back to the IRP and specifically kind of the RFP result that you guys laid out there. I know you touched upon this a little bit when you were talking about the wind that you're going to self-build and own in the solar which is going to have more PPAs. I was just hoping you could maybe walk us through kind of how you see DTE's competitive position compared to other bidders when it comes to wind versus solar?

A - Jerry Norcia {BIO 15233490 <GO>}

Sure. So we were in this most recent filing, which was a compliance filing to meet our renewable standard in 2021, we're very competitive with our wind resources. And so that we had that project well developed, it was a self-build and we actually developed it from scratch. So that was a very competitive project. We also layered in some solar PPAs that were very competitive. So basically, what we did is, what was right for our customers, we offered the most competitive product both a combination of self-build and solar. In the future, we will likely be focused on solar. And at this point, we feel really good that we can be competitive with self-build, but we'll also introduce PPAs where it's beneficial to our customers. We will always do what's right for our customers in the long-term and that -- so far that is supporting our capital plans in this space and overall.

Q - David Fishman {BIO 16446252 <GO>}

Okay, that makes sense. And turning over to the voluntary commitments, as you mentioned earlier, you've already kind of sourced the 600 or so megawatts by the early 2020s, which is what you've been showing in your slide deck. I think when I went through the IRP, I saw through 2024, it was more of a 790 megawatt kind of expectation number, would that be upside to the capital plan you kind of outline for us or is the closer to 800 megawatt number for the voluntary segment, what you guys are embedding? Or is that upside in the capital budget?

A - Jerry Norcia {BIO 15233490 <GO>}

I believe there could be upside in this space simply because we had plan to sell 600 megawatts in three years and we're at 650 sold now in the first year. So we seem to be selling the product faster then we expected. Now, well that -- whether or not that continues, remains to be seen, but there is tremendous interest in this product. Even at a residential level, we've sold 10,000 contracts already for this product and we're also targeting smaller commercial and industrial customers who may have an interest in this space, but certainly, I would say there is the wins in our sales on this one. There is a great desire for this type of product in our communities.

Q - David Fishman {BIO 16446252 <GO>}

And do you have more flexibility on that to pretty much -- is it guaranteed that it's more self-build on the voluntary side or do you go through a similar RFP process that was outlined in the past?

A - Jerry Norcia {BIO 15233490 <GO>}

We're going to go through a similar RFP process. And obviously we want to compete and build as much as we can. But there are times when other developers can offer as competitive of a product as we can offer and we'll take those as well. But we certainly target to build as much of it as we can. But then we have to be realistic and know that there are others that perhaps have small advantages that we'd like to take advantage of for our customers.

Q - David Fishman {BIO 16446252 <GO>}

Got it.

A - Jerry Norcia {BIO 15233490 <GO>}

But we think there's plenty of build out here that will support our capital plans.

Q - David Fishman {BIO 16446252 <GO>}

Got it. Thank you. Appreciate, taking the questions.

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks, David.

Operator

We have time for one final question. Anthony Crowdell with Mizuho. Your line is open.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Good morning, guys.

A - Peter Oleksiak {BIO 7535829 <GO>}

Good morning, Anthony.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Peter, congratulations. It's probably been...

A - Peter Oleksiak {BIO 7535829 <GO>}

Thanks.

Q - Anthony Crowdell {BIO 6659246 <GO>}

A while since on our first quarter call. The Tigers weren't eliminated from postseason play.

A - Peter Oleksiak {BIO 7535829 <GO>}

Yeah, yes. We have no losses this year.

Q - Anthony Crowdell {BIO 6659246 <GO>}

No losses this year, yeah. Just most of my questions have been answered. If I could just jump to I guess your GSP assets, specifically on -- in the eastern region. There have been multiple delays on getting other pipes build over in the East Coast. Have you seen any increase in customers looking to subscribe to any of your assets on the East Coast? And if you want to opine, do you think those assets get built anymore, I guess, any more assets get built on the East Coast?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, let me start with our assets, Anthony. We are seeing more activity on all our assets. We've actually seen some nice favorable movement on pricing in NEXUS as well as interest levels, but primarily interest level on NEXUS has been demand pull. Initially the pipe was built with a combination of supply push and demand pull producers putting gas into the pipe under long-term contracts, and then, of course, LDCs pulling it up the other end under long-term contracts.

We're starting to see a lot -- few more LDC show up and running some contracts as well as some power plants along the road and industrial customers that we connected to NEXUS. So that all of that has been quite positive. In terms of the pipelines going to East Coast, it really remains to be seen, it's been a long time and then getting their approvals. And I believe that some of it -- some of that infrastructure would get built. I'm not sure, but all of it will be built. But I think that is all positive for us in terms of how that may play out over time, whether it's just delay or perhaps some of the infrastructure doesn't get built.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Thanks for taking my question. And I hope everybody stays healthy.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you.

A - Peter Oleksiak {BIO 7535829 <GO>}

Thanks, Anthony.

A - Jerry Norcia {BIO 15233490 <GO>}

We too. And same to you Anthony.

Operator

This ends our Q&A session. I would now like to turn the call back over.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, thank you, Jack. And thank you everyone for joining us today. Again, I hope that everyone and their loved ones are healthy and safe. We are living in challenging times. And I believe DTE has the people and the plans to deliver this year and also to deliver our long-term plans. So with that, stay healthy and stay safe.

Operator

This concludes the DTE Energy first quarter 2020 earnings conference call. We thank you for your participation. You may now disconnect.