Q2 2020 Earnings Call

Company Participants

- Diane Leopold, Executive Vice President and Co-Chief Operating Officer
- James R. Chapman, Executive VP, CFO & Treasurer
- Robert M. Blue, Executive Vice President and Co-Chief Operating Officer
- Steven D. Ridge, Director of IR
- Thomas F. Farrell, Chairman, President & CEO
- Unidentified Speaker

Other Participants

- Durgesh Chopra, Evercore ISI
- James Thalacker, BMO Capital Markets
- Jeremy Tonet, JP Morgan
- Michael Weinstein, Credit Suisse
- Shahriar Pourreza, Guggenheim Partners
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good morning and welcome to the Dominion Energy Second Quarter Earnings Conference Call. At this time, each of your lines is in a listen-only mode. At the conclusion of today's presentation, we will open the floor for questions. (Operator Instructions)

I would now like to turn the call over to Steven Ridge, Vice President, Investor Relations.

Steven D. Ridge {BIO 20475546 <GO>}

Good morning and thank you for joining our call. Earnings materials including today's prepared remarks may contain forward-looking statements and estimates that are subject to various risks and uncertainties. Please refer to our SEC filings, including our most recent annual reports on Form 10-K and our quarterly reports on Form 10-Q for a discussion of factors that may cause results to differ from management's estimates and expectations.

This morning we will discuss some measures of our company's performance that differ from those recognized by GAAP. Reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measures, which we are -- which we can calculate are contained in the earnings release kit. I encourage you to visit our Investor Relations website to review webcast slides as well as the earnings release kit. Joining today's call are Tom Farrell, Chairman, President and Chief Executive Officer, Jim Chapman, Executive Vice President, Chief Financial Officer and Treasurer as well as other members of the executive management team.

I will now turn the call over to Jim.

James R. Chapman {BIO 19939701 <GO>}

Thank you, Steven, and good morning. Our second quarter 2020 operating earnings were $0.82 per share, which included a $0.03 hurt from worse than normal weather in our utility service territories. Weather normalized results of $0.85 per share were at the top of our guidance range and for the 18th consecutive quarter were at or above the quarterly guidance midpoint.

We expect the full-year financial impact of weather to be more balanced than during the first two quarters of the year. Preliminary data indicate that July was around $0.04 better than normal and early predictions for August suggest potential for additional weather help. Note that our second quarter GAAP and operating earnings are not adjusted to account for discontinued operations given the timing of our recent announcements, but will be reflected beginning with our third quarter disclosures. GAAP earnings for the quarter were negative $1.41 per share. This result is driven primarily by impairment related charges associated with the Atlantic Coast Pipeline and Supply Header project. We also had a positive impact attributable to net gains on our nuclear decommissioning trust funds.

As a reminder, we report such gains and losses on these funds as non-operating. A summary of adjustments between operating and reported results is included in Schedule two of the earnings release kit. On slide four, we are initiating third quarter 2020 operating earnings guidance with a range of $0.85 to $1.05 per share. As mentioned this range reflects the impact of recasting operating earnings to exclude discontinued operations. We're also affirming the 2020 annual guidance range provided on our July 6 investor call.

As usual these ranges assume normal weather, variations from which could cause results to be toward the top or the bottom of these ranges. Typically we provide year ago actual results alongside our guidance. Given the need to adjust historic results for discontinued operations to provide a useful point of comparison, we plan to provide these figures when we report third quarter and full year results, respectively. I would also note that our 2020 10-K will include three full years of historic results that have been adjusted to reflect the impact of discontinued operations.

Finally, we are also affirming the long-term annual growth guidance we gave earlier this month for earnings and dividends per share.

I'll now turn to discuss our observations on the financial impact of COVID-19. The graph on slide five represents daily and seven day average weather normalized load in the PGM DOM Zone as compared to the two year historic weather normal average. Strong residential and data center demand continues to support overall load levels that modestly exceed the historic average. This is a continuation of the theme we've seen since the pandemic began and looking forward, we expect this trend to continue. We provide corresponding data for Dominion Energy, South

Carolina on the next slide. Recall the story here diverged from DEV and that we did experience weather normal load degradation earlier this year.

On the first quarter call we suggested that April could represent a bottoming out with gradual improvements due to summer. Fortunately, at least so far, that has been the case with July demand only 1% off weather normal historic averages. I would also point out that the higher volume sold in the summer months, like July, tend to have a larger impact on our annual sales revenues than a lower volume shoulder months. We currently expect this general recovery trend to continue in South Carolina through the remainder of the year.

We estimate that to the end of June, lower than budgeted sales associated with the impacts of COVID-19 across our electric utility operations has impacted operating income by approximately $0.04 per share, which thus far has been largely offset with corporate initiatives, the future remains difficult to predict so we are reiterating the demand related earning sensitivities that we provided on the first quarter call and which could be -- and which can be found in the appendix of today's presentation. Consistent with our expectations, customer arrears have increased modestly to date. We continue to work carefully with our customers to provide options and tools to assist them in returning their accounts to current. Our GAAP results for the quarter reflect the recognition of a COVID-related reserve of around $20 million representing our current expectation for incremental expense associated with future uncollectible accounts.

Turning now to the financing update as shown on slide seven, we provide detailed guidance on our equity capital raising plans. First, we are seeking the issuance of new shares under the DRIP program with immediate effect, resulting in a total of about $160 million of new share issuance under the program in 2020, roughly half of our prior estimate. In 2021 and beyond we'll return to our historic norm of around $300 million of new share issuance per year.

Second, starting in 2022, we expect to see our at-the-market program begin to ramp up, such that by 2024, our first big year offshore wind investment, we are back to the $300 million to $500 million per year range that we previously articulated at Investor Day. And third, we continue to target year-end completion of the share repurchase we announced earlier this month. Recall that the Board's authorization for the announced $3 billion buyback was with immediate effect.

We currently expect that there may be some modest upward bias to this figure based on additional refinement of our overall tax analysis. We'll provide additional details around share repurchases next quarter but would note that we have not yet repurchased any shares. We have an exciting opportunity to deploy significant amounts of capital directed at sustainable energy and related projects. These projected modest equity financing activities will support these EPS accretive capital investments. Turning to fixed income, we've included a slide in the appendix detailing our very modest remaining issuance for the year. Overall, we view the debt capital markets as healthy and liquid across the spectrum of term and we currently have nearly $7 billion in available liquidity. Our credit rating agencies responded positively to the announcements we made earlier this month. S&P revised our outlook to positive while Moody's and Fitch affirmed our rating. In all cases, the agencies remarked on the credit positive aspects of our strategic repositioning. We expect that successful execution of our financial plan will further demonstrate the clear and positive reduction of our overall business risk profile.

Finally, before I summarize my remarks, let me give some insight into our investor relation strategy over the next several months as shown on slide eight. We are increasing our proactive outreach using virtual tools to interact with both existing and prospective shareholders throughout the world, including geographies where ESG related factors are playing an increasingly prominent role in investment decisions. We are ramping up our investor targeting efforts to identify prospective shareholders for which our compelling clean energy, operating and financial profile will resonate.

We plan to use our fourth quarter earnings call to provide something of an Investor Day style refresh with supplementary appendix disclosures and to providing projected CapEx rate base and other inputs which we hope will assist investors in their financial evaluation of our company. It's our responsibility to get our reposition story into the market. We therefore, look forward to connecting with many of you for discussions on these topics during the next several months.

So to summarize my remarks, we remain focused on extending our track record of delivering financial results that meet or exceed our public commitments. We feel that our businesses are well positioned with regard to COVID-related demand impacts but we are monitoring that situation carefully. We are affirming our updated 2020 operating earnings guidance as well as the long-term operating earnings and dividend growth outlooks provided earlier this month and finally, we look forward to increasing engagement with existing and prospective investors in the months to come.

I'll now turn the call over to Tom.

Thomas F. Farrell {BIO 1509384 <GO>}

Thank you, Jim and good morning everyone. I would like to start by again expressing our gratitude for the medical and other front-line health care professionals who are engaged in a courageous effort to assist those who have been impacted by the COVID-19 pandemic. We salute their efforts, just as we salute the efforts of our employees who continue to perform a vital public service by literally keeping the lights on and critical energy flowing. We continue to evolve our COVID response to incorporate the most up-to-date guidance from the medical and public health community. Social distancing, proper PPE and where practical remote work have become the expectation for all employees. We're also mindful of our customers and the difficult time this has been for them. We have worked closely with regulators to take steps, including the voluntary suspension of non-payment service disconnections and the offering of flexible payment plans to assist our customers in addressing the financial challenges they may be facing.

Turning to safety, which is our first core value on Slide nine. Our year-to-date results put us on track to make 2020 the safest year of operation in the company's more than 100-year history. As an organization with nearly 20,000 employees and 7 million customers, our safety performance matters to thousands of families and communities, which is why it matters so much to us. The ability to impact lives on a broader scale is also why when we see an issue that deeply impacts our employees, customers and communities we get involved. Recent social unrest partly caused by the murder in Minneapolis has led us to question what more we can do to assist in the cause of social justice and racial equality.

Early last month, we publicly committed $5 million to social justice and community rebuilding efforts. The funds will support non-profit organizations advocating for social justice and equality. Grants will also be designated to help minority-owned and small businesses recover from recent disruptions to their businesses. Words can evoke sympathy, empathy, compassion and understanding, but at Dominion Energy we believe that actions speak louder. So we are investing in recovery and reconciliation and in the vital work of overcoming years of debilitating actions, attitudes and abuses of authority that have traumatized our country.

This month we followed up on that commitment with an additional pledge of $35 million that will support 11 historically black colleges and universities, representing 35,000 students across Virginia, Ohio, North and South Carolina, as well as the scholarship fund focused on African American and underrepresented minority students across all of our service territories. These institutions have been foundational in the struggle to improve the lives of African-Americans and in the fight for social justice. We are pleased and humbled to build on our company's nearly 40-year history of supporting historically black colleges and universities. These initiatives are a recognition of the importance of education as an equalizer in society.

Across our company we are engaging these issues like never before, listening and being heard. We are committed in taking major steps to increase the diversity of our workforce and in recent years we have meaningfully improved our supplier diversity. Embracing diversity inclusion is not only the right thing to do, it is imperative to our long-term success as a company. And we are changing the way that long-term success will look operationally and financially.

Slide 11 summarizes the highlights of our strategic repositioning, which include a narrowed focus to our premier state regulated utility operations, which will account for approximately 85% to 90% of our operating earnings and industry leading clean energy profile, best in class long-term earnings and dividend per share growth and a low risk business profile and healthy balance sheet. We have a vision for the future and we are preparing our company to be at the vanguard of the energy transition that is accelerating across our country. We are investing billions of dollars in a transition that will make zero and low emitting resources accountable for around 95% of our company-wide electric generation by the end of 2035.

As shown on slide 12, we have a plan described in our integrated resource plan filings to grow our renewable energy capacity on average over 15% per year for the next 15 years. We have successfully achieved our 3000 megawatt target for renewable generation in service or under development in the state of Virginia, a year and a half ahead of schedule and we are now the third largest owner of solar capacity among utility companies in the country.

Our pilot offshore wind project, depicted on the cover of these materials, is the only project to have successfully completed the permitting process and will begin to generate electricity this quarter. Our 8 billion 2.6 gigawatt full scale offshore wind deployment continues on schedule. Recent permitting recommendations for Northeast wind projects are not expected to alter materially our project plans and will be accounted for when we submit our construction and operation plan later this year. Finally earlier this month Virginia State Corporation Commission approved our renewable energy tariff which enables us to offer an exciting 100% renewable energy products to our customers.

We are equally focused on emission reductions of our gas distribution utilities. Pipeline and other ageing infrastructure replacement, extensive leak detection and repair efforts and modified operational procedures designed to capture gas that used to be ventilated -- vented during maintenance will reduce the methane emissions of our natural gas utility operations, 65% by the end of this decade and 80% by the end of the next.

We are also finding innovative ways to help our customers improve their sustainability. As one of the country's largest investors in renewable natural gas we are at the forefront of the intersection of agricultural emission reductions and offering natural gas customers a green option that is actually carbon negative, meaning that it takes more greenhouse gases out of the atmosphere than it creates when it is used by the customer. In coming months, we will share additional insights into our expanding vision for a sustainable energy future for our company and the country.

Next, let me address the upcoming Dominion Energy, South Carolina rate case. Earlier this month we made a preliminary filing that formally signaled our intent to file a general rate case proceeding next month, the first for the base electric business in South Carolina since 2012. We expect new rates based on a typical procedural schedule to be effective in March of 2021. Since the last rate case eight years ago, Dominion Energy, South Carolina has connected over 80,000 new electric customers, representing a 12% increase and invested over $2 billion net of retirements in electric generation, transmission and distribution systems that serve customers every day. Despite prudent cost management, the resulting earned return does not measure up to the cost of capital we must employ to maintain the excellent reliability and service that our customers rely on. We estimate that our filing will imply a single-digit percentage rate increase which will be significantly lower than the compounded rate of inflation of nearly 14% since the end of the last test year of 2011. Customers count on us to keep the lights on and to deliver affordable and increasingly sustainable electricity. We are as committed to that ideal in South Carolina today as we were when we closed the merger.

With that, I will summarize today's call as follows. Our safety performance is on track to set a new company record. We are making important financial commitments to address social justice and support African American and other represented minority students. We achieved weather normalized operating earnings that exceeded the midpoint of our guidance range for the 18th consecutive quarter. We affirmed our enhanced long-term earnings and dividends per share growth guidance. Our transaction with Berkshire Hathaway is on schedule for our fourth quarter closing. And we are aggressively pursuing our vision to be the most sustainable energy company in the country.

Before we turn to your questions, I want to discuss our announcement this morning about my change in role from President and CEO to Executive Chairman of Dominion, effective at the end of this quarter. I'm in my 25th year at the company, 15th year as CEO and turned 65 last December. Three years ago, the Board began to consider various alternatives to my eventual retirement. We have undertaken a series of steps over these years. Last September, we took an important step in that process by creating the Co-Chief Operating Officer role. Today's announcement is another step in a long designed succession process.

I'm pleased to say that Bob Blue will become President and CEO on October 1, reporting to me as Executive Chair. Diane Leopold is being promoted to Chief Operating Officer, reporting to

Blue and will be responsible for all of the company's operations across our multi-state footprint. Jim Chapman, our CFO, will report to Blue as will Carter Reid, President of our services company, Carlos Brown, our General Counsel, Bill Murray, our Head of Corporate Affairs & Public Policy, Corynne Arnett, our Head of Regulation and Customer Experience and Tanya Ross, our Chief Auditor. Carter Reid will also report to me in her role as Chief of Staff of Dominion.

I provide you with this detail to underscore that the team we have assembled at Dominion over the past 15 years will be the same team that carries us into the future. It is this group that has taken Dominion to the top ranks among American utilities in safety, operational excellence and compliance. It is also this team that has supported and expanded our steadfast commitment to sustainability, diversity and community engagement. These individuals of course did not achieve these results on their own. They were supported by thousands of others at our company who share and live our company's values.

As you know, over the years we have made significant and in some cases transformative changes to Dominion. Like our succession process, we have taken a deliberate strategic approach to repositioning Dominion for the future. We are now largely a state regulated multi-utility company with a growth profile for both earnings per share and dividends among the highest in our industry. We also have one of the strongest ESG stories in the sector. From measuring oil and gas production and merchant fossil generation, to merging with Questar and SCANA, to embracing solar power, advanced storage and grid modernization, to relicensing our nuclear fleet as well as the development of the largest offshore wind farm in the Americas, it is this-- been this team of individuals leading the way. With our most recent strategic alignment in selling our gas storage and pipeline segment and embracing a clear path to net zero by 2050, the Board and I thought it would be an appropriate time to take the next step in our management transition at the end of this quarter.

There is no established time frame for my role as Executive Chair and I look forward to continue to serve the company on behalf of our shareholders, customers and communities. The primary goal of our succession planning process has been to ensure continuity of our strategy, public policy, corporate values and operational excellence. This change is a step in carrying out that goal. I will also continue to serve as Chairman of the Board of Directors of the company. As Executive Chair, I will continue to represent the Company engaging with key stakeholders, industry groups and others. I will be particularly focused on continuing to develop our strategic plan in Dominion's leadership in the new clean energy economy. And with that we will be happy to answer your questions.

Questions And Answers

Operator

Thank you. (Operator Instructions)

Our first question will come from James Thalacker with BMO Capital Markets.

Q - James Thalacker {BIO 1794957 <GO>}

Good morning. Can everybody hear me?

A - James R. Chapman {BIO 19939701 <GO>}

Yes, we can. Good morning.

Q - James Thalacker {BIO 1794957 <GO>}

Well, thanks for taking my questions. And before we start, congratulations to both you, Tom, Bob and Diane for the announcements today.

A - James R. Chapman {BIO 19939701 <GO>}

Thank you.

Q - James Thalacker {BIO 1794957 <GO>}

Just two real quick questions. On Slide eight, you discuss -- you discussed an Investor Day style financial update, which will include a rolling forward of the capital plan in a rate base estimate. Would this include a year-by-year and -- or a segment-by-segment program breakdown of the capital spend, as well as the associated rate base-by-year and segment?

A - James R. Chapman {BIO 19939701 <GO>}

Hey, James. Good morning, it's Jim. Yes. So we -- we're in the planning stages for that for the fourth quarter rollout of that Analyst Day Investor Day style refresh and we hope to do at least the kinds of things we did last time around last March where we did provide by segment and mostly by year rate base and other growth data. So if we can improve on that a little bit. We're thinking through how to do that. We welcome feedback. But we do expect to provide kind of everything you just mentioned on the fourth quarter call.

Q - James Thalacker {BIO 1794957 <GO>}

Okay and I mean and just staying in that vein, since you've already given sort of some of the financing through 2024, we're going to be rolling forward a year, will we probably roll this out to -- will this be like 2021 through 2025? How are you thinking about that?

A - James R. Chapman {BIO 19939701 <GO>}

Yeah, I haven't signed that yet, but that's a possibility for sure and I would say, let me add that our existing disclosure, it is not -- it's not so out of date. Last March we set out $26 billion of growth capital spending from 19 to 23. We updated some of that on the first quarter call this year, for three programs under the VCEA in Virginia, obviously longer term, our gas transmission storage capital spend, which is about 3.5 billion comes out of that, but our existing guidance is still largely intact and relevant but we will be providing that roll forward with more granular updates on the fourth quarter call.

Q - James Thalacker {BIO 1794957 <GO>}

And then just last question on this part of it is and really just kind of sticking to the 2025 sort of time frame. You've given a lot of line of sight on the financing through 2024, but your CapEx really as you start to do the -- offshore wind starts to really building up in 23, 24, just wondering if you are looking to sort of move your CapEx forecast out a little bit farther to kind of talk about the financing plan as we move into 24 through 26 and the offshore wind starts coming online.

A - James R. Chapman {BIO 19939701 <GO>}

Yeah, fair enough. I mean, those numbers do get big and there's a lot of visibility around that offshore wind spend, but I would say that on an overall basis the cadence of that $26 billion that will build number and update number, and this -- it's pretty, it's pretty much a run rate so you have a slight increase there. So, you know, if we -- kind of we provide additional detail or an additional year of capital spend, we'll also support that with information on our financing plan, but I wouldn't expect a drastic departure from our kind of run rate numbers that we've talked about today.

Q - James Thalacker {BIO 1794957 <GO>}

(Technical Difficulty)

A - James R. Chapman {BIO 19939701 <GO>}

Yeah, James, you were cutting out there a little bit but, yeah, that kind of run rate, again, we'll provide an update on the fourth quarter call, but it's not going to be a drastic departure from that if that was your question.

Q - James Thalacker {BIO 1794957 <GO>}

Yeah, yeah, no, that's perfect. And then the last question, I apologize, but clearly there's been a lot of press in the last week surrounding political spending practices and vehicles. On Slide 20 you briefly address your rankings in the CPA-Zicklin index, which highlights user trends that are under their methodology but I was wondering if you could speak a little bit more To your past and current use of social welfare organizations like the 501(c)(4) and do you plan to modify your political strategies at all in light of the recent investigations?

A - James R. Chapman {BIO 19939701 <GO>}

Sure, thanks for asking. First, we have fully disclosed 501(c)(4) contributions for many years. Zicklin center you referenced is an independent organization that works with the Wharton School at the University of Pennsylvania, to look at a huge, a very wide variety of factors and they rank all these companies on their disclosure practices and our disclosure is ranked among the highest in the country, certainly among the highest in utilities or its transparency. Now, like I say, we've disclosed all of them and over the last five years, I think our contributions have been under $500,000, 70% of which went to an organization that associated with American Petroleum, it's to supporting pipeline projects.

So we are -- fully disclosed everything. It's not a -- it's a very small part of what we do, under $500,000 over five years and we have no intention of changing our practices because they are perfectly appropriate, completely compliant with every state and federal law by wide margins. We are -- we have nothing to be concerned about with respect to any of our political giving or giving to these so called 501(c)(4)s.

Q - James Thalacker {BIO 1794957 <GO>}

Great, thanks for all the time and sorry, sorry about the phone breaking up there in the middle. Have a good weekend.

A - James R. Chapman {BIO 19939701 <GO>}

That's okay. We heard you, we heard you. Thanks, James.

Operator

Thank you. Our next question will come from Shahriar Pourreza with the Guggenheim Partners.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, good morning, guys.

A - James R. Chapman {BIO 19939701 <GO>}

Good morning.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Just on the equity guide, some people may be struggling with it, buying back this year and starting to issue next year. Can you touch on this thought and why not decide to delever and further sort of improve the credit metrics versus buying back, which could be sort of multiple accretive in and of itself? So, but -- and I just have a quick follow-up.

A - Unidentified Speaker

Yes, Shah, let me start, let me start there. So, look, our balance sheet is already in the right place and I don't want to take time to go through all the history but I think as you know we've made just a ton of progress in that area over the last several years and it's even better pro forma for the sale of the G&S business so that sale, almost $6 billion of the $10 billion transaction value is really from our perspective debt retirement so I think agencies have recognized that also in their commentaries. I just talked about positive outlook from S&P.

So given, given that, the status of our balance sheet and the related improvements from this transaction, we feel pretty good about our plan to provide the net proceeds back to our shareholders in this, in this buyback, which we're, as I mentioned, we're targeting for completion by the end of the year. But that said, we do have a a sizable clean energy and related capital spend program, just talked about that with James and it's only increasing as we go through the year slowly.

So therefore we do -- even though we're doing the buyback and we're giving the net proceeds back to our shareholders, we think it's prudent, with that strong balance sheet position we're in, we do plan to recommence some equity issuance, even if it's just in the form of DRIP in 2021 and beyond. But I think, I think perspective is important. I mean, for spending programs of the size of what we're doing to be starting out with DRIP less than 0.5 percentage point of our market cap a year and a pretty efficient program like DRIP and later just with other efficient programs, all our ATM, we think it's overall pretty modest and we think it's the best way to go.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it and then just honing in on the buyback, what specifically again driving the upsizing, can you sort of quantify? And then on the timing, seems that 4Q purchases could be a little bit conservative on your viewpoint. Can you buyback sooner even if you don't have the proceeds in the door, you know, and can you potentially close this transaction sooner than 4Q? So what's driving the upsizing and can you start to buyback sooner than 4Q even if the proceeds aren't in the door? Thanks.

A - James R. Chapman {BIO 19939701 <GO>}

Yeah, so we have a couple of things there. We have Board authority to commence our buybacks with immediate effect. We do not need to wait until the transaction closes. But we haven't bought any yet and we retain kind of full flexibility. We could do that with open market purchases. We could do it with accelerated share repurchase of the tender, a Dutch auction, so more guidance to come on that through the fall as we go. We do expect still to complete that by the end of the year even if we start sooner. We're not guiding to any different closing timeline than, kind of early fourth quarter. All of that all remains on track. But then as it relates to the amount, the quantum, yes, we mentioned there is upward bias. So where is that coming from? It more -- we'll provide more detail on that too as we go.

But that comes from, first of all, just a conservative first cut on what the tax, cash taxes would be on this sale. We indicated about $700 million. So there's interplay there between the tax aspects of the sale and the tax aspects of the -- then it was pipeline abandonment and impairment of supply header and the interplay of our sizable tax credit position. So as we continue to do more work on that, we see probably if anything a downward bias in the taxes payable from 700 and therefore an upward bias in the size of the buyback. And it's not huge. I mean, again we'll come to the guidance as somewhere between zero and 200 million, kind of that magnitude. Then we'll provide more guidance. But again, conservative first cut, probably improving from there modestly and we'll provide more detail on all that as we, as we go through the fall.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. Thanks, Jim. And Tom, congrats on phase two of your career.

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

Oh, thank you, Shah, appreciate it.

Operator

Thank you. Our next question will come from Durgesh Chopra with Evercore ISI.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning, team. Thanks for taking my question and congratulations to you, Tom, as well.

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

Thank you, Durgesh, thank you.

Q - Durgesh Chopra {BIO 20053859 <GO>}

So maybe just starting off, I actually have one question only, just the other questions have been answered. Jim, has -- so the credit rating agencies oppose the transaction, obviously came out with a positive view. I didn't see it, but is there a chance that your FFO to debt metrics get adjusted year going forward now that the business mix is is very different?

A - James R. Chapman {BIO 19939701 <GO>}

Thanks, Durgesh. By that do you mean kind of the downgrade or upgrade thresholds from the agencies?

Q - Durgesh Chopra {BIO 20053859 <GO>}

Exactly, yes.

A - James R. Chapman {BIO 19939701 <GO>}

I think they're -- I can't speak for the agencies there on the downgra -- on the downgrade side. There hasn't been that action yet. I would think that as we continue to execute on this plan and improve on our business risk profile, de-risk our profile, that that would be a logical thing to discuss but we're not, we're not the kind of folks to expect that in the near term, but I understand the question and we'll see what happens.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks, guys. And great quarter again. Thank you.

A - James R. Chapman {BIO 19939701 <GO>}

Thank you.

Operator

Thank you. Our next question will come from Michael Weinstein with Credit Suisse.

Q - Michael Weinstein {BIO 19894768 <GO>}

Hi, good morning, guys.

A - Unidentified Speaker

Good morning.

Q - Michael Weinstein {BIO 19894768 <GO>}

Good morning. Hey, yes, congratulations, Tom, Bob and Diane, both -- all three of you. I just want to ask about the -- as we get closer to the triennial review, I think you're going to -- you should be filing it pretty soon if not already, what should we be looking for there in terms of timeline and dates and hearings and things like that?

A - Robert M. Blue {BIO 16067114 <GO>}

Hey, Michael, it's Bob Blue. So obviously we're focused on that triennial. We will file in March of next year and it will be litigated over the course of that year, with the decision by the end of November. So that's the cadence for that.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay, great. And in terms of the offshore wind project, it wasn't really much mentioned in the presentation this time around, but I'm just wondering if you could give us an update on, I guess, the filing, which I think you're still planning towards the end of the year, right, with BOEM?

A - Robert M. Blue {BIO 16067114 <GO>}

Right. We expect to file the comp with BOEM at the end of this year and it's progressing well. The survey and geotechnical work and preparation of that are going very well. So we're pleased, just as we were pleased with construction on the test terms.

Q - Michael Weinstein {BIO 19894768 <GO>}

And is that project included on that -- the slide that shows the 15, over 15% increase in renewable generation over 2035?

A - Robert M. Blue {BIO 16067114 <GO>}

Yes.

Q - Michael Weinstein {BIO 19894768 <GO>}

Okay, so -- and it's a relatively small part of it, it looks like solar's the vast majority of it, right?

A - Robert M. Blue {BIO 16067114 <GO>}

That's correct. It's a large solar build. I don't really think of the commercial product as small however, it's the largest in the Americas.

Q - Michael Weinstein {BIO 19894768 <GO>}

It looks like it's going to get to work by, by solar. Is that all in the state of Virginia and South Carolina, I suppose?

A - Robert M. Blue {BIO 16067114 <GO>}

It's within the PJM footprint but we're talking mostly in Virginia, yes.

Q - Michael Weinstein {BIO 19894768 <GO>}

Great. Alright, thank you very much, guys and congratulations again and have a good weekend.

A - Unidentified Speaker

Thanks, Michael, you too.

Operator

Thank you. Our next question will come from Steve Fleishman with Wolfe Research.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hi, good morning.

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

Morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

First -- Hey, Tom. Congrats to you, been a long time and also congrats to Bob and to Diane. Well deserved, so.

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

Thank you, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

In good hands. So I guess just could you just remind us what you need to do to actually get the transaction closed in terms of approvals just so we're tracking that?

A - Unidentified Speaker

We just have HSR really and that's progressing along just fine.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, great. And then, I mean, there'ss not going to be a lot of time to actually execute on the buyback in Q4. It's a decent amount, the stock, so could you just talk about kind of how you're thinking about doing it?

A - Unidentified Speaker

Yes, let me go there, Steve. So again, we don't have to do the guidance on that yet and we'll provide more through the fall, but I just mentioned all those kind of options we have at our disposal to get that done, but we don't necessarily need to wait until the fourth quarter to start. And we probably won't. So it could, it could be, it very well could be a mix of approaches, market purchases and other approaches in addition to or in place of fourth quarter tender style event. So I know that's pretty broad but we don't need to compress that into just a month or two in the fourth quarter. We have the authority to start now.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then maybe just when you look at -- I guess that -- I know you said you're going to be doing a lot of continued marketing on the company and story in the kind of the new clean energy, further refocus there. Just maybe you could give a little color on what kind of feedback you've gotten so far, because obviously there was big news with the financial changes and then this refocus, what kind of investor feedback you've gotten so far.

A - Unidentified Speaker

Yes, let me start there and that was just three weeks ago or so when we made this announcement and, yes, we did get quite a bit of feedback from across the spectrum, different types of investors and we took it all to heart. We sat around and considered a lot of it pretty carefully including notably the feedback from retail investors who are very focused on dividend and income invest -- income fund investors. So we get that and took that to heart. But the feedback from, I guess, maybe longer term investors, institutional investors and those investors that I mentioned in my prepared remarks that are in North America or elsewhere that increasingly are thinking about their investment decisions through the lens of ESG topics, that feedback was pretty positive on the long-term prospects of this transaction, repositioning the company in this way, strengthening the balance sheet, increasing the growth rate, highlighting all the already underway ESG spending programs, clean energy and related. So that feedback's been pretty good, but it is a change, a material change for Dominion.

So we have been already and we highlighted here that we're going to spend a lot of time in the next few months just reconnecting with people. Existing investors, prospective investors are walking through that story, making sure everyone gets it, not only what we've done, but exactly what we're doing under the spending programs and the size and scale and cadence in the financing. So there's a lot to talk about and one thing that's been consistent in all of our interactions with investors, just in perspective in the last two weeks, is everyone really wants to spend more time to make sure they get it and are understanding all the dynamics, but overall it's been, it's been pretty positive.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, great. Thank you.

A - Unidentified Speaker

Thanks, Steve.

Operator

Thank you. And our last question will come from Jeremy Tonet with JP Morgan.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning. Thanks for fitting me in here. Just a multi-pronged question in natural gas if I could here. Just wondering how you think the needs in your service territories have changed over time since you first announced ACP and with the ACP cancellation, what are your expectations for gas distribution CapEx into the fourth quarter refresh here? Is there an upward bias (technical difficulties) competing for capital? And finally, if I fit into the picture over time here?

A - Unidentified Speaker

Thank you for the que -- I'm just on a -- let me -- I'm going to answer the very first part of it and then turn it over to Diane. The need for the Atlantic Coast Pipeline in our service territory, of course, the service territory for us was Virginia and North Carolina and potentially South Carolina. Well, the need has not changed at all. The result of it is that need will go unmet as a result of the cancellation of the Atlantic Coast Pipeline. The pipeline was over 90% subscribed for 15 years by utility companies that were going to use it to serve gas distribution customers and convert coal plants to natural gas facilities over the years to come. That need will now go unmet so with respect to that one project, no change. The balance of the questions, I'll turn it over to Diane.

A - Diane Leopold {BIO 16365511 <GO>}

Okay. Good morning. So with respect to the LDC capital spend and fresh look in the Q4 call, but we really don't see any change there. So we really have jurisdictions that are in very supportive states for our programs and they're in high-growth areas. So we have North Carolina, Utah, Ohio, West Virginia in the key jurisdictions. We have pipeline replacement programs in essentially all of those areas that are significant and are commissioned for those programs and the need to have that infrastructure replacement for safety, reliability and sustainability so really don't see anything but growth projects to meet the increasing demand in these high growth areas.

So really no change on the LDC side. With respect to hydrogen, we do see that there will be an increase in hydrogen utilization in the energy mix over the next several decades and we've certainly spent a lot of time studying it. At the moment, at least to our knowledge, no continental US LDC is blending hydrogen into supply mix today. We committed a couple of years ago to making sure our LDC system is ready to accept up to 5% hydrogen by 2030, so just in the next decade and our initial pilot is in advanced planning stages in Utah. So high level, we think there's going to be a lot of activity in this area, but for the most part it's still in that study and preparatory planning stage but expected to be ramping up and look forward to sharing updates.

Q - Jeremy Tonet {BIO 15946844 <GO>}

That's very helpful. Thanks. And just back to the gas situation real quick. With MVP, do you think that there is any role for that to play, I guess, in meeting some of those needs that are going to go unmet without ACP?

A - Unidentified Speaker

Not that we can see.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. And just one last one if I could. With regards to the upcoming election here, just wondering if you had any preliminary thoughts on potential impacts at the federal or state level for Dominion overall?

A - Unidentified Speaker

I have no intention whatsoever of commenting on the upcoming elections in any respect.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Okay, I'll leave it there. Thank you.

A - Unidentified Speaker

Thank you.

Operator

Thank you. And this does conclude this morning's conference call. You may disconnect your lines and enjoy your day.