

Q3 2015 Earnings Call

Company Participants

- Anastasia Minor
- Jeffrey A. Jewell
- Mark C. Rolling
- Peter B. Oleksiak

Other Participants

- Daniel Eggers, Credit Suisse Securities (USA) LLC (Broker)
- Jonathan P. Arnold, Deutsche Bank Securities, Inc.
- Julien Dumoulin-Smith, UBS Securities LLC
- Matt Tucker, KeyBanc Capital Markets, Inc.
- Shahriar Pourreza, Guggenheim Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator

Good day, and welcome to the DTE Energy Third Quarter 2015 Earnings Release Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Anastasia Minor. Please go ahead.

Anastasia Minor {BIO 17978541 <GO>}

Thank you, Kyle, and good morning, everyone. Welcome to our third quarter 2015 earnings call. Before we get started, I'd like to remind you to read the Safe Harbor statement on page two, including the reference to forward-looking statements.

Our presentation also includes reference to operating earnings, which is the non-GAAP financial measure. Please refer to the reconciliation of GAAP net income to operating earnings provided in the Appendix of today's presentation. We also are now including additional data in the Appendix which we have historically provided in a supplemental document.

With us this morning is Peter Oleksiak, our Senior Vice President and CFO; Jeff Jewell, our Vice President and Controller; and Mark Rolling, our Vice President and Treasurer. We also have members of our management team with us to call on during the Q&A session.

I'd like to turn it over to Peter to start our call this morning.

Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks, Anastasia, and good morning, everyone. And thank you for joining us today. Those of you who know me, you know that I always like to start off with a quick update on my Detroit Tigers. The Tigers looked towards the future at the July trade deadline this year and jettisoned their best pitcher, outfielder and closer. With that they slipped firmly into last place by the end of the season. I guess all I can say is there's always next year, and our focus now is on the Red Wings making another playoff run and we will not be mentioning the Lions or the Pistons on this call.

DTE has continued to have a successful year in 2015. And as you know, we raised our operating earnings guidance a few weeks ago at our Analyst Day. I feel very confident that we'll be able to comfortably achieve our guidance with a very successful third quarter, and we expect a solid quarter to finish the year. We also provided a 2016 early outlook during our Analyst Day, and I'm confident we can reach our 2016 EPS targets as well.

Jeff and Mark will be going through the third quarter results in more detail, but before we move on to that, I'd like to do a quick overview of our business strategy, as well as some highlights of what's happening at DTE.

If we can turn to slide five, slide five provides an overview of the business strategy and investment thesis. Our growth plans for the next 10 years at both utilities are highly visible. Our electric utility growth is driven by the renewal of our generation fleet and replacing and upgrading the electric distribution system. Our gas utility growth is driven by infrastructure investments, the mainline pipe replacements and a system expansion to accommodate the increased volumes for the NEXUS Pipeline into the Vector Pipeline.

Complementing our utility growth are meaningful growth opportunities in our non-utility businesses, which provide diversity in earnings and geography. Constructive regulatory environment, engaged employees, continuous improvement and top-level customer satisfaction continue to be priorities that drive DTE's success. A constructive regulatory environment is important as our two utilities are investing significant capital in the State of Michigan. And we know fostering this environment is a two-way street. I'll be updating you on some of the regulatory proceedings our utilities are currently working through.

Our highly engaged workforce continues to be a key to our success, and we have described our success throughout the year with the recognition we have received from the Gallup organization over the last three years. Our focus on continuous improvement is distinctive in the industry as the utilities continue to be leaders in maintaining costs. The combination of these two, employee engagement and continuous improvement, enables us to deliver both a sustainable cost savings track record and to consistently earn authorized returns at both of our utilities.

We're also very focused on customer satisfaction, demonstrated by our gas utility currently ranked highest by JD Power, among our peers for business customer satisfaction. Both DTE Electric and DTE Gas are ranked second in satisfaction of residential customers. Rounding out our business strategy is our dividend growth and solid credit rating. Our dividend continues to

grow as we grow earnings, and our goal is to maintain a strong BBB credit rating. This strategy provides for consistent 5% to 6% annual EPS growth.

Slide six provides some highlights of progress in 2015. As I mentioned earlier, at our Analyst Day, we raised our 2015 operating EPS guidance and provided 2016 operating EPS early outlook. I'll provide a more detailed overview of guidance in a few minutes.

Today, we're revising our cash flow and capital guidance for 2015 and Mark will provide more details on this in a few minutes. Regarding Michigan's energy policy, there is positive momentum for constructive legislation by the end of the year. The Governor and other energy leaders have called this a major priority.

There is draft (5:10) legislation that has been developed in both the House and the Senate, and the more extensive hearings have now been concluded. There've been a dozen hearings in the House on the proposed legislation and eight in the Senate, so this legislation is moving along nicely.

Also want to give a quick update on the various rate proceedings for our two utilities, our electric utility self-implemented rates on July 1 for our ongoing general rate proceeding. We expect to receive a final order by the end of the year. We also implemented the new cost-of-service rates, which resulted in rate reductions for most of our business customers, at the same time of self-implementation.

For DTE Gas, we expect to receive an order this year for an expanded infrastructure recovery mechanism that, if approved, will allow us to double the annual miles of our mainline replacement program. For next gas general rate case, we are looking to file in late 2015 or early 2016. We're finalizing our plans. We feel this timeframe is optimal time to file. As you know, we haven't filed a rate case at our gas utility in nearly four years. We continue to make significant progress in our non-utility businesses.

Let me hit on a couple of developments in our Gas Storage & Pipeline business. Millennium is currently working on a 200 Mcf day expansion, which is expected to go in service in the fourth quarter of 2017. In addition, Millennium is constructing an 8-mile Valley Lateral to supply 130 Mcf to a new natural gas plant in Pennsylvania. This is expected in service in April of 2017.

We've increased our ownership in the NEXUS Pipeline project from 33% to 50%, which increases our planned investments to approximately \$1 billion. We've executed a number of key milestones, including contracting for the major pipe materials earlier this month.

Our next key milestone on the NEXUS project is the FERC filing, which will happen later this year. We have commitments we need to move forward with the construction of the pipe. We have recently signed a number of tap and interconnect agreements that could provide potential aggregate load across Northern Ohio for up to 1.4 Bcf a day. This demonstrates strong market support for the project and also strengthens the longer term earnings potential for the pipe. And we continue to see increasing production forecast for the Appalachian region. So, you can see we have a lot of positive things going on in both our utilities and non-utilities, giving us confidence to reach our earnings goals in 2015.

I'd like to move on to provide more detail on Michigan's energy legislation, but before I do that, let me give you a quick update on Michigan's economy. The state economic indicators are looking very strong. We show some of the actual forecasted metrics in the appendix, but I'd like to highlight Michigan's unemployment rate for September, which was 5%. This is actually lower than the national rate of 5.1%. And it's worth noting because it's the first time in Michigan the unemployment rate is below the national average in 15 years, so things continue to move in the right direction in our state.

So now let me move on to the state energy policy reform in slide seven. Slide seven is a slide you've seen before showing Michigan's leaders who are helping to move the state's energy policy reform to its completion. We're definitely fortunate to have these individuals who really understand what good energy policy looks like. The Governor identified the need for energy policy reform as one of his top priorities and he has not wavered from that all year. He has taken time to study and understand our industry and land on what good policy moving forward would be. His good advisors were John Quackenbush and Valerie Brader. And with Senator Nofs and Representative Nesbitt, we have two very confident energy leaders in the Senate and the House.

So we've a situation where all three entities, the Administration, the House and the Senate are clear that Michigan does need to develop new policy to control its future. There's definitely progress happening that gives us confidence of a timely resolution to the energy policy reform. Both the Senate and the House Energy Committee have concluded extensive hearings on the legislative package. Nofs and Nesbitt are working with committee members with votes in the committee possibly by next month.

So now I'd like to turn to some specifics on legislation that is underdevelopment in the House and the Senate with page eight, starting with the retail open access. Leadership in both the House and the Senate realize that the current system is broken, so both are proposing reforms. Both proposals as they stand now would cap the current program at 10%, but with stricter and more fairer provisions. Actually, the House until recently had planned to eliminate retail open access altogether, but as part of the alignment process is now proposing to stay at the 10% cap. But importantly, both the House and the Senate would require a one-time election to return to the utility, which means there'd be no longer a free option to move back and forth between the marketplace and regulated rates.

To make the cost of capacity more fair and to assure reliable generation service in the state, the Senate is proposing a three-year capacity commitment. The House is targeting a five-year capacity commitment for those customers who would like to stay on retail open access.

Integrated resource planning or IRP is a second key element of legislation. The proposals enable pre-approvals, so once it's decided on what generation mix there should be, there'll be a process for pre-approving investments and ensuring that they are prudent and similar to our current Certificate of Need process or CON process but on a portfolio basis.

This new IRP process will fit nicely into the state's implementation plan for the Clean Power Plan. Then finally, the legislation is going to deal with a number of regulatory reforms. Both the

House and the Senate are proposing a move from our current 12-month cycle on rate approvals with a six-month supplementation to a simple 10-month cycle.

There is also work on establishing a fair net metering policy, which I think is important as we head towards building more renewables. Revenue decoupling is also being proposed for electric utilities. We would like to have this option to enable recovery of the impact of energy efficiency in between rate proceedings.

So I think the state of Michigan is well positioned to have energy legislation by year-end. That's important so that as a state we can move on in a constructive way to make the investments that we need to transform Michigan's energy infrastructure.

So on to slide nine. This slide shows our EPS history and our target of 5% to 6% growth. As I mentioned before, we expect to grow our dividend with earnings, evidenced by our recent increase, which was at the high end of our earnings growth target. The chart shows a revised 2015 guidance midpoint at \$4.78 as well as the EPS guidance midpoint of \$4.69 for our growth segments. The 5% to 6% future growth I mentioned is off our new 2016 early outlook midpoint of \$4.93 per share. The \$4.93 midpoint represents a 7% increase from the 2015 original guidance.

So let me get into a little more detail on page 10. So on slide 10 shows our current 2015 EPS guidance and our 2016 EPS early outlook. I want to focus on our 2015 guidance. Our current EPS guidance range is \$4.65 to \$4.91 for total DTE Energy and \$4.59 to \$4.79 for our growth segments. And you can see next to the guidance numbers arrows indicating where we think the year might play out for each segment. We have green arrows up next to all of our non-utility businesses. If these businesses have a repeat of the strong performance in the fourth quarter, similar to what we've experienced in the first three quarters this year, then we are seeing earnings fall in the upper end of these ranges.

For Gas Storage & Pipeline, we are seeing strong performance in both pipeline and gathering earnings. Our Power & Industrial Projects segment is seeing solid performance in our REF business. And we are seeing strong economic performance at our Energy Trading operations. Our Corporate & Other segment is trading towards the lower end of guidance driven by taxes.

I mentioned the strong financial performance we have seen this year, so I'd like to turn the call over to Jeff Jewell to provide more details on the earnings results.

Jeffrey A. Jewell {BIO 20869778 <GO>}

Thanks, Peter, and good morning, everyone. I'll be going over quarter-over-quarter earnings results on page 12. And on page 13, I will provide more detail into DTE Electric's quarter-over-quarter operating earnings variance.

Now turning to page 12. For the quarter, DTE Energy's operating earnings were \$252 million, or \$1.40 per share, and for reference, our reported earnings were \$1.47 per share. You can find a reconciliation of the third quarter reported to operating earnings on page 27.

For the quarter, our growth segments' operating earnings in 2015 were \$75 million, or \$0.40 per share higher than 2014. The Electric segment was higher by \$79 million. This favorability was due to warmer weather, self-implemented rates and lower storm expenses in 2015. I'll provide more detail on page 13.

DTE Gas was higher by \$5 million. This was primarily driven by reinvestment spend in 2014 and increased revenue associated with the infrastructure recovery mechanism surcharge. Gas Storage & Pipelines earnings were \$7 million favorable to the prior year. This increase was primarily due to increased volumes in the Bluestone pipeline and increased investments in our gathering assets.

Our Power & Industrial Projects segment was lower by \$6 million versus 2014, due primarily to timing of major coke battery maintenance project expenses and a steel-related installment sale contract that ended in the second quarter of 2015.

Our Corporate & Other segment came in unfavorable by \$10 million versus last year. This variance was mainly due to timing of federal and state tax accruals. These items were considered in our year-end guidance. Again, the overall growth segment results for the quarter were \$253 million or \$1.40 per share.

Energy Trading posted a \$1 million operating loss for the quarter and economic net income of \$14 million. Both the power and gas business lines contributed to these results. Please refer to page 25 of the Appendix to review the Energy Trading, standard reconciliation page, which shows both economic and accounting performance. Overall, DTE Energy's operating earnings were \$252 million or \$1.40 per share for the quarter.

Now let's turn to page 13 to discuss our Electric performance. Electric segment earnings were \$79 million higher quarter-over-quarter. The variance was driven by three major contributors; increased rates, return to near-normal weather; and lower storm O&M. DTE Electric self-implemented a rate increase on July 1 as part of its ongoing rate case. This was partially offset by increased rate base growth due to investment in the generation and distribution operations.

The next major contributor was weather. If you recall, summer weather in 2014 was much cooler than normal, while this summer was near normal. This resulted in increased sales of approximately 700 gigawatt hours when compared to the same period last year. Please refer to page 24 of the Appendix for sales variance detail.

Finally, we experienced lower storm activity in the third quarter of 2015. This is a significant decrease when compared to 2014 where we saw multiple storms, including a storm in September of 2014 that impacted more than 400,000 or 20% of our customers. In conclusion for the quarter, DTE Electric's operating earnings were \$79 million higher than 2014.

That concludes the update for our earnings for the quarter. I'd like to now turn the discussion over to Mark who will cover cash flow and balance sheet metrics.

Mark C. Rolling {BIO 17667066 <GO>}

Thanks, Jeff, and good morning, everyone. In addition to the solid earnings results, our cash flow and balance sheet are strong and continue to support our long-term growth plan.

Slide 15 lays out our cash flow and CapEx through the third quarter. Cash from operations is \$1.5 billion, and we saw a strong performance across all business units, putting us a little ahead of our plan for the year. We invested \$1.7 billion of CapEx through the third quarter. And on the right side of the page you can see the breakout by business unit.

DTE Electric is up due to higher operational investments and higher new generation spend with the acquisition of the gas peaker back in the first quarter, partially offset by the timing of some wind investments between years. And year-to-date, the non-utilities are on pace with last year. To fund this CapEx program and to refinance maturing debt, we issued \$1 billion in long-term debt this year.

Let me turn now to slide 16 and the revised cash flow and CapEx guidance that Peter touched on. As I mentioned a moment ago, we are seeing strong cash flow this year, and therefore, we're increasing our cash from operations guidance by \$100 million. We're also making a small change to our CapEx guidance. On the right side of the page, you can see the breakout of capital spending by business unit. We still expect to spend a little over \$1.8 billion at DTE Electric and \$280 million at DTE Gas, and we expect our non-utility businesses to invest \$350 million for the year or about \$100 million lower than the low point of the original guidance.

Now this change captures the timing of some of the growth projects of Power & Industrial and will have no effect on the growth plan that we provided at our Investor Day last month. This brings our total CapEx to nearly \$2.5 billion for the year, which is up more than 15% over last year. And back on the left side of the page, we reduced our debt financing need to correspond with this \$200 million increase in free cash flow.

Now I'll move to slide 17 with a look at our balance sheet metrics. Our balance sheet remained strong and we project ending the year within our targeted range for both leverage and FFO to debt. We issued \$200 million of equity back in the first quarter and that fulfilled our equity needs for this year.

At our investor event last month, we disclosed modest equity needs of \$800 million from 2016 through 2018. Earlier this year we renewed our credit facility through 2020, and we ended the quarter with \$1.8 billion of available liquidity. As we outlined at our Investor Day, we have a financial planning approach that will continue to rely on the strength of our balance sheet to fuel our long-term growth plans.

And now, I'll hand the discussion back over to Peter to wrap up.

Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks, Mark. Let me finish the presentation with a quick summary on slide 19 and then we can open the line for questions. We had three solid quarters so far this year, and we're confident that this year's performance will allow us to achieve our 2015 EPS guidance. We also anticipate

constructive outcomes this year in both our utility regulatory filings as well as Michigan's energy policy reform.

Our balance sheet and cash flow metrics remain strong, and our investments in our utility and non-utility businesses support our target 5% to 6% EPS growth going forward.

Thank you all for joining our call this morning, and I hope to see many of you at the EEI Conference in a couple of weeks. Gerry Anderson will be giving a formal presentation on November 10 that will be webcasted on our Investor Relations website. So, we hope you all can join us.

Now, I'd like to open up for questions that you have. So, Kyle, you can open up the line for questions.

Q&A

Operator

Thank you. And we'll take our first question from Michael Weinstein with UBS.

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

Hey. Good morning. It's actually Julien here.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Hey, Julien.

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

Hey. So, quick first question, perhaps obvious, given the trailing 12 months, what are you thinking here in terms of the fourth quarter in implied results? It seems perhaps it could even be potentially down year-over-year. Is there something about reinvestment, O&M, et cetera? You might imagine.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Yeah, we'd just like to reiterate that we are confident with the earnings guidance that we put out there. The electric utility in particular last year was on a lean mode. That's really, if you're looking quarter-over-quarter, kind of a fourth-to-fourth, that's what you're seeing happening there.

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

Got it. So, does that actually mean that there is added strength or more of a tailwind that you're reinvesting in the fourth quarter into 2016 or perhaps, as you just alluded, was it more of a 4Q 2014 phenomenon such that this is more of a normalized pace in 4Q 2015?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

It's more the latter, last year's fourth quarter phenomenon.

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

Got it. Excellent. And then perhaps secondly, just of late, any developments on the gathering front with Southwestern?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Our gathering business is going very well, and as you know, our raising of guidance in that segment in particular was with the volumes associated with the gathering with the Southwestern Energy. So, the well performance is great. Their drilling program continues to be strong in that region, and their gathering earnings are flowing nicely there.

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

Great. All right. I'll leave it there. Thank you.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks, Julien.

Operator

We'll take our next question from Daniel Eggers with Credit Suisse.

Q - Daniel Eggers {BIO 3764121 <GO>}

Hey, good morning, guys.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Hi, Dan.

Q - Daniel Eggers {BIO 3764121 <GO>}

Hey. Just on the legislation in Michigan, with the hearings done, do you guys have a read on when something can get formalized or resolved between the House and the Senate and a vote where this finally gets cauterized. Is there something that we can look forward or is there a schedule you guys see right now?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

It's not a firm schedule, but as I mentioned, the extensive hearing process is done and as you know you mentioned that as well. There are some finalization of language that will happen both in the Committee and the House and then they will move it (23:24) the Senate and the House and from there, there will be reconciliation. We're anticipating that will start happening early next month, but going more likely into the month of December.

Q - Daniel Eggers {BIO 3764121 <GO>}

So, a conference next month between the House and the Senate, then a vote in December seems realistic at this point?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Yeah.

Q - Daniel Eggers {BIO 3764121 <GO>}

Okay.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

That's a possibility.

Q - Daniel Eggers {BIO 3764121 <GO>}

Okay. And then I guess your second question when you think about the - it looks like you're going to the idea that Choice has to get a firm capacity somewhere between three years and five years. Is that something that you guys would look at providing, or are you not going to be in the business of offering capacity to those customers?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

No, we're not in the business of offering capacity to those customers. We'll offer to our customers.

Q - Daniel Eggers {BIO 3764121 <GO>}

Okay. What is the year-to-date weather benefit on that after the good third quarter?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Jeff, you have that?

A - Jeffrey A. Jewell {BIO 20869778 <GO>}

Yes. Ask that one more time just to make sure we're answering what you're looking for.

Q - Daniel Eggers {BIO 3764121 <GO>}

How much year-to-date weather benefit have you guys gotten? Because you gave the quarter, I don't know if you had the year handy?

A - Jeffrey A. Jewell {BIO 20869778 <GO>}

Yeah. So, for the full year, if you go back to page 24 in the pack, I think that's what you're asking, so I will just guide you back there. So, versus normal, I'm on the left-hand side there in the middle, see DTE Electric 2015 and see what it was for the quarter, and we talked about that. And for the year-to-date, you can see it's at \$12 million.

Q - Daniel Eggers {BIO 3764121 <GO>}

Got it. Thank you. I should have gone back myself...

A - Jeffrey A. Jewell {BIO 20869778 <GO>}

And then (25:05) negative \$17 million for the year. That...

Q - Daniel Eggers {BIO 3764121 <GO>}

Okay. And my last question just on the pipeline tap-ins now that you got 1.4 Bcf of potential customers, when do those start converting either in the contracts or something more substantial and what should we be tracking other than just kind of these quarterly updates?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

That will happen over time as the pipe gets built. That 1.4 Bcf is nonbinding, but we do anticipate that a number of that will potentially turn into nice investments for us lateral or gathering type of opportunities. That will more likely happen once we're done with the construction of the pipe.

Q - Daniel Eggers {BIO 3764121 <GO>}

Okay. Thank you, guys.

Operator

We'll take our next question from Matt Tucker with KeyBanc Capital Markets.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Morning, Matt.

Q - Matt Tucker {BIO 15737916 <GO>}

Hey. Congrats on a nice quarter.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks.

Q - Matt Tucker {BIO 15737916 <GO>}

Just wanted to follow up on the guidance and the full-year guidance kind of implying that the fourth quarter would be down year-over-year. You already commented on some reinvestment at Electric. It looks like at the non-utility segments, the guidance also implies earnings would be lower year-over-year. Could you talk about what might be driving that or should we kind of expect that the Electric reinvestment could offset some of the earnings there?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Yeah. The electric utility is, we mentioned, I'm feeling comfortable with the guidance range we have out there. There was a phenomenon last year, fourth quarter, around lean. We're in a normal investment cycle this year in the fourth quarter. But our non-utility businesses are performing strong. On a year-to-date basis, there's strong performance. And if that strong performance continues in the fourth quarter, those businesses will more likely end up in the upper end of those ranges.

Q - Matt Tucker {BIO 15737916 <GO>}

Great. Thanks. And just hoping you could provide a little more color on the change in timing in CapEx at Power & Industrial projects.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Mark, you want to take that one?

A - Mark C. Rolling {BIO 17667066 <GO>}

Sure. So, that, as you mentioned, is timing related. When we did our original guidance for the year, and we provided a range this year on the non-utility businesses, recognizing that those businesses and the timing of the way a project show up has some variability. As we get closer to yearend, we have better visibility as to what's going to occur here yet in 2015 versus what may occur early in 2016. So, it's a timing-related item at Power & Industrial specifically. If you step back and look at our early outlook for 2016 and the growth plan that we provided at our Investor Day, this has no impact on any of that. It's really just a timing item.

Q - Matt Tucker {BIO 15737916 <GO>}

Got it. And is there any specific projects that you can highlight there or...

A - Peter B. Oleksiak {BIO 7535829 <GO>}

I'd just add a little commentary to Mark's comments. The Power & Industrial projects, in particular, we do have an acquisition strategy there where if it's opportunistic, we'll acquire small on-site related type of projects. And they have the tendency to be kind of lumpy in terms of when they show up. And when they do show up, we've had one back a few years ago with the Duke projects and the on-site projects. So there, I don't want to be too concerned. When they do show up, sometimes they show up and they're relatively sizeable. We'd like to have a placeholder in with the capital for that business unit in particular. So, it's really just timing related to these small acquisitions we'd like to do in the Power & Industrial segment.

Q - Matt Tucker {BIO 15737916 <GO>}

Understood. Thanks guys.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Thanks, Matt.

Operator

We'll take our next question from Jonathan Arnold from Deutsche Bank.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Good morning, Jonathan.

Q - Jonathan P. Arnold {BIO 1505843 <GO>}

Yeah. Good morning. I just wanted to revisit just timing of the legislature you laid out when you - the steps you see. Are there some deadlines that we need to hit in order for this to be all accomplished in calendar 2015? When do the session end, and at what point would we need to see it out of conference? How much wiggle room is there I guess?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

This is not a firm schedule. The ultimate deadline is before they move to the holiday break which will be the back half of December. But the momentum we're seeing right now with the hearings being concluded, like I said, there'll be some tweaking of the language from both the House and the Senate and then, at that point, a reconciliation. The good thing is both the House and the Senate, especially with Eric Nesbitt's move to move a bit closer to where Mike Nofs is at, I see that process hopefully happening relatively quick once it starts.

Q - Jonathan P. Arnold {BIO 1505843 <GO>}

Okay. Thank you, Peter. That was it.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Okay. Thank you.

Operator

We'll take our next question from Shah Pourreza with Guggenheim Partners.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

Good morning, Shah.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning. Just one question on the decoupler. I know it's a little bit preliminary, but Peter, are you looking for a full decoupler which takes any kind of load out of your earnings mix or sort of more of a partial decoupler that accounts for energy efficiency in DSM?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

We'll explore all the options. The first is you kind of get that option for the electric utility to have a decoupler in legislation. That's being proposed right now. So, we like that to give us that option, the flexibility. As we're thinking about it, we really would want it really focused on the energy efficiency. That's our early thinking at this moment.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. Got it, okay. So, you have some potential leverage to macro probably okay. And then just on the pipe, 1.4 Bcf is non-binding, but it's a little bit preliminary. But is there any indication that you could reach that through laterals and compressors from a demand side or it's too early?

A - Peter B. Oleksiak {BIO 7535829 <GO>}

The overall pipe we're putting in is a 1.5 Bcf, that's expandable to 2 Bcf with compression. The major markets, when this pipe first was put in was gone and Michigan, as Michigan goes from a coal plant to gas plant conversion. So, it's really nice, actually, this Ohio market is actually showing up as well. That wasn't originally anticipated. We kind of knew that when we placed this pipe. We deliberately placed it in the Northeast Ohio around these industrial centers. So, we're hoping that this 1.4 Bcf - a portion of that gets converted over to this industrial lobe which are the ones (31:18) will spur the lateral and gathering. But we feel comfortable right now that we'll be able to expand the pipe to meet that. That'll be a nice problem to have.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Yeah, exactly. Thanks, Peter. Thank you.

Operator

We have no further questions in queue at this time. I would now like to turn the call back over to management for any additional or closing remarks.

A - Peter B. Oleksiak {BIO 7535829 <GO>}

I'd like to thank everybody for this morning, joining us on the call. And once again, we're going to be at EEL and hope to see many of you there. Have a great day.

Operator

This does conclude today's conference call. Thank you all for your participation. You may now disconnect.

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