Company Name: Dominion Resources
Company Ticker: D US
Date: 2016-05-04
Event Description: Q1 2016 Earnings Call

Market Cap: 44,845.46
Current PX: 72.78
YTD Change($): +5.14
YTD Change(%): +7.599

Bloomberg Estimates - EPS
Current Quarter: 0.759
Current Year: 3.790
Bloomberg Estimates - Sales
Current Quarter: 2898.500
Current Year: 12855.800

Q1 2016 Earnings Call

Company Participants

- Thomas E. Hamlin
- Mark F. McGettrick
- Thomas F. Farrell

Other Participants

- Greg Gordon
- Julien Dumoulin-Smith
- Jonathan Philip Arnold
- Stephen Calder Byrd
- Steve Fleishman
- Michael Lapides
- Paul Patterson

MANAGEMENT DISCUSSION SECTION

Thomas E. Hamlin

GAAP and Non-GAAP Financial Measures

Also, on this call we will discuss some measures of our company’s performance that differ from those recognized by GAAP

Reconciliation of our non-GAAP measures to most directly comparable GAAP financial measures we are able to calculate and report are contained in the Earnings Release Kit and Dominion Midstream’s press release

Mark F. McGettrick

Financial Highlights

Operating and GAAP EPS

- Dominion Resources reported operating earnings of $0.96 per share for Q1 2016, landing in the middle of our guidance range of $0.90 to $1.05 per share
- Earnings drivers were as expected, with the exception of slightly milder weather, which was $0.03 per share lower than normal
- GAAP earnings were $0.88 per share for Q1
- The principal difference between GAAP and operating earnings was a charge relating to an organizational restructuring across our company made to improve the efficiency of our reporting structure
  - This one-time staffing charge will support lower labor expenses in the future

Bloomberg Transcript

- A reconciliation of operating earnings to reported earnings can be found on Schedule Two of the Earnings Release Kit

Results by Operating Segment

Dominion Virginia Power

- Moving to results by operating segment
- At Dominion Virginia Power, EBITDA for Q1 was $385mm, which was in the lower half of its guidance range
- Kilowatt-hour sales were modestly below expectations, primarily due to mild weather
- Dominion Generation produced EBITDA of $610mm in Q1, which was in the middle of its guidance range
- Lower operating expenses offset lower merchant margins and lower-than-expected kilowatt-hour sales at Virginia Power

Dominion Energy

- First quarter EBITDA for Dominion Energy was $377mm, which was within the upper half of its guidance range
- Lower operating expenses were the principal driver of the strong results
- On a consolidated basis, interest expenses and income taxes were in line with our expectations
- Overall, we are pleased with the performance of each of our operating segments

Dominion Midstream Partners

Adjusted EBITDA and Distributable Cash Flow

- For Q1 2016, Dominion Midstream Partners produced adjusted EBITDA of $24.9mm, more than double the level produced in Q1 last year
- Distributable cash flow increased 71% to $20.3mm, which was consistent with management's expectations
- Because of our strong cash position, we elected to accelerate certain planned maintenance activities at Dominion Carolina Gas that led to higher expenses in Q1 that will not appear in future periods
- On April 19, Dominion Midstream's board of directors declared a distribution of $22.45 per unit payable on May 13
    - This distribution represents a 5.2% increase over last quarter's payment and is consistent with our plan to achieve 22% annual distribution growth for LP units

Market Issuance Program

- In the next few days, we are planning to file with the SEC for an at-the-market issuance program for up to $150mm in DM common units
- As a reminder, we do not need to access the markets to fund Dominion Midstream's 2016 distribution growth
    - However, should we decide to utilize this program, it would improve the trading liquidity of DM units, something that many of our investors have asked us about

Cash Flow and Treasury Activities

- Moving to cash flow and treasury activities at Dominion
- Funds from operation were $1.1B for the first three months of the year
- Commercial paper and letters of credit outstanding at the end of the quarter were $3.1B
- We have $5.5B of credit facilities and, taking into account cash and short-term investments, ended the quarter with liquidity of $2.6B

Public Financing Activities

- For statements of cash flow and liquidity, please see pages 14 and 25 of the Earnings Release Kit
- Our public financing activities so far this year have included $750mm of senior notes at VEPCO and $550mm of junior subordinated notes which were remarketed at the Dominion Resources level
    - This remarketing was related to the conversion of common equity for the first tranche of mandatory convertible units issued in 2013
    - The remaining $550mm tranche will be remarketed later this quarter

Common Equity and Debt Financing

- In addition, we raised $750mm of common equity through a block sale in April. $500mm from that sale has been earmarked for the Questar acquisition, while the remainder was for general corporate financing needs
- We have a number of debt financing planned for the remainder of the year, including issuances at Dominion, Dominion Gas Holdings, and VEPCO
- In addition, you should expect us to issue incremental mandatory convertible units to support the Questar transaction, as we outlined on our year-end earnings call

Guidance

Operating Earnings

- Looking ahead to Q2, Dominion's operating earnings guidance is $0.65 per share to $0.75 per share, compared to operating earnings of $0.73 per share for Q2 2015
- Positive earnings drivers for the quarter compared to last year are higher revenues from our growth projects, lower capacity expense and an increase in solar-related investment tax credits
- Negative drivers for the quarter are a refueling outage at Millstone, a return to normal weather and share dilution
- Dominion's operating earnings guidance for the year remains $3.60 to $4 per share
- Combining 2016 actual results for Q1 with second quarter guidance produces YTD results that are $0.06 per share below last year's
    - Because of this shape to earnings, we want to highlight the earnings drivers in H2 2016 which will allow us to achieve our annual guidance range

Weather and Millstone Outage

- Slide eight shows 2015's six months actual results of $1.72 per share and the $0.06 per share projected decline for H1 this year, primarily due to last year's weather and this year's Millstone outage
- However, we have some very significant growth drivers the last six months of this year
- First, we expect a return to normal weather, which will allow us to pick up $0.09 to last year's results
- If you recall, the weather in Q4 last year was extremely mild
- We also will not have a Millstone refueling outage this fall, which picks up $0.07 for us
- The combined benefits of higher capacity performance revenues and lower payments to non-utility generators add $0.16 per share to y-over-y results
  - The majority of the benefit comes from passive [ph] performance (9:48) payments based on last year's auction results and will begin this summer
- Also, as we have said previously, we are constructing more solar projects this year, which produces an incremental $0.04 per share for the period

Restructuring and Hedge Positions

- And, finally, our restructuring changes and normal growth produced $0.02 per share and $0.04 per share, respectively, of higher earnings for the six-month period
- We hope this breakdown of our growth in H2 this year provides clarity to achieving our 2016 guidance
- As to hedging, you can find our hedge positions on page 27 of the Earnings Release Kit
- As of mid-April, we were hedged 93% of our expected 2016 production at Millstone and 8% of our expected 2017 production
- Regarding Millstone, I would like to point out that multiple New England states, including Connecticut, have been discussing longer-term RFPs aimed at maintaining fuel diversity and environmental benefits
  - I do not want to speculate on the outcome of these legislative discussions, but we would be an active participant in any future solicitations

Summary

So let me summarize my financial review

Operating earnings were $0.96 per share for Q1 2016, which was in the middle of our guidance range

Operating results for Dominion Midstream Partners were in line with management's expectations and adjusted EBITDA was more than double to the level of last year's first quarter

And finally, Dominion's operating earnings guidance for Q2 2016 is $0.65 to $0.75 per share and our operating earnings guidance for the year remains $3.60 to $4 per share

Thomas F. Farrell

Business Highlights

Operational and Safety Performance

- Strong operational and safety performance continued in Q1
- Dominion was ranked number one in safety among electric utilities in the Southeast
- OSHA recordables for each of our business units were roughly one-half the level recorded last year and last year had tied an all-time company record
- In fact, excluding contract-related incidents, Dominion generation had zero OSHA recordables in Q1
- Our nuclear fleet continues to operate very well
- The net capacity factor of our six units was 96.2% for the first three months of the year
- The contribution of the Warren County Power Station helped our regulated power Generation Group achieve record net generation during Q1
- North Anna Unit 2 completed a 512-consecutive day run when it came offline in March for its scheduled refueling
  - This breaker-to-breaker run was a record for the unit
- As Mark noted in our second quarter guidance, Millstone Unit 3 is currently in a planned refueling outage and is on plan to return to service this month

Growth Plans

Brunswick County Power Station

- Now for an update on our growth plans
- The 1,358-megawatt Brunswick County Power Station began commercial operations last week, completing a construction schedule that begin in August 2013 and was completed ahead of time and under budget
- At the height of the construction, the Station had more than 1,500 workers on site
- Brunswick Power Station is anticipated to have 43 employees and an annual payroll of about $7.5mm
- In the first full year, the Station’s operational fuel savings have been estimated to be nearly $100mm
  - Those fuel savings will continue over the life of the plant and the Station is expected to save consumers over $1B

Greensville Project

- Development and engineering continues on our next-generation construction project, the 1,588-megawatt Greensville County three-on-one combined-cycle Power Station
- On March 29, the Virginia State Corporation Commission approved the CPCN and rate rider for the Greensville project
- Major contracts have been executed, including the combustion turbine supply agreement with MH Power Systems and the EPC agreement with Fluor
  - These are the same organizations that just completed the Brunswick County Plant located about five miles away

- We expect to receive the Air Permit from the Virginia Department of Environmental Quality by the end of this quarter
- The $1.3B project is expected to achieve commercial operations in late 2018

Solar Projects

- Construction on our two large contracted solar projects, Four Brothers and Three Cedars in Utah, continues on time and on budget
- Dominion is currently overseeing the construction and both projects are expected to be in service during the fall of this year
- Construction of the 80-megawatt solar facility on Virginia's Eastern Shore also commenced during Q1 and is expected to be complete in Q4 this year

Eastern Shore Facility

- The output from the Eastern Shore facility is under contract with Amazon
- We are also working on a number of regulated solar projects within the State of Virginia
- A hearing on the Application with Virginia State Corporation Commission for the construction of three solar facilities within the state was held in March and a ruling is expected by July 1
  - If approved, these facilities totaling 56 megawatts would be in service by late this year
- Today we will be filing with the State Corporation Commission for a CPCN for a 20-megawatt solar facility at the site of our Remington Power Station
- The output from the facility will be sold to the Commonwealth of Virginia and Renewable Energy Credits will be sold to Microsoft, who will retire them

Electric Transmission Projects

- We have a number of electric transmission projects at various stages of regulatory approval and construction
- Three of these were completed in Q1, including Phase 1 of the Loudoun-Pleasant View 500kV Rebuild
- We expect to place approximately $650mm of new transmission assets into service this year
- An Application for Phase 1 of our Strategic Underground Program was filed with the State Corporation Commission in December
- The filing, which includes a cost-benefit analysis, covers 400 miles of distribution lines to be converted by August of this year at a cost of $140mm

Dominion Energy

- Progress on our growth plan for Dominion Energy continues as well
- Our Cove Point liquefaction project is approximately 64% complete and there are about 1,600 workers on site
- Engineering is 99% complete and 98% of the engineered equipment has been procured
- The project continues on time and on budget for a late 2017 in-service date

- We are continuing to work toward the commencement of construction on the Atlantic Coast Pipeline and the related Supply Header Project

FERC Filings

- We made the formal FERC filings for these projects last September
- In March, after extensive consultation with stakeholders, we provided information to FERC on a route alternative to address Agency and public input and to avoid more sensitive areas in the National Forests
- Just this week, we received a Supplemental Notice of Intent to prepare an Environmental Impact Statement as modified to include the reroute
  - This is a very positive development and we are pleased with our progress at FERC
- We anticipate getting a FERC Order to allow us to begin construction by mid-2017

Surveying and Pipeline Engineering

- Surveying and pipeline engineering is nearly complete and will be finished this year
- Material procurement is now over 70% complete and we expect to finish the construction contracts this quarter
- We have modified the sequence of construction with our contractors
- As a result, the modest delay in permitting will not delay the completion of the Atlantic Coast Pipeline or the Supply Header scheduled in late 2018
- We had one pipeline project go on line in December in South Carolina, flowing 45,000 dekatherms per day, and Western Access 2 went online in January with 450,000 dekatherms per day capacity
- We currently have an additional 11 pipeline growth projects underway with $1B of investment to move more than 1.5mm cubic feet per day for customers by the end of 2018
  - The majority of these projects are demand-driven, moving gas to end-use power generation for local distribution companies

Farm-Out Activity

- Turning to our farm-out activity
- We have enjoyed significant success with our Marcellus and Utica acreage farm-out program, which began in 2013
- Our current focus is on the portfolio of remaining Utica acreage packages and the prospect of restructuring of previously-completed transactions
- While many producers are pulling back near-term drilling plans, there remains significant interest in several areas throughout our farm-out program
- We are currently in discussions with multiple parties and expect to again realize significant value later this year

Base Rate Case

- On March 31, Dominion filed its Base Rate Case for our North Carolina service territory, seeking approval of $51.1mm increase in Base Rate revenues based on a 10.5% return on equity
- Most of the proposed increase is expected to be offset by reductions in the fuel factor and a two-year rider to refund excess deferred income taxes
- Company has requested to implement the new rates on a temporary basis on November 1, with permanent rates to be in effect on January 1

Pending Merger with Questar Corporation

- Finally, I want to update you on our pending merger with Questar Corporation
- Hart-Scott-Rodino clearance for the Questar transaction was received on February 22 and their shareholder vote is scheduled for May 12
- Merger applications were filed with the Utah and Wyoming Public Service Commissions and notice was provided to the Idaho Commission
- Technical conferences were completed last week and discovery is underway
- The Utah hearing is scheduled for August 22 and the Wyoming hearing is scheduled for September 14
- We expect to close the transaction later this year

Summary

So to summarize, our businesses delivered strong operating and exceptional safety performance in Q1

The Brunswick County Power Station is now complete and in service ahead of time and under budget

The Greensville County Project has been approved and site preparation is underway

We continue to work toward FERC approval for the Atlantic Coast Pipeline and the Supply Header Project

Construction on the Cove Point Liquefaction project is on-time and on-budget, and we are working towards a successful close from our combination with Questar Corporation later this year

QUESTION AND ANSWER SECTION

<Q - Greg Gordon>: As you didn't talk about or reiterate your near-term or long-term earnings growth aspirations. Can I assume that they all remain in place? And then, if so, over the last three months, four months, have there been any major evolutions in things that would be going in or going out of the asset profile or the margin profile that have changed relative to what you thought three months, four months ago?

<A - Mark F. McGettrick>: Greg, this is Mark. I would say nothing in the last three months or four months. We still have the same targeted growth levels that we've talked about historically. But I would say that over the last six months or eight months, that power prices in the Northeast have been weak. We think they will recover as we move into 2017. But that's probably the one variable that's out there that has gotten more negative over the last six months or eight months.

<Q - Greg Gordon>: Okay. And can you give us any sense of timing on the rest of the financing activity for Questar?

<A - Mark F. McGettrick>: It'll all be done between now and close, except for the DM equity which I think I said on the last call that we have, as part of our bridge financing, taken out a one-year term loan that is effective at close for up to one year that gives us flexibility to access the DM marketplace when we want. But the rest of the financing will be completed between now and close.

<Q - Julien Dumoulin-Smith>: So, a couple quick questions here. First, you kind of alluded to it already in the prepared remarks, but can you elaborate a little bit on Blue Racer opportunities? Where do you see that trending right now in terms of your q-over-q developments? Obviously, we've seen gas prices come back a little bit here.

And then the second question related. What about Wexpro? Are there opportunities to reinvigorate that investment plan, either because of pricing improvements or, perhaps more importantly, because of developments on the land side or what have you?

<A - Thomas F. Farrell>: Julien, with respect to Blue Racer, Blue Racer continues along its plan. There haven't been any changes there. It's a very insignificant part of Dominion's earnings. But it's doing as anticipated and as we expected it to do this year and it's contributing as it should to the earnings profile.

With respect to Wexpro, we're going to reserve all of our comments on what happens with Questar and on what our plans are with Questar until after their shareholders vote and we have a chance to further our dialogue with their management team.

<Q - Julien Dumoulin-Smith>: Got it. And then unrelated, if you can talk about the renewables opportunity. Obviously you guys are trying to scale that in Virginia. But given the extensions, how are you speaking about deploying further, especially solar, assets in 2017 and 2018 as you think about any potential pressures on your earnings growth because of commodity, et cetera?

<A - Thomas F. Farrell>: Well, we're looking primarily in Virginia, both regulated and, as we discussed in the script, a couple of different quasi-regulated opportunities have arisen. Now, we're looking actively there. As you commented, we're much more interested in solar than we are in wind. Wind is not a good asset in the territories where we do business for producing power reliably. Solar is better and we are continuing to look at 2017 and 2018.

So far with respect to all of our other growth projects, they're all on time and on budget or ahead of time and below budget. And we'll see how we go along through time and see if we're going to deploy any additional capital into renewable projects.

<Q - Julien Dumoulin-Smith>: Got it. And last quick clarification. Next biennial review process, obviously you had the latest ROE outcome. When is the next time you could be called in?

<A - Thomas F. Farrell>: 2023.

<Q - Jonathan Philip Arnold>: I'd like to understand the $0.16 CP, Capacity Performance, driver in H2. Can you just remind us – I think we talked about this before, but does that persist into 2017, like through H1 the performance year? And then does it also persist beyond the 2016, 2017 year?

<A - Mark F. McGettrick>: Jonathan, this is Mark. Obviously, we had a huge pick up on the Capacity Performance Auction, which we think a lot of people probably overlooked in both 2016 and 2017. The 2016 number on just Capacity Performance will be higher than it is in 2017, but when you combine that with node rolloffs, it will be about the same y-over-y. And if you add on top of that the Millstone capacity in 2017 over 2016, we will actually have an increase in our total income associated with capacity from 2016 to 2017 when you combine those three together.

But we were a very, very large beneficiary. And as you reference, y-over-y it's $0.16 for Capacity Performance. It's $0.14 in the last six months and there's about $0.02 worth of incremental rolloff of nodes in the last six months. That brings you to your $0.16 total.

<Q - Jonathan Philip Arnold>: So is there a roughly similar uplift in H1 2017?

<A - Mark F. McGettrick>: On Capacity Performance specifically, the number is lower. But as I mentioned, if you combine all of our capacity resources, Millstone and node obligations, the number is actually higher.

<Q - Jonathan Philip Arnold>: Right. But then as you roll into the next capacity year? Sorry, I may have missed your answer here.

<A - Mark F. McGettrick>: Remember how this capacity option works on PJM. You had to cover 60% of your load in the first year and I then think it was 70% of your load. So the opportunity on Capacity Performance will get smaller as you have to cover more of your load moving forward. So 2016 is the biggest year for that one single item and it starts to whittle down from there, but we're quite pleased with the result for us.

<Q - Jonathan Philip Arnold>: Okay, great. Thank you, Mark. And then you referenced – I think Tom mentioned at the end of his remarks there was a possible restructuring of one of the farm-out deals that you'd previously struck? Can you give a little more insight into what you're alluding to there, what form that might take?

<A - Thomas F. Farrell>: We did one last year, [ph] Greg (29:06), and they could be a variety of different examples. Some of the cases, when we did the farm-outs, there were agreed-to drilling schedules. And, for example, if someone want to modify the drilling schedule, they would have to compensate us for that. So that's the kind of activity we're looking at. But the primary activity is in the traditional farm-out. We still have a lot of Utica acreage and we have a tremendous amount of interest in it.

<Q - Jonathan Philip Arnold>: Okay. So, the restructuring would be a smaller item than hopefully entering into new ones?

<A - Thomas F. Farrell>: May or may not be. I wouldn't necessarily draw that conclusion, Jonathan.

<Q - Stephen Calder Byrd>: Wanted to dig into the Connecticut legislation and just first perhaps try to understand the next steps involved and then we can discuss a little bit more about how that would exactly function. But just next steps, what should we be looking for there?

<A - Thomas F. Farrell>: Well, the legislation you're referring to was adopted in the Senate and it has not yet been adopted by the House. I believe Connecticut Legislature finishes their work today. But I think this is a part of a dialogue that's going on all through New England and that's going to continue, it's going on in Massachusetts, it's happening in Maine, it's happening in New Hampshire, on how to deal with the carbon rules and existing carbon-free generation, which Millstone obviously is the largest asset in New England. It provides half of Connecticut's power when both units are operating in its normal operations.

And Connecticut has very little prospect of complying with carbon rules if Millstone were to shut down at some point. So I think the legislature, the political hierarchy in Connecticut is aware of that. We're following the legislation, obviously, closely. But I think it's part of an overall dialogue that will take place over the next few months in New England generally about how to protect these assets, of which I guess there are only two left that are still going to be running, Seabrook and Millstone, which is about twice the size of Seabrook.

<Q - Stephen Calder Byrd>: Understood. That's helpful. And in terms, is there a timeline in Connecticut through which we need to see either progress or resolution, i.e., is this fairly binary in terms of deadlines for passage or are there opportunities to hold, for example, I'm not sure, special sessions or you mentioned an ongoing dialogue? I'm trying to think through what milestones we should be looking for there.

<A - Thomas F. Farrell>: I think it's going to be an ongoing dialogue. They recessed or adjourned, whatever the right word is. They finished their work today.

<Q - Stephen Calder Byrd>: Understood. And is it possible to have a special session or some other opportunity for passage at a later date, or when would the next opportunity be if it were to pass now?

<A - Thomas F. Farrell>: There's certainly always a possibility for a special session in any legislative body. But I would expect it to continue over into the next regular session of the Connecticut Legislature.

<Q - Steve Fleishman>: Just to follow up on that last question, date – when is the next Connecticut legislative session? Is there still another one this year?

<**A - Thomas F. Farrell**>: No, they reconvene in January.

<**Q - Steve Fleishman**>: January. Okay. And do you expect any legislation to get done today, or you don't think it's going to get done today?

<**A - Thomas F. Farrell**>: I've been in my job long enough to never speculate on what's going to happen in the legislature.

<**Q - Steve Fleishman**>: Okay.

<**A - Thomas F. Farrell**>: But I know the same conversation's going on in Massachusetts.

<**Q - Steve Fleishman**>: Okay. And is their session still last for a while?

<**A - Thomas F. Farrell**>: Yep, sure does.

<**Q - Steve Fleishman**>: Okay. Just to clarify, though, you mentioned looking at opportunities for long-term RFPs, fuel diversity, et cetera. So as the RFPs are currently structured, can you bid Millstone into any of them? Or is it all...

<**A - Thomas F. Farrell**>: No.

<**Q - Steve Fleishman**>: Because I thought they only had to be new generation.

<**A - Thomas F. Farrell**>: No, it's renewables. As I understand the Connecticut legislation, it would be structured so that Millstone would be allowed to bid as a part of the non-carbon or renewable energy component to these RFPs components of these RFPs. It's quite...

<**Q - Steve Fleishman**>: Okay.

<**A - Thomas F. Farrell**>: ...creative and, I think, appropriate. It is carbon-free and it's baseload, and they can't make their requirements without it.

<**Q - Steve Fleishman**>: And just to clarify, this has to be done through legislation. It cannot be done through Commission actions and things like that?

<**A - Thomas F. Farrell**>: That's correct.

<**Q - Steve Fleishman**>: Okay. And then just one question on the – and I apologize on the detail on this -- just on the Capacity Performance, [ph] so (34:47) to make sure I understand this. So your Virginia generation is getting Capacity Performance on all the generation. But in this year, you only have to buy out 60% Capacity Performance from your Utility. But as that 60% goes to 100%, then they'll match up and there won't be a benefit. But there's a benefit from that mismatch. Is that correct?

<**A - Mark F. McGettrick**>: Hey, Steve. This is Mark. That is almost correct. The assumption, though, that you get the benefit for all of your generation is probably not correct. Each company would have to make a decision on how much they wanted to bid in that generation against their Capacity Performance and hedge their risk for any units that might not perform. So, we made that analysis and based on the generation we bid in covering our load requirements at 60% in the first year, that excess is the benefit that I referenced.

<**Q - Steve Fleishman**>: Okay. And going back to the first question on your growth rates and targets and all that stuff. So you're reaffirming 2016, but in terms of the growth rates that you I guess re-mentioned when you announced the Questar deal, are those still good or are you wanting some of these pieces to come together before you reaffirm them? I just want to make sure I'm clear what you're communicating.

<**Q - Michael Lapides**>: Two things. One, I notice you all took about $70mm pre-tax charge related to severance. Can you talk a little bit about what's going on there and what your plans are company-wide in terms of O&M, what's embedded in guidance?

<A - Mark F. McGettrick>: Hey, Michael. This is Mark. The program that was referenced was really an effort across all the businesses and the corporate support areas to drive decision-making to a lower level, eliminate layers of management, increase management control and make the decision-making really more efficient by having those fewer layers. So that was the focus. We took a charge of about $70mm pre-tax. I think it's $43mm after-tax. And those labor costs will be recouped as the employees move on and so you'll see a full year's benefit in 2017 and a partial benefit in 2016.

In terms of ongoing O&M, we're targeting a flat to CPI growth on O&M going forward. It will probably be different year-by-year and the only thing that would change on that of significance would be the outage period for Millstone, we might have two outages vs. one in a given year. But I look for us and for you to model a flat to CPI growth on O&M going forward.

<Q - Michael Lapides>: Got it. And real quick, can you talk about what was weather-normalized power demand for Virginia Power in the quarter and how does that differ vs. your expectation?

<A - Mark F. McGettrick>: Sales weather-normalized for the quarter were down about a little over 1%. We have an annual expectation of a 1% positive sales growth for the year. We still feel pretty good about that. So that was a net for Q1. April seems solid and supporting the 1% growth. And we had actually pretty strong growth in all sectors but residential.

I would add, as I always do on sales, is when you're coming and comparing to a very significant weather season, we had a very strong Q1 2015 on weather and a light 2016, and so the weather normalization process is not penny accurate. That's why we think 1% growth is still a good assumption for us. Also recall at 1% growth y-over-y, it only equates to about $0.04 per share or $0.05 per share for us.

<Q - Paul Patterson>: And I apologize, but Michael [indiscernible] (39;52) to a certain degree. The ODI, it looks like there's $0.02 benefit in H2 this year. How should we think about that going forward?

And in general, the expense – I'm sorry, the organizational design initiatives and how should we think about the expense associated with that, the one-time or do you think you might see more of that going forward? Or how should we think about those things?

<A - Mark F. McGettrick>: Hey, Paul. This is Mark. No, I don't think you should think about additional programs going forward. We took a one-time charge, as we always do with a non-reoccurring event, and disclosed that. And we showed on a breakdown on Slide 8 that we would expect to see lower operating expenses in labor due to lower the staffing levels of about $0.02 this year for the last six months of the year. And I would expect to see probably $0.04 or $0.05 next year, which is supportive of the growth rate that we have out there

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