Q4 2020 Earnings Call

Company Participants

- Barbara Tuckfield, Director of Investor Relations
- David Ruud, Senior Vice President and Chief Financial Officer
- David Slater, President and Chief Executive Officer - DTE Midstream
- Jerry Norcia, President and Chief Executive Officer

Other Participants

- Andrew Weisel, Analyst, Scotiabank
- Anthony Crowdell, Analyst, Mizuho
- David Fishman, Analyst, Goldman Sachs
- Durgesh Chopra, Analyst, Evercore ISI
- Jeremy Tonet, Analyst, JPMorgan
- Jonathan Arnold, Analyst, Vertical Research Partners
- Julien Dumoulin-Smith, Analyst, Bank of America
- Michael Weinstein, Analyst, Credit Suisse
- Sophie Karp, Analyst, KeyBanc
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the DTE Energy Fourth 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)

I would now like to hand the conference over to your first speaker today, Barbara Tuckfield, Director of Investor Relations. Please go ahead.

Barbara Tuckfield {BIO 19701481 <GO>}

Thank you, and good morning, everyone.

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

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

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. I hope everyone is staying healthy and safe. This morning, I will start off by giving you a recap of our 2020 business performance and provide highlights on how we are well positioned for future growth. Then David Slater will give some details in our Midstream business and provide an update on the spin transaction. Dave Ruud will provide a financial review of the year and wrap things up before we take your questions.

So let's start on slide four. 2020 was clearly a challenging year for so many with the COVID-19 pandemic disrupting everyone's lives. And as I reflected on this past year, I think the best word to characterize my thoughts is pride. I cannot be prouder of how our DTE family confronted these challenges and took them head on and created an incredible success in every part of our company. I am proud of how our employees responded to ensure their own safety and the safety of our communities, while continuing to deliver for our customers.

DTE also delivered very strong financial results continuing our incredible track record of success. In 2020, we achieved extraordinary engagement and safety performance. We achieved our safest year on record. As you all know, the safety of our people and our customers has always been our top priority at DTE. I am so incredibly proud of our team for this achievement, while navigating through a pandemic.

Additionally, our team remained highly engaged throughout the year. We were ranked by Gallup among the top 5% globally for employee engagement, earning our eighth consecutive Gallup Great Workplace Award. Best-in-class employee engagement is our secret sauce that defines our strong corporate culture and provides a foundation for long term value creation and repeated success on the delivery of our goals. And as I said, our DTE team stepped up in supporting our customers and communities through these tough times in 2020.

Our team significantly streamlined payment plans for customers impacted by COVID-19. We found creative ways to delay [ph] rate case filings, which were supported by the Michigan Public Service Commission, effectively keeping rates unchanged for customers through 2021. DTE led a $23 million initiative that provided 51,000 tablets as well as Internet access to the Detroit Public School students, assuring that education would not be interrupted. We also donated over 2 million masks to emergency managers, first responders and hospitals when PPE supplies were low. The DTE Foundation contributed to pandemic-related relief efforts in unprecedented ways in 2020.

Finally, I'm incredibly proud of how our team worked together to execute our economic response plan to ensure strong financial performance, We quickly analyzed how the pandemic could affect our company, customers and communities and put a plan in place to minimize the impacts. We then followed through and executed on that plan. Our workforce of over 10,000 employees embraced our culture of continuous improvement and found opportunities to increase efficiency across all of our businesses. This work led to a successful year in 2020 and set DTE up well for the future. I want to congratulate all of our DTE family, who delivered one of the best years on many fronts since I have been with the company. I'll discuss our 2020 accomplishments on the next slide.

As I mentioned, the success of 2020 was fueled by the execution of our economic response plan, which led to really strong earnings. 2020 was also a year of very strong cash flows for DTE, and we are able to use some of that strength to increase investment in our operations, positioning us nicely for 2021.

Our 2020 operating EPS of $7.19 represents 14% growth over DTE's 2019 operating EPS. This is nearly 9% higher than our original 2020 guidance midpoint. 2020 was the 12th consecutive year we exceeded our original guidance midpoint. This success demonstrates our team's commitment to delivering results and continuous improvement. We also increased our dividend 7% for 2021, marking the 12th consecutive year of a dividend increase.

In addition to solid financials, DTE achieved many regulatory and operational successes in 2020. DTE Electric received approval for an innovative one time voluntary refund to customers for unexpected COVID-19 related sales. This will help maintain our customer affordability and positions DTE Electric to further defer its next rate case filing. We will continue to work on innovative ways to delay rate cases.

DTE Gas reached a constructive rate case settlement, which was approved by the MPSC in August. As a result, both utilities achieved regulatory uncertainty in 2020 that allows us to keep base rate study for customers through 2021. We are very proud of these accomplishments, as we continue our commitment to provide reliable, affordable energy to our customers. I will go into more detail on the 2020 achievements for utilities in a few minutes.

Our non-utility businesses also achieved operational successes in 2020. DTE Midstream placed the LEAP Pipeline in service ahead of schedule and under budget and began delivering for our customers, not a small feat in today's environment.

At P&I, we continue to focus on the development of RNG and cogeneration projects to back fill the sun setting REF business. In 2020, we operationalized our Wisconsin RNG project and Ford Central Energy plant. We also finalized an additional cogeneration project. This continues our cadence of new project completion accompanied by a strong pipeline for future growth.

Turning to slide 6, I'll discuss how DTE is positioned for future success. Overall, our achievements in 2020 have set us up well for continued success in 2021. Our 2021 operating EPS guidance midpoint of $7.07 provides 7% growth over 2020 original guidance. The vast majority of our growth comes from our utility businesses. At DTE Electric, we are investing heavily in the modernization of the grid and cleaner generation. At DTE Gas, we continue our main renewal work, as well as infrastructure improvements. We continue our steady growth in our non-utility businesses through strategic and sustainable investments.

As you know, we are executing the spin of our Midstream business this year. David Slater will give you more details. Well, let me just say that the transaction is progressing as planned and we are on track for completion mid-year. This separation positions DTE as a predominantly pure-play utility and establishes Midstream as an independent C-corp gas midstream company. We truly believe this transaction unlock significant value for investors at both companies.

We are reaffirming our 5% to 7% long term operating EPS growth for DTE from our 2020 original guidance midpoint. We will continue to provide an attractive and growing dividend to investors. DTE has a long track record of delivering premium shareholder returns consistently beating the S&P 500 Utilities Index, and we plan to continue delivering for our investors. As I said, we have exceeded the midpoint of our operating EPS guidance for 12 straight years. And early in this year, we feel, we are well-positioned to continue that streak in 2021.

Turning to slide 7, I'll highlight some of the successes at DTE Electric. Both utilities progressed on key initiatives in 2020, while navigating the pandemic. For DTE Electric that has included clean energy investments, as well as investments to accelerate the modernization of our electric grid. In 2020, DTE Electric commissioned the largest wind park in Michigan, which is the Polaris wind park with 68 turbines, generating 168 megawatts of power.

Our voluntary renewables program MIGreenPower continues to exceed our high expectations. The program is the largest of its kind in the nation with 850 megawatts of commitments to-date and 25,000 customers enrolled. Enrollment in this program has doubled over the past year. We continue to be excited about this program and see additional opportunity for expansion of the customer enrollments continue to grow. These accomplishments help DTE Electric work towards its net zero carbon emissions target by 2050.

DTE Electric also announced its commitment to promote electric vehicles by joining forces with other companies to facilitate the construction of a network of fast charging stations across the Midwest. To assist our customers with affordability during the pandemic, we filed an innovative plan to delay an electric rate case filing. The Michigan Public Service Commission approved this plan allowing us to provide study base rates for our customers and regulatory certainty for our company and investors.

Commission also approved a one-time customer refund for unexpected load increases from additional residential usage from customers working from home due to COVID-19. This allows us to defer our next rate case even further and keep customer rates steady longer. Looking forward, the future is bright for DTE Electric.

At the EEI conference, we rolled forward our five year capital plan, which included a 17% increase in capital at the electric company compared to our prior plan. These investments will focus on cleaner energy, as well as infrastructure investments, reliability and growth. We're also upgrading substations for current and future load growth and addressing aging infrastructure and position the grid for the future. Through the implementation of this plan, DTE Electric is targeting 7% to 8% long term operating earnings growth.

Moving to slide eight, I will describe the successes at DTE Gas. DTE Gas progressed on key initiatives in 2020 and is well positioned for future growth. We announced innovative program to achieve net zero greenhouse gas emissions by 2050. This program is the first of its kind and incorporates emission reduction opportunities for suppliers and customers. Recently, we also announced a voluntary program for customers to purchase carbon offset and renewable natural gas to offset 25% to 100% of the average homes gas use emissions.

We progressed on a major transmission renewal project in Northern Michigan. This project includes the installation of new pipeline and facility modification work, provide redundancy and mitigate customer outages. We have completed the first of three phases in this project, with the second phase scheduled to begin in June.

DTE Gas also continued main renewal upgrades and operational improvements in 2020, including completing 206 main renewal miles despite a pause in work during the height of the pandemic in the spring.

Finally, DTE Gas achieved a rate settlement in August that supports investment plans and provides regulatory certainty through 2021. The current capital plan for DTE Gas includes additional opportunities that could potentially be included, as we continue to find ways to create headroom and affordability with continuous improvement.

Our five year investment plan at DTE Gas focuses on main renewal, pipeline and transmission integrity and enhanced technology. Upgrading our system and replacing aging infrastructure continues our path of reducing costs and improving customer satisfaction. DTE Gas recently filed a gas rate case with the MPSC to support these investments in infrastructure and reliability for our customers. With our usual 10-month rate case cycle, new rates will be effective in 2022.

Before I turn it over to David Slater, who will walk you through the successful year Midstream had and give updates on the spin transaction progress. Let me congratulate him on being elected to serve on the INGAA Board as Chairman of the Industry Group representing interstate gas pipelines. David over to you?

David Slater {BIO 20523364 <GO>}

Thanks. Jerry for the kind words. The next year will be a defining period for our industry, and I look forward to ensuring that policymakers and regulators understand the importance of natural gas and lower carbon future.

I'll start on slide nine. As Jerry mentioned earlier, our spin transaction is well underway, and we recently initiated the Form-10 process. This keeps us firmly on schedule for a mid-year spin. I will now discuss the successes Midstream achieved across all of our platforms last year, and then go over the execution of our spin transaction.

We placed LEAP in service last summer, ahead of schedule and under budget. It is 155-mile 36-inch pipeline that extends our gathering system to the Gulf Coast interstate systems and LNG export markets. This asset is a great addition to our portfolio. We delivered strong financial results this year across all of our platforms, producing strong adjusted EBITDA of 713 million, which was above plan. We also executed a three year contract on NEXUS with the Ohio utility, and we continue to see strong interest in NEXUS capacity.

Overall, portfolio continues to be well contracted. Our major customers are in solid positions connected to premium markets and have minimal near term debt maturities. I also wanted to mention that Midstream recently announced a net zero emissions target by 2050 making us one of the first companies in the midstream sector to announce such a goal. We intend to use every tool available to reach our sustainability targets, and believe this will evolve to become a significant opportunity overtime for Midstream.

With the position of our assets and the strength of our counterparties and contracts, the Midstream company has highly visible cash flows and a stable long term outlook. We remain focused on disciplined capital deployment to fuel our growth and are supported by a flexible well capitalized balance sheet. The creation of an independent Midstream C-corp will provide the opportunity to leverage these positive attributes to further advance the company and create value.

Now, let's turn to slide 10. The Midstream business has been transformed over the last decade and the solid, steady, strategic transformation has positioned Midstream to become the industry leader, it is today. We felt that naming the company DT Midstream will allow us to build on DTE's legacy of success, as we progress on our new journey. As I said earlier, the spin is well underway with the expected completion by mid-year. We began the SEC Form-10 initial registration process earlier this month. We will be meeting with the rating agencies and initiating a debt raise in the second quarter. Throughout this process, we will be hosting events with analysts and investors and are planning to hold a roadshow in June.

I am feeling very optimistic about our leadership team. As we mentioned on the last earnings call, Bob Skaggs would be the Executive Chairman of the Board. I am pleased to announce that Jeff Jewell, who is currently Vice President, Treasurer and Chief Risk Officer of DTE Energy will become the CFO of DT Midstream. I have worked with Jeff for years, and I can tell you that both Bob and I are delighted to have him join our leadership team. He is a highly qualified experts and has a solid track record of delivering results.

I am confident that Midstream is well positioned for the future. Our seasoned leadership team, proven track record of success, and our unique set of assets will allow us to deliver strong financial results year-after-year. 2021 we'll continue this track record with a targeted EBITDA range of 710 million 750 million and a strong capital structure with an initial four times debt to EBITDA ratio and a two times dividend coverage ratio that will provide financial flexibility. The portfolio generates significant cash flow and is well positioned to create value for investors. The spin will provide Midstream strategic opportunities and optionality to continue this record of success. And I'm looking forward to talking to many of you between now and the spin completion.

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

David Ruud {BIO 16089859 <GO>}

Thanks, David, and good morning, everyone. 2020 was a year that brought it share of opportunities and challenges and hard work of our employees allowed for us to continue to deliver for our stakeholders, including delivering strong operational and financial results, while providing great service for our customers. As Jerry mentioned, we executed on our economic response plan to offset the impacts of the pandemic and the warm winter weather with our quick action and incredible performance from the whole team, we were able to achieve solid financial performance across all of our business units.

Let me start on slide 11 to review our year end financial results. Total operating earnings for the year were $1.4 billion. This translates into $7.19 per share for the year. You can find a detailed breakdown of EPS by segment, including our reconciliation to GAAP reported earnings in the appendix. I'll start the review at the top of the page with our utilities.

DTE Electric earnings were $830 million for the year. This was $97 million higher than 2019, primarily due to higher residential sales from more people working from home during the year and new rate implementation offset by rate base growth costs.

Moving on to DTE Gas operating earnings were $196 million, $15 million higher than last year. The earnings increase was driven primarily by one-time O&M cost savings, new rate implementation and the infrastructure recovery mechanism revenue is offset by warmer than normal weather and rate base growth costs.

Let's keep moving down the page to our Gas Storage & Pipelines business on the third row. Operating earnings for our GSP were $303 million. This was $90 million higher than last year, with strong performance at each of our platforms driven primarily by a full year of Blue Union earnings and placing a LEAP pipeline in service last summer.

On the next row, you can see our Power & Industrial business segment operating earnings were $150 million. This was a $17 million increase from 2019 due to new industrial energy services and RNG projects offset by steel-related sales.

On the next row, you can see our operating earnings at our Energy Trading business were $39 million. This was $9 million higher than last year, mainly due to performance in the gas portfolio.

Finally, Corporate & Other was unfavorable by $4 million year-over-year primarily due to higher interest expense. Overall, DTE earned $7.19 per share in 2020, which is $0.89 per share higher than 2019.

Let's move to Slide 12. As Jerry mentioned, we are reaffirming our 2021 operating earnings guidance. We would like to remind you that this guidance does not reflect the strategic separation impacts and any post transaction guidance will be provided later in the process, as we approach the spin date [ph].

Our 2021 operating EPS guidance range to $6.88 to $7.26 per share, the midpoint of $7.07 per share, which is 7% growth from our 2020 original guidance midpoint. We are comparing our

2021 guidance to the 2020 original guidance midpoint to normalize the one-time items included in the 2020 actual results given that 2020 was such a unique year.

Our 2020 results included a number of non-recurring items. We experienced higher COVID-related residential electric sales, which are projected to begin to normalize in 2021. These sales were in part offset by the voluntary refund to customers. We also had one time interest and investment returns, higher energy trading earnings, and we experienced higher than planned non-utility earnings due to conservative planning and cost control during COVID. We are projecting another strong year in 2021 with growth in each segment.

At DTE Electric, growth will be driven by distribution and cleaner generation investments. As we said before, we have worked and continue to work to hold electric base rates flat for our customers. DTE Gas will see continued investment in main renewal and other infrastructure improvements that provide enhanced reliability for our customers. GSP will continue organic growth across all its pipeline and gathering platforms. And continued RNG and cogeneration project development will drive growth at P&I.

Now, let's move to slide 13 to talk about our long term growth. The spin transaction unlocks the full potential of our premier regulated utilities and premium natural gas midstream business. DTE becomes a high growth predominantly pure-play regulated, Michigan-based utility. If you look at our post spin business, we are growing at 7.4% from our 2020 proforma operating EPS original guidance midpoint excluding the Midstream impacts.

In addition, we are maintaining our 5% to 7%, operating EPS growth through 2025 from the 2020 original guidance despite significant milestones during that time, which includes the conversion of 1.3 billion of mandatory equity units in 2022, and the sunsetting in the REF business at the end of this year. Over 90% of our operating earnings will come from our two utilities, which will deliver operating earnings growth in the early years of the plan that are higher than our average operating earnings growth over the five years. Overall, we feel optimistic about our outlook and our operational and financial performance.

Let's turn to slide 14, to briefly discuss our balance sheet and equity issuance plan. We continue to focus on maintaining strong cash flows and solid balance sheet metrics. Due to the strong cash flows in 2020, DTE is targeting the low end of our planned equity issuances in 2021 and continues to have minimal equity needs in our plan beyond the convertible equity units in 2022.

We are maintaining our focus on our leverage and cash flow metrics. As we mentioned before the spin transaction will be credit enhancing allowing us to lower our FFO to debt target from 18% to approximately 16%, while maintaining a solid credit position. We continue to focus on top tier cash management, as we took fast action to ensure strong liquidity at the onset of the pandemic that result in having $3.1 billion of available liquidity at the end of last year.

Now, I'll wrap up the call, and then we can open it up for Q&A.

As we have demonstrated today DTE had a very strong year in 2020, and clearly this was a result of the incredibly hard work of every member of our DTE family. Throughout the year impacted so greatly by the pandemic, we were able to continue to deliver clean, safe, reliable and affordable energy to our customers. The DTE team achieved remarkable engagement and safety performance. We also were able to assist our customers and communities during the pandemic in unprecedented ways. Our DTE team delivered our 12th consecutive year of exceeding our original guidance midpoint, while also increasing our dividend and positioning DTE for success in 2021 and into the future.

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

Questions And Answers

Operator

(Operator Instructions) Your first question this morning comes from Michael Weinstein from Credit Suisse. Please go ahead.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hi. Good morning, guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Michael.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hey -- hey maybe you could go through some of the highest priorities you're going to have with the electric filing, as it comes up eventually. And what would be the focus of that -- that rate filing?

A - Jerry Norcia {BIO 15233490 <GO>}

Sure. The primary focus will be our capital investment plan, continuing to build out, modernize our electric grid. So our investments in the wires business will be front and center in that filing, along with continued investment in clean generation. And of course, typical capital investments to maintain the system in good working order. So those would be the -- the key priorities.

Q - Michael Weinstein {BIO 19894768 <GO>}

Right. And along those same lines, as you maintain the 5% to 7% growth rate -- growth rate going forward, what is the -- where do you think the most of that backfill will come from -- from the elimination of the GT&S segment considering if that was a pretty high growth segment contributing.

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah. I think, as we've shown in our -- in our growth plans at EEI, we have a very large backlog of capital infrastructure that needs to be deployed both in our electric business and gas business. And then our P&I segment is obviously focused on renewable natural gas and cogeneration that will drive a nice growth profile there. So overall, based on the large inventory of capital that we need to deploy on behalf of our customers, we -- we see a very good strong growth rate for DTE post spin of 5% to 7% EPS growth.

Q - Michael Weinstein {BIO 19894768 <GO>}

Right. And the low end of equity needs is that through the entire plan or just the early -- just -- did I hear that right, just the first year, the plan, so it's overall (Multiple Speakers).

A - Jerry Norcia {BIO 15233490 <GO>}

Dave Ruud, you want to take that.

Q - Michael Weinstein {BIO 19894768 <GO>}

Yeah.

A - David Ruud {BIO 16089859 <GO>}

Sure. Yeah. Over the three year period, you see the 1.3 billion of converts come in, in 2022. But besides that we do -- we do think we'll be at the low end of our equity plan during that period.

Q - Michael Weinstein {BIO 19894768 <GO>}

For the entire period right?

A - David Ruud {BIO 16089859 <GO>}

Yeah. The entire three years there.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay. Is that driven just by better results, more cash flow or --

A - David Ruud {BIO 16089859 <GO>}

Yeah. We had really strong cash flow in 2020 that positioned us even better.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay. It's not -- it's not a reflection of rating agency, more, more laxness, I guess in your credit rating targets (Multiple Speakers).

A - David Ruud {BIO 16089859 <GO>}

Well, you can -- you -- well, you can also see that we have in -- on one of the slides that we were targeting 18% FFO to debt prior to the spin. But we have talked to the rating agencies, and this spin will be credit enhancing for the company. And so we're able to reposition that 18% to a 16% FFO to debt and still be in a consistent place on our ratings and our positions there.

Q - Michael Weinstein {BIO 19894768 <GO>}

Is -- is that a driver of being at the low end now of equity needs or is it mostly just about having more cash flow than you expected?

A - David Ruud {BIO 16089859 <GO>}

When we talked at EEI, this was part of how we were able to be -- to be at the lower end of our equity needs or to lower our equity needs. But now this additional cash push us down to the lower end of that.

Q - Michael Weinstein {BIO 19894768 <GO>}

(Multiple Speaker). Okay. All right. That's all I got. Thank you.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you.

Operator

Your next question comes from Jeremy Tonet from JPMorgan. Please go ahead.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning. Hello.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted to start off on the Midstream side if I could here. And just want to see if the -- the frigid temperatures that have been coming through the nation, if that, kind of impacts some of your -- your operations there as far as flows that you might be seeing or even if I guess, maybe higher gas prices might influence producer activity. Just trying to think through the different -- different ramifications of what we've seen this past week?

A - Jerry Norcia {BIO 15233490 <GO>}

So I'll start by saying that our assets operated quite well across all of our platforms. Some of our customers in our Southern platform had issues, but perhaps I'll let David Slater to describe that a little more detail.

A - David Slater {BIO 20523364 <GO>}

Sure. Thanks, Jeremy for the question. And that's very topical given it's on the news everyday. So yeah, first off, our Midstream assets performed really well. I'm proud of the operating team in the field. They -- they saw that weather coming in and started to take actions in advance to that to make sure system operated reliably. So it has.

We have seen from a customer producer perspective, well freeze-offs and it's really driven by an extended period of very frigid weather in the Louisiana Texas area, and that over time, it does affect production. That said, it looks like the whether is breaking today and tomorrow. And we expect that those -- those volumes will come back online over the weekend and into the beginning of next week. So there has been a short term production reduction that occurred and -- but it's going to be bouncing back fairly quickly.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's helpful. And then just thinking about the volatility in the market there wondering if that could create opportunities on the Energy Trading side that could -- could benefit you in the first quarter?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, I'll say this that at our Energy Trading operations, we've got very small positions and typically were long. So we have seen some favorability that will roll through the Energy Trading business for sure.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That -- that's helpful. Thanks. And just for [ph] Midstream, as we think about the shape of earnings across the year, you talked about growth in that business. I'm just wondering, do you see kind of a ramp across the year here or any other color you can provide as far as just the shape of Midstream earnings across the year, as we see it now.

A - Jerry Norcia {BIO 15233490 <GO>}

David, do you want to take that.

A - David Slater {BIO 20523364 <GO>}

Sure. I can take that. I think it should be fairly steady across the year, Jeremy. I -- I don't see any significant lumpiness over the year. So it should be fairly steady.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. Maybe last one on Midstream if I could here, and I'm not sure if you're in a position to discuss it much at this point. But just when you think about your Midstream business and you think about what other publicly traded comps out there, are you able to kind of provide any thoughts on how you think your business compares versus others. What you think is the closest comps?

A - Jerry Norcia {BIO 15233490 <GO>}

David.

A - David Ruud {BIO 16089859 <GO>}

Yeah. Jeremy, when we -- when we've talked about this in the past, the two that I referenced would be Equitrans and Williams. Equitrans is similar size. They are focused in the Appalachia. We are more diversified than they are. But in terms of size and portfolio composition, we're similar to them. And then, Williams, they were larger than we are. But again, in terms of focused primarily on gas and the portfolio composition. So those are the two that we kind of point to as proxies. I believe that we're going to have a pretty strong portfolio and with a -- with a strong clean future in front of us. So we expect to trade, to have a strong multiple on our EBITDA.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. I'll stop there. Thank you.

Operator

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

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

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

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Julien.

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

Good morning. A couple of clarifications if you don't mind. Number one, with respect to what's happened here in Texas. How do you think about the energy trading impact. I just wanted to clarify the last response that indeed your book across its various exposures is intact. And then -- and then I've got a more substantive question,

A - Jerry Norcia {BIO 15233490 <GO>}

So at the highest level. Julien, as I mentioned we have small positions, but we find ourselves typically long in those positions. So the -- the impact on commodity prices has actually provided favorable trends for our trading business certainly in the last several days.

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

Okay. Excellent. Sorry. I just wanted to clarify about trading specifically. Then separately, if I can, obviously just very successful 2020. How do you think about taking some of those tailwinds and putting them into '21 here. I guess that there are a number of one time items, including cost savings in '20. But how do you think about that moving forward in '21 here, as it goes. And then if you can speak to it as well, I just noticed the cash flow steps down probably again off of some one time items into '21, if you can speak to that a little bit?

A - Jerry Norcia {BIO 15233490 <GO>}

So Julien, I would say that 2020 positioned us extremely well for 2021, as the year begins and progresses here we are seeing favorability and also likely trending towards the higher end or beyond the midpoint of our -- of our guidance, but still inside our guidance. So I -- I feel very positive about the year, as it's starting to progress. But more -- we'll speak more about that as the quarters progress here. But feeling really strong about how 2021 is shaping up.

Dave Ruud, do you want to add some thoughts on the cash flows or earnings for this year.

A - David Ruud {BIO 16089859 <GO>}

Yeah. Sure. You're exactly, right, Julien. 2020 was a really good year for cash for us, primarily driven by strong performance in the business. But we also did have some one-time impacts from -- particularly from the CARES act, which gave us some really good favorability. So 21 -- '21 cash is lower than 2020 as we adjust for those one time things that -- that won't repeat. But it's still -- we feel a good solid cash here for 2021 too.

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

Excellent, guys. Thank you very much right?

A - Jerry Norcia {BIO 15233490 <GO>}

Thanks,

Operator

Your next question comes from Jonathan Arnold from Vertical Research Partners. Please go ahead.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Yeah. Good morning, guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Just to -- just to (inaudible) going back on equity just for a second. Isn't the low end of the range excluding the unit zero? I just -- maybe I'm really slow on that. I just want to --

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah. The low end -- the low end, yeah the low end there is zero. And we're just in case, there were some internal equity issuances or something we're just saying here the low end. But we -- we don't see a need for much equity issuance at all beyond the converts over the next three years?

A - David Slater {BIO 20523364 <GO>}

Yeah. That's what I was hearing, but just wanted to clarify, and thank you. And then, just -- just to follow-up on the question of sort of seasonality around Midstream. Yeah,it looked like the fourth quarter and to [ph] step back to the 72 million range, which is kind of where it was in Q1 and Q2, and then just had this really big third quarter over 100. I mean, are we saying that -- that was an anomaly in 2020 and then we should just have much more of -- because your kind of -- your guidance would seem to point to the 75-ish each -- each quarter, if it occurs ratably. So I just wanted to maybe get reminded will happen in Q3.

A - Jerry Norcia {BIO 15233490 <GO>}

David Slater?

A - David Slater {BIO 20523364 <GO>}

Yeah. I'm just thinking out loud here in Q3, there may have been a few one-time items that roll through the portfolio in Q3. But -- but again, I think, as I look forward, I don't see any large bumps quarter-by-quarter right now.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay.

A - David Slater {BIO 20523364 <GO>}

So I think a ratable view is probably appropriate.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Good enough. And then just one final thing on your corporate segment numbers in the fourth quarter. It looked like they -- they came in good bit better than guidance for the year. What was going on there? Did you have some conservatism or were there some onetimers [ph] or just -- maybe a little more color?

A - Jerry Norcia {BIO 15233490 <GO>}

Dave.

A - David Ruud {BIO 16089859 <GO>}

Yeah. You -- you nailed it there. When we -- when we did our revised guidance on the third quarter call, we did still have some conservatism in there to protect ourselves from any other variability that would come up. And then as things played out, we did see some upside as well from one-time interest expense, interest income, and some investment returns that caused that to go higher.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. Can you quantify what those one-timers might have been?

A - David Ruud {BIO 16089859 <GO>}

There was like some -- interest expense was down. They were all kind of not small, none are -- none are really big. But when they add them together, they kind of give us that increase. So interest expense down. There was some interest income again related to the CARES Act that came -- that came through, and then, we had some investment returns that were -- that were slightly up also. So those kind of the there together that came to -- came in.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Right. Thank you. And then, if I may, just to Jerry, more sort of big picture. Is -- is there -- could you potentially look at accelerating your 2050 net zero for the electric side. And if so how would you go about it. And is that something you're starting to think about?

A - Jerry Norcia {BIO 15233490 <GO>}

Jon -- we are thinking about it Jonathan. I -- we are running many scenarios right now internally understand, is there an opportunity to accelerate our retirement schedule for -- for our coal assets. As you know, we still have a very large coal operation. And currently, we've forecasted the retire of Belle River Power Plant, which is about 1,200 megawatts 2030. So we're looking at ways to accelerate that which is our first retirement that's in our lens this decade.

And then, our Monroe Power Plant, which is a very large coal facility almost 3,000 megawatts. We're looking at ways to potentially accelerate the retirement of that up from 2040. So much more to come on that. But we are deep into that analysis, right now, and we're required to file an IRP in 2023, and we'll detail all of that then.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. So you're doing [ph] -- there might be some sort of interim updates along the way. So it's kind of a long way out.

A - Jerry Norcia {BIO 15233490 <GO>}

Yes. There will be interim updates along the way. We expect that.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. Thank you for your time.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you.

Operator

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

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, team, good morning. Just -- Good morning. Just one question from me. Good morning. Everything else you guys have answered. Maybe just give us any color to the extent that you can as to what to expect when you start doing these roadshows like, should we expect a -- for the Midstream business, should we expect a sort of a five year look or just in terms of how many years worth of projections. And part two of that question, how should we think about dividends. You're saying the post spin-off, the dividends are going to be higher than pre-spin that sort of suggests a materially higher growth rate for the -- versus the peers on the Midstream business right. Am I thinking about that the -- that right way?

A - Jerry Norcia {BIO 15233490 <GO>}

David, do you want to take that.

A - David Slater {BIO 20523364 <GO>}

Yeah, Well, I'll take it, and Dave Ruud you can -- you can fill in. So maybe I'll start with the roadshow and what to expect on the roadshow. So that will be the opportunity for DT Midstream to provide guidance basically for the first time, as a standalone company. So as we work through the debt raise and sort of lockdown a lot of variables, then I think we'll be in a position to provide more clarity and color.

Our goal is to provide best-in-class guidance in the midstream space. As you know, the midstream space, what's normal there is different than what's normal in the utility space. So our goal will be to provide as much visibility into the company and really be distinctive in that regard.

In terms of some of the details around the dividend, we're publicly communicating we'll have a two times dividend coverage ratio. We've not provided the exact number on the dividend. And again, you should expect that in the -- in the roadshow. But Dave really I don't know if you wanted to add any more color to the dividend question?

A - David Ruud {BIO 16089859 <GO>}

Yeah. I can -- I can explain why that looks higher in 2022 than what it would have been together in 2021. So the goal for each companies have dividend that's consistent with the best peers that we have in that industry/ And so for DTE, we will have a dividend consistent with the highest performing peers and consistent with where we've been, and a payout ratio that's around 60%

And then Midstream, as David mentioned, we'll have a dividend that set to a -- dividend coverage ratio of approximately two times the distributable cash flow. When you put those together it does result in a higher dividend and it's -- it's really a result of that two times distributable cash flow equating to a -- what would have been a higher payout ratio. So that's what makes 2022 look higher than what it -- would have been -- would have been otherwise, how the company has been together.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks for that color guys. Appreciate it.

Operator

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

Q - Steve Fleishman {BIO 1512318 <GO>}

Hi, good morning. Thanks for all the updates.

A - Jerry Norcia {BIO 15233490 <GO>}

Good Morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Good morning, Jerry. So I was actually interested question I guess for Dave, just on both the net zero target for Midstream and also as in coming Head of INGAA. Just -- could you maybe give more of your high level view of how natural gas fits in decarbonization and energy transition. You don't have to go that long. But just high level. Thank you.

A - David Slater {BIO 20523364 <GO>}

Sure. Thanks, Steve. Yeah, that's a very good question and topical in the country right now. So first off, in January, we announced a net zero by 2050 target for the Midstream business, with a milestone of getting 30% of the way there by the end of this decade. So there is -- there will be lots of actions that will take around that. But I'd say, at the very highest level, Steve, there is a significant opportunity to decarbonize the -- the energy infrastructure that carries natural gas. Just to frame it up,, it carries about a third of the energy we consume every day in North America. So it's a massive energy distribution system.

And just as DTE has successfully decarbonized and is in our pathway to decarbonize the electric grid. I believe the same opportunity exists for the natural gas energy distribution system. So that I expect that over time that's going to take capital investments and creating the policy framework to enable those capital investments.

I think is important. So I'm kind of pivoting now to the INGAA conversation. And at INGAA, I announced two weeks ago a statement on behalf of the industry, that the industry is committed to a net zero aspiration by 2050. So there is definitely a desire to move in this direction amongst all the industry participants and work closely with the new administration and just societal requirements to move to a lower carbon footprint

So again, I think over time, this is going to create investment opportunities in the infrastructure. And I think the task before us right now is to -- we have a lot of rate technology that can be deployed quickly that's what I'll call on the shelf technology, working with the regulators to create the framework to allow that to happen across the industry broadly.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. I've got a lot of follow-ups to that. But I'll save it for another time. Thank you.

Operator

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

Q - Andrew Weisel {BIO 15194095 <GO>}

Hey, guys, good morning, everybody.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Andrew.

Q - Andrew Weisel {BIO 15194095 <GO>}

My first -- my first question, I want to follow up on the cost cuts. You did a tremendous job in 2020 offsetting the headwinds from the pandemic and your usual course, of constant improvement. You mentioned that it positioned you well for 2021. My question is what's your latest thinking on how much of those savings are permanent or sustainable as opposed to being one time in nature.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, I'll start, then -- then I'll turn it over to Dave Ruud. But certainly the success that we expect in 2021 is driven by some of the work that we did in 2020, as it relates to the cost reductions. And -- and then also strengthens our planned long term, as you saw at EEI we pull forward $2 billion of investments into the -- into the electric business in order to accelerate our modernization program for the electric grid. That was a result of a lot of the learnings that we experienced in 2020. Now some of those cost reductions are one-time in nature, and I'll let Dave Ruud describe some of those as well,

A - David Ruud {BIO 16089859 <GO>}

Yeah. You're right, Jerry. We -- as we -- as we look at the initiatives we implemented in 2020, our goal is going to be to keep as much of that going forward as we can. We consistently have through our normal processes always looking at cost. But in 2020, we did see some additional reductions. Some of those of course are one time. We had more people working capital and we had some delays in some of our work due to COVID. But some of the things will be -- will be real and will stay with us. I'm confident that we're going to find some real efficiencies by how we learned to work this year and having more people work remotely. And so we're going to be able to take a lot of what we learned and roll that forward some -- somewhere in probably half of what we saw we're going to be able to look at trying to find ways to continue that -- that on in 2021 and then continued cost savings again, as Jerry said so that we can have more room for additional capital that we need to help serve our customers.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Perfect.So about half, I think I heard. Then on the regulatory front you've historically been an annual filer, now you're staying out of rate cases for both electric and gas. Could this be something of a paradigm shift or is it a unique one time thing, given the economic challenges, so many of your customers are facing?

A - David Ruud {BIO 16089859 <GO>}

Well, certainly, we'll target the delay rate cases as long as we possibly can. We think that's a benefit to our customers and we'll continue to look for creative ways to do that. We are exploring ways to do that right now with the commission staff. So we'll -- we'll report more on that as the year progresses and that's related to our electric rate case Right now, we're targeting a May filing. But we're looking at creative ways perhaps delay that even further. So more to come on that. But always working on ways to reduce the impact of our investments on our customers.

Q - Andrew Weisel {BIO 15194095 <GO>}

Great. One last one, bit of a curve ball here. I'm well aware that auto isn't a huge exposure for you in terms of volume or margin. But with all the headlines around the chip shortages impacting manufacturing for the automakers and their supply chain, are you seeing any disruptions or reduced operations from those customers?

A - Jerry Norcia {BIO 15233490 <GO>}

We've not seen anything that's impactful to our -- to our earnings this year, our guidance this year. Dave Ruud any further thoughts on that.

A - David Ruud {BIO 16089859 <GO>}

No, I agree, Jerry. At this point we haven't seen -- haven't seen the impacts. Our -- overall our industrial load outside of a few key customers has come back really well from where it was at the low points in the pandemic.. And so we're -- we're -- have not seen those impacts yet.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Terrific. Thank you very much.

Operator

Your next question comes from Sophie Karp from KeyBanc. Please go ahead.

Q - Sophie Karp {BIO 19699392 <GO>}

Hi, good morning. Thank you for taking my question.

Good morning. I have two -- I have two questions for you guys. First just can you discuss if we might see some creative approaches to your gas rate case like mitigation measures, similar to what you have done recently in electric or should we expect the gas case to be fairly straightforward?

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah. At this point in time, we expect our gas rate case to be pretty straightforward. It's really about our main replacement program and our meter newbuild [ph] program. So it's really all about infrastructure renewal. So we expect it to be pretty straightforward.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. Thank you. And Secondly, a little bit of a high level question. With this situation in Texas, right and the failure of basically electric heating right when (inaudible) electricity, the natural [ph] grid failed or generators failed and people couldn't heat their homes. Do you see that dynamic can affect in the conversation of around building electrification and sort of the gas utilities and their roles in the infrastructure mix moving forward?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, certainly, I expect the conversation to be around and making sure that there is enough base load generation and a well functioning capacity market in certain deregulated markets.

What I will say about Michigan is that we're highly regulated market here, and such that you can allow for good planning, good, long-term planning and making sure that we have reliable sources of generation. So I feel really good about our position in Michigan. I think in deregulated states, there probably would be a pretty robust conversation about the suitability of capacity markets.

Q - Sophie Karp {BIO 19699392 <GO>}

Okay. Thank you.

Operator

Your next question comes from Anthony Crowdell from Mizuho. Please go ahead.

Q - Anthony Crowdell {BIO 6659246 <GO>}

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

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Anthony,

A - David Ruud {BIO 16089859 <GO>}

Hi, Anthony.

A - David Slater {BIO 20523364 <GO>}

Good morning.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, Jeff, congratulation on the new position also well deserved. I guess my first question maybe follows a little off of some of the previous questions. I guess it's related to your gas utility. And I don't know, if Michigan has experienced a volatility in natural gas prices than other parts of the Midwest fab [ph]. But I just want to know if -- with that volatility or if you've experienced it, how does it impact customer bills. I mean, is there a chance customer bills could really ramp up because of the high cost of gas or it's just DTE have storage or is that kind of sit on your balance sheet and defer it for the future rate case? And then I have a follow-up.

A - Jerry Norcia {BIO 15233490 <GO>}

Sure. Great question, Anthony. So I'll -- first I'll say that the volatility in Michigan was much more muted than it was in the rest of the country. So that's one. Two, our gas utility when it enters the winter is usually 95% fixed already in terms of price. And then for the prompt year, it's about 50%, and then the third year 25%. So we have a good hedging program, if you will for commodity prices. So this volatility even though was muted in Michigan, we'll have -- I would say negligible impacts on our -- on our customers.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. And then, I guess the follow-up is a little off of Sophie's question earlier. Just I think we've talked about natural gas as maybe a bridge fuel or review different thing to describe it, we talked about maybe cold weather LDCs get treated differently, but I guess, that's all through the investing community. I'm just curious when you talk to regulators or policymakers in your state do they share the same view as this or how do they view gas, I guess. I'll leave it at that.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, I'll say this, when we speak to legislators and regulators in the State of Michigan, they view gas as fundamental to our energy future and to our current status. It was minus 5 degree here in Detroit couple of days ago. And I got to tell you when it's minus 5 degrees, I think there is a very strong appreciation for our ability to deliver natural gas to homes and businesses to make sure that they stay warm and comfortable. So in cold climate, natural gas is highly valued by our customers and by our legislators and by our regulators.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. Great. Thanks so much. Looking forward to catching the wings game with you guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you. Look forward to it as well.

Operator

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

Q - David Fishman {BIO 20818121 <GO>}

Hey, good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

Q - David Fishman {BIO 20818121 <GO>}

Just a -- just a question on RNG here. I think Paul has been pretty thorough so far. But I was just wondering on your guys' perspective on how you've seen the economics kind of evolve for RNG over the past couple of years. We've seen a range of kind of companies start to announce similar projects especially as the LCFS market has tightened. So I was just wondering, if competition could start to impact returns or just overall demand for low carbon technology likely outweighs this over time?

A - Jerry Norcia {BIO 15233490 <GO>}

So David, we're still seeing a strong pipeline of growth opportunities. And I have not seen our unlevered IRRs being impacted by new entrants. We're still able to originate and find really strong returning RNG projects. And I would say the simple cash feedbacks [ph] are still in the order of three years to five years.

Q - David Fishman {BIO 20818121 <GO>}

Okay. Thank you. And then just also thinking about what's in your guidance both on the five year and kind of the one year basis when you think about P&I's. It tends to -- I guess, similar to most of your businesses ends up being a little bit conservative. But I'm just wondering how you kind of guide around kind of the LCFS and the RFS kind of prices. Do you take more of a conservative approach or is that kind of where they currently trade.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we have seen -- the LCFS has been a very stable market and well-defined by the California regulators and they continue to advance interest and requirements on that space to make that market very attractive. The RFS market had a little bit of volatility the last several years. So we took a pretty conservative view of that market and continuing to do so. But we're starting to see, last year we saw more stabilization there and it was really around volume requirements, where we needed things to see things stabilize and we have started to see that. And with the new administration and leadership by the EPA, I think that, that will -- that trend will continue the stabilization and certainty of the federal markets. So it makes our RNG projects quite attractive to have a strong, stable LCFS market, as well as a stabilizing federal market,

Q - David Fishman {BIO 20818121 <GO>}

That makes sense. And then just the last question on that. I know you've talked about in the past that Energy Trading can provide a little bit of a hedge. But have you guys or do you have much interest in potentially or are you been able to enter into kind of longer term contracts, maybe 5 years to 10 years or something like that with some of these projects or --

A - Jerry Norcia {BIO 15233490 <GO>}

Right now, we're -- go ahead.

Q - David Fishman {BIO 20818121 <GO>}

No.

A - Jerry Norcia {BIO 15233490 <GO>}

We're seeing our trading company has actually been able to take contracts out as far as three years, and so we have a pretty robust hedging program. We also have some longer term fixed price contracts that are bilateral in nature. And then of course, we leave a little bit open. So that's the way we're approaching that market right now.

Q - David Fishman {BIO 20818121 <GO>}

Okay. I always appreciate all the insights. Congrats on a good year.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you.

Operator

This concludes the time that we have for the Q&A portion of our call. And I would like to turn it back to Jerry Norcia for final comments.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, look, thank you everyone for joining us today. I'll just close by saying again, that I'm extremely proud of our team and how we've delivered during 2020. We are well positioned to achieve our 5% to 7% operating earnings growth target in the future. And I hope everyone has a great morning and stay healthy and safe.

Operator

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