Company Name: Dominion Resources
Company Ticker: D US
Date: 2016-08-03
Event Description: Q2 2016 Earnings Call

Market Cap: 46,944.74
Current PX: 75.02
YTD Change($): +7.38
YTD Change(%): +10.911

Bloomberg Estimates - EPS
Current Quarter: 1.100
Current Year: 3.784
Bloomberg Estimates - Sales
Current Quarter: 3263.000
Current Year: 12504.750

Q2 2016 Earnings Call

Company Participants

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

Other Participants

- Julien Dumoulin-Smith
- Stephen Calder Byrd
- Greg Gordon
- Angie Storozynski
- Steve Fleishman
- Brian J. Chin
- Jonathan Philip Arnold
- Neel Mitra

MANAGEMENT DISCUSSION SECTION

Thomas E. Hamlin

GAAP and Non-GAAP Financial Measures

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

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

Mark F. McGettrick

Financial Highlights

Earnings

- Dominion Resources reported operating earnings of $0.71 per share for Q2 2016, finishing in the upper-half of our guidance range of $0.65 per share to $0.75 per share
- Operating earnings would have been at the top of our guidance range, were not for the impact of milder-than-normal weather and higher storm restoration costs
- GAAP earnings were $0.73 per share for Q2
- The principal difference between GAAP and operating earnings was a gain related to our investments in nuclear decommissioning trust funds

- A reconciliation of operating earnings to reported earnings can be found on Schedule 2 of the Earnings Release Kit

Dominion Virginia Power

- Moving to results by operating segment, at Dominion Virginia Power, EBITDA for Q2 was $363mm, which was in the lower half of its guidance range
- Negative drivers for the quarter were higher major storm restoration costs and lower kilowatt hour sales, primarily due to mild weather
  - These were partially offset by growth in rate base and lower operating expenses
- Dominion Generation produced EBITDA of $509mm in Q2, which was in the upper half of its guidance range
- Lower operating expenses and higher rider revenues offset lower than expected kilowatt hour sales at Virginia Power

Dominion Energy

- Second quarter EBITDA for Dominion Energy was $336mm, which was near the top of its guidance range
- Lower operating expenses were the principal driver of the strong results
- On a consolidated basis, interest expenses and income taxes were in line with our expectations

Dominion Midstream Partners

- Overall, we are pleased with the performance of each of our operating segments
- For Q2 2016, Dominion Midstream Partners produced adjusted EBITDA of $27.2mm, 37% higher than the level produced in Q2 last year

Cash Flow

- Distributable cash flow increased 31% to $23.8mm, which was consistent with management's expectations
- On July 22, Dominion Midstream's board of directors declared a distribution of $0.2355 per unit payable on August 15
- This distribution represents a 5% increase over last quarter's payment and is consistent with our plan to achieve 22% annual distribution growth for LP units

Cash and Short-Term Investments

- Now moving to cash flow and treasury activities at Dominion, funds from operations were $2B for the first six months of the year
- We have $5.5B of credit facilities, and taking into account restricted cash and short-term investments
  - We ended the quarter with liquidity of $2.8B
- For statements of cash flow and liquidity, please see pages 14 and 25 of the Earnings Release Kit

Acquisition of Questar

- During Q2, we completed a number of financing transactions to support our growth plan and cover the acquisition of Questar
- Slide six highlights our recent financing activities
- We have a few debt financings planned for the remainder of the year, including issuances at Dominion and VEPCO
- In addition, you should expect us to issue incremental mandatory convertible units to support the Questar transaction

Operating Earnings

- Looking ahead to Q3, Dominion's operating earnings guidance is $0.95 per share to $1.10 per share
- The midpoint of that range is unchanged from the operating earnings of $1.03 per share for Q3 2015
- Positive earnings drivers for the quarter compared to last year are higher revenues from our growth projects and lower capacity lower capacity expenses for Virginia Power

Share Count

- Negative drivers for the quarter compared to last year include the actions of a farm-out agreement and our higher share count
- Dominion's operating earnings guidance for the year remains $3.60 per share to $4 per share

Costs DD&A

- Slide eight is an update of a slide we showed last quarter, which highlight the earnings drivers in the fourth of 2016, which will allow us to achieve our annual guidance range
- The chart begins with our actual operating earnings for H1 2016, plus the mid-point of our guidance for Q3
- The middle of the chart details the positive and negative drivers for this year's fourth quarter relative to the prior year
  - It shows about $0.07 per share of y-over-y negative drivers, principally financing costs DD&A
- We then highlight about $0.47 per share of y-over-y positive drivers in Q4, including normal weather, lower capacity expenses, and the absence of the Millstone outage

Hedging

- As to hedging, you can find our hedge positions on page 27 of the Earnings Release Kit
- As of mid-July, we've hedged 95% of our expected 2016 production at Millstone and 8% of our expected 2017 production

Summary

So, let me summarize my financial review

Operating earnings were $0.71 per share for Q2 2016, which was in the upper-half of our guidance range

Operating results for Dominion Midstream Partners were in line with management's expectations

And finally, Dominion's operating earnings guidance for Q3 is $0.95 per share to $1.10 per share, and full-year earnings guidance remains $3.60 per share to $4.00 per share

Thomas F. Farrell

Financial Highlights

Performance

- Strong operational and safety performance continued in Q2
- All of our business units are on track to meet or exceed their safety goals for the year
- Our nuclear fleet continues to operate well
- The net capacity factor of our six units was 92% for the first six months of the year
- The contribution of the Brunswick County power station helped our regulated power generation group achieve record net generation
- Our nuclear business unit completed two successful refueling outages in Q2
- The outage at Millstone Unit 3 was completed in 34 days and the refueling of Unit 2 at North Anna was completed in 35 days

Growth Plans

- Now, for an update on our growth plans
- The 1,358 megawatt Brunswick County power station began commercial operations in April, completing the construction schedule that began in August 2013 and was completed ahead of time and under budget
- We have begun construction of the 1,588 megawatt Greensville County combined cycle power station
- The air permit for the project was issued by the Virginia Department of Environmental Quality on June 17 and a full notice to proceed was given to Fluor that same day

Commercial Operations

- The $1.3B project is expected to achieve commercial operations in late 2018
- Construction on our two large contracted solar projects, Four Brothers and Three Cedars in Utah continues on time and on budget
- All sites are mechanically complete with grid synchronization underway
- Both projects are expected to be in service this quarter
- Virginia Governor, Terry McAuliffe, affirmed his intention for the Commonwealth to move forward on implementing the Clean Power Plan and signing Executive Order 57 on June 28

- The order set up an executive branch working group to identify executive actions that could be taken to reduce carbon emissions from the electric utility sector
- Continued focus on carbon reduction, combined with demand for low-carbon options by our customers, may require significant additional low- or no-carbon power generation investments in Virginia

Solar Projects

- We have a number of solar projects under development in the state today and continue to see demand for renewables from our customers including data centers and military installations
- Construction of the 80 megawatt solar facility on Virginia's Eastern Shore is underway and is expected to be completed in Q4
- The output from the Eastern Shore facility is under contract with our data center customer, Amazon

Virginia State Corporation Commission

- On June 30, the Virginia State Corporation Commission approved three solar projects in Virginia
- These facilities, totaling 56 megawatts, is also expected to be in service by late this year
- We have filed with the State Corporation Commission for approval of an additional 20 megawatt solar facility at the site of our Remington power station to be in service next year
- The output from this facility will be sold to the Commonwealth of Virginia, and the renewable energy credits will be sold to Microsoft
- In July, we signed a lease with the Department of the Navy to develop an 18 megawatt solar facility at the Oceana Naval Air Station in Virginia Beach, and Monday filed for approval with the State Corporation Commission
- The output of Oceana is under long-term contract with the Commonwealth of Virginia
- If approved by the State Corporation Commission, this facility is expected to be in service by late next year

New Transmission Assets

- We have a number of electric transmission projects at various stages of regulatory approval and construction
- $360mm worth of these facilities were completed in Q2, including our new systems operation center
- We expect to place over $680mm of new transmission assets into service this year
- An application for Phase I of our strategic distribution undergrounding program was filed with the State Corporation Commission

SCC

- The filing, which includes a cost/benefit analysis, covers 400 miles of distribution lines to be converted this year at a cost of $140mm
- The SCC is expected to rule on the filing next month
- Progress on our growth plans for Dominion Energy continues as well

- Our Cove Point Liquefaction project is now 67% complete, with over 1,800 construction workers on site

Operation Staffing Plan

- Our engineering, procurement and construction contractor, IHI/Kiewit, has installed well over half of the 21,500 tons of the structural steel required, and the piping installation is proceeding on plan
- We are on schedule to have all major equipment installation on foundations by end of the year
- Our operation staffing plan is also on schedule
- The formal classroom training began in Q2 and will continue throughout the facility commissioning
- The project continues on time and on budget for a late 2017 in-service date
  - We'll continue to work towards the commencement of construction on the Atlantic Coast Pipeline and the related Supply Header Project

FERC

- We made the formal FERC filings for these projects last September
- In April, after submitting details of a reroute that avoids sensitive areas within the United States Forest Service lands, we received a supplemental notice of intent to prepare an Environmental Impact Statement
- We continue to respond to data requests and we're quite pleased with our progress at FERC
- We anticipate receiving a scheduling order very soon, followed by a permit which will allow us to begin construction by mid-2017

Atlantic Coast Pipeline and Supply Header

- Surveying and pipeline engineering is nearly complete and will be finished this year
- Materials procurement is now over 80% complete and we are finalizing our detailed construction plan
- We expect completion of the Atlantic Coast Pipeline and Supply Header in late 2018
- The St. Charles market access project delivering 132,000 dekatherms per day to a CPV power plant in Maryland was completed June 1 on time and on budget
  - We currently have four projects under construction for an additional 600,000 dekatherms per day to come online later this year
- In total, we have 10 pipeline growth projects underway in addition to the Atlantic Coast Pipeline and Supply Header, with $1B of investment to move more than 1.5B cubic feet per day for customers by the end of 2018
- The majority of the projects are demand-driven, moving gas to end-use power generation or local distribution companies

Farm-Out Activity

- Turning to our farm-out activity, we have enjoyed significant success with our Marcellus and Utica acreage farm-out program which began in 2013

- Our current focus is on the portfolio of remaining Utica acreage packages and the prospect of restructuring the previously completed transactions
  - While many producers pulled back near-term drilling plans, there remains significant interest in several areas throughout our farm-out program
- During Q2, we restructured a previous agreement covering 79,000 acres of Marcellus Shale development rights
- As part of the restructuring, the parties have agreed to convey immediately a portion of the acreage to facilitate its development, resulting in the recognition of $36mm of revenue

North Carolina Commission

- We're currently in discussions with multiple parties and expect to realize additional value later this year
- On March 31, Dominion filed base rate case for North Carolina service territory seeking approval of $51.1mm increase in base rate revenues based on a 10.5% return on equity
- The North Carolina Commission issued a Procedural Order in May that calls for hearings in October
  - We have requested to implement the proposed rates, subject to refund, November 1, with permanent rates becoming effective January 1 of next year

Idaho Commission

- Finally, I want to update you on our pending merger with Questar Corporation
- Questar's shareholders approved the transaction in May
- Merger applications were filed with the Utah and Wyoming Public Service Commissions, and notice was provided to the Idaho Commission
- Technical conferences were completed last quarter and discovery is almost complete

Wyoming Commission

- On August 1, we filed a settlement stipulation with the Wyoming Commission related to the merger
- We will file supporting testimony on August 11 and will present the settlement to the Wyoming Commission on September 14
- On July 28, we filed rebuttal testimony with the Utah Commission
- The hearing before that Commission is scheduled for August 22
  - We expect to close the transaction by year end

Summary

So to summarize, our businesses delivered strong operating and safety performance in Q2

The Brunswick County power station is now complete and in service, ahead of time and under budget

The Greensville County project has been approved and construction is underway

Construction of the Cove Point Liquefaction project is on time and on budget

We continue to work toward FERC approval for the Atlantic Coast Pipeline and the Supply Header Project, and we are working toward a successful close of our combination with Questar Corporation later this year

QUESTION AND ANSWER SECTION

<Q - Julien Dumoulin-Smith>: So, perhaps just to follow up here on 2017, can you elaborate a little bit on where you stand? Obviously, a little bit preempting guidance here later this year, but where do you stand relative to Millstone and hedging? And provide a little bit more thought on timing for hedging, given where the commodity markets has been this year?

<A - Mark F. McGettrick>: Hey, Julien, this is Mark. As you can see from our hedge schedules, we didn't hedge anything in Q2 this year and we actually don't expect to hedge much in Q3 this year either. Our view is that the oversupply that occur because of a very mild winter and a very high production cycle over the last year or so is normalizing. And we think with a warm summer this year, going into the fall, that storage will be full early, and we will see more bullish price signals in the Northeast, as we go into the winter period.

That being said, we've referenced a number of times that as we go into a CY, and certainly by the call at the end of January or early February, we would expect Millstone to be hedged between 80% and 90%, which it always has been. But our hedge view is that we are going to wait until later this year to place more hedges on that facility.

<Q - Julien Dumoulin-Smith>: Got it. And therefore holding off on providing anymore formal commentary on 2017, right?

<A - Mark F. McGettrick>: That's right. I mean, we always give guidance for the CY typically in January, and that's still our view for 2017. But there's no question that the Millstone revenue stream is driven by power prices, are a big driver to 2017, one way or the other, and we want to get a very clear view on that before we give our annual guidance for 2017.

<Q - Julien Dumoulin-Smith>: And also to clarify, I know you're trying to time things for hedges on 2017. Just, and going forward, what are your expectations for your hedging policy? Anything beyond kind of year-one hedge in January?

<A - Mark F. McGettrick>: Well, we typically over the years have averaged hedges over a three-year period pretty routinely. But we changed that about a year or so ago when we saw this very steep, very quick decline in power prices, which we do not think is sustainable.

Obviously too, Julien, and you watch this closely that there's a lot of legislative activity occurring in the Northeast that could well impact nuclear and power prices in general. We want to see, if we can get a little more clarity on some of those activities. So, we will be market-sensitive to this. But unless the forward curves move, we're not going to be in a hurry to hedge right away beyond 2017.

<Q - Julien Dumoulin-Smith>: Got it. And then just following up on a separate subject here, on ITCs, can you clarify a little bit, where do you stand on 2017 relative to plan? I know you guys talked about $0.10 to $0.15. You've announced a few projects thus far I think for next year in VEPCO. And can you also clarify which projects qualify for the ITCs and which ones don't under VEPCO? And then maybe just a further detail what's the total for 2016, just to get it out there, between VEPCO and [indiscernible] (22:38)?

<A - Mark F. McGettrick>: Okay, there's like eight questions here, Julien, I think, but I'll be glad to answer all of them. Let's start with this year's ITCs, based on projects that have been announced. And we talked about this on previous calls, the projects in Utah, which are very large projects, will produce between $0.30 and $0.35 of earnings from ITCs. And that range is really based on whatever the actual capital cost might be at the end, so that's a good planning range. In addition, we have one other project that we anticipate ITCs on this year in Virginia. It's an Eastern Shore project contracted with Amazon, and we would expect ITCs in a range of probably $0.06 to $0.08 from that project. So that makes up 2016.

2017, I mentioned, if I recall on the January call, that for planning purposes, we had anticipated between $0.10 and $0.15 of ITCs in 2017 based on the activity that we knew of at that time. Since the first of the year, we've seen a tremendous amount of interest from a number of parties in Virginia, state government, military facilities, data centers and others, to step up the generation solar build in Virginia.

And I would expect that that number for 2017 could easily double from that $0.10 to $0.15, and be in the $0.30 range, based on the activity we know of today. Now, we have not announced all the projects for 2017. But again, based on the pipeline of interest and the folks that we are discussing projects with, I would expect, again, ITCs in 2017 probably now to range in the $0.30 range.

<Q - Stephen Calder Byrd>: I wanted to discuss the power demand growth outlook in Virginia. Just wondered if you could give us your latest thinking. We've heard from you before in terms of your overall take. Just curious what you're seeing lately in terms of the outlook for power demand growth?

<A - Mark F. McGettrick>: Stephen, this is Mark. Our view, as we've stated in the past, currently is about a 1% power demand growth rate to stay. If you look at H1 this year, it's been less than that. It's actually slightly down to the previous period. But the mix is pretty interesting. For example, in Q2, although sales were down about 1% over a similar period last year, revenues were actually right at budget at about 1% higher. And that's because residential sales were very strong in the quarter.

So, we still believe that 1% sales growth over the next couple of years is certainly in the realm of possibility and that's in our planning data. We would like to see stronger commercial sales growth outside of data centers. And we think that will again be driven by spending from the government, where it was curtailed during the sequestration and is starting to come back, but it's been slow. So we, again, believe that 1% growth is achievable and a realistic goal as we go forward.

<Q - Stephen Calder Byrd>: Understood. And weather adjusted for the quarter. How did it turn out in terms of maybe for residential and commercial in particular?

<A - Mark F. McGettrick>: For Q2, weather normalized, residential sales were up 1.5%. Data centers were up almost 21%. Commercial customers, excluding the data centers, were down about 3%, and industrial customers were down about 9%. And that's a very large percentage of industrials, as you know, industrials make up a very small portion of our revenue streams. But they were down pretty strongly for the quarter.

<Q - Greg Gordon>: So, when you talk about the demand for solar in Virginia, I mean, as I am thinking about the different business units, VEPCO gas operations, merchant power, should we assume that that – where will those projects reside? Will they reside at VEPCO or would they reside at another operating company?

<A - Thomas F. Farrell>: Greg, it's likely to be a mix of both, depending upon who the customer is and what their interest is. If you – rather, we can get into a discussion of tax normalization if you'd like, but I think it might mind-numb everybody.

<Q - Greg Gordon>: Yes, please, let's not do that.

<A - Thomas F. Farrell>: Yeah, so we're not going to do anything that sort of affect our tax normalization at Virginia Power in a regulated business, it's a regulated part of the business unit. So if you do want to regulate an entity, you cannot take advantage of the tax credit, unless you do it through a market-based rate.

Two of the projects that were approved earlier this year, the Commission preferred a regulated rate of return. So those will not get – we will not take advantage of the tax credits in that situation. The military, one that we announced this week at Oceana Naval Air Station and the Amazon projects underway on the Eastern Shore, are both going to be done through unregulated arms of the company. And we will be able to take advantage of the tax credits.

So, we'll move through time. Mark mentioned, there has been a tremendous up-tick in interest in our customers in Virginia and elsewhere for us to participate in solar projects and customers that we deal within Virginia, but those same customers have been looking for us to deal with it elsewhere, because we have a reputation of getting projects done on time and on budget. So we have a lot in the pipeline right now. But it will be a mix, depending upon what the customers' needs are and where we are in the process.

<Q - Greg Gordon>: Well, that's fortuitous, because obviously with uncertainty around where the Millstone revenues are going to be, that could be a good substitute if power prices don't recover. Is that fair?

<A - Thomas F. Farrell>: I'll just say there's a lot of solar opportunity for us. So a lot of tax credit availability, to the extent we have an appetite for, next year.

<Q - Greg Gordon>: Great. And when do you think we'll have some clarity around the timing of the financing plan for Questar? It doesn't sound like you're looking at any significant roadblocks to closing by year-end. Should we presume that the timing of the converts come around the time of close? Or will you be more opportunistic, like, for instance, NextEra, which is pre-funding the Oncor deal even though they're in a [indiscernible] (30:20)?

<A - Mark F. McGettrick>: Greg, this is Mark. We will be opportunistic on this. We have some Dominion debt to issue still and we have some converts issue still. And we will be utilizing the market for that here over the next several months. But there's a lot of interest in both, from what we hear from bondholders and investors, and we'll go to the market when we think the timing is right. We won't wait until it's much closer to Questar, if we think we can go earlier.

<Q - Greg Gordon>: Great. And my last question is, as of sort of your last investor presentation, the May deck, you're still pointing to a consistent earnings and dividend growth profile as outlined in your Analyst Day from a year-ago February. At what point, once we get through the rest of the year, see the Millstone hedges, get more visibility on solar, close Questar, are you going to be in a position to give us a fulsome update on the outlook?

<A - Thomas F. Farrell>: I think, Greg, it will come after we give 2017 guidance in January. We probably look to do that sometime early in 2017. We have two [indiscernible] (31:48) make sure we're very comfortable with in. The first one is Cove Point, which is scheduled for late 2017. And obviously, that is a huge driver for us, 2018 and beyond. Project is going very well, but we'd like to get a little more construction done there.

And then we also want to see that the forward curves move much based on, as we go into this winter, is 2017 going to move or is the whole curve going to move. So, again, timing wise, I'd look for H1 2017 for a more detailed outlook.

<Q - Angie Storozynski>: I actually wanted to follow up on that question. So, does it mean that when you guys provide your 2017 guidance, you're not going to give us an outlook for 2018 and beyond at the same time?

<A - Mark F. McGettrick>: Angie, it's Mark. I don't right now anticipate unless the forward curves move significantly and we have hedged Millstone, that we will give any new update on 2018 and beyond when we give 2017 guidance in January.

<Q - Angie Storozynski>: Okay. And now, given what just happened in New York with the support for the upstate New York nuclear plant, do you feel like there's going to be a similar move potentially impacting Millstone?

<A - Thomas F. Farrell>: The Connecticut legislature, Angie, as you know, the Senate unanimously passed piece of legislation that is supported by, Governor Malloy, and it came very late in the session, so the house didn't get to it. It's expected to come back in the session when they reconvene in the early part of 2017. It's a little bit different. New York is, as I understand, the New York [indiscernible] (33:51) straight subsidy to the upstate New York nuclear facilities.

Connecticut has taken a different approach which is to allow carbon-free production to bid into what has been set aside just for renewables for the local utilities. So, I think a very innovative approach and one that Millstone would participate in. And I think the last version of the legislation had up to half of Millstone would be eligible to participate, which would be a good anchor for that plant. So, yes, we expect to see more activity as we get into next year, when the legislatures come back to work.

<Q - Angie Storozynski>: But it has no bearing on the hedging of the plants?

<A - Thomas F. Farrell>: Well, I think as Mark said, before we talk about 2018, before we look at 2018's hedges, we'll look at the forward curves, we will also see [indiscernible] (34:58) legislation is, because we want to be able to participate in the auction, if Millstone becomes eligible.

<Q - Angie Storozynski>: Okay. And the last question, would you consider potentially selling the plant to an operator with a larger fleet of nuclear plant?

<A - Thomas F. Farrell>: Angie, I think we've always – we said we'll consider selling most any asset, but I think that is highly unlikely in this situation. Millstone provides half of Connecticut's power. Connecticut has exactly zero chance of meeting its carbon goals if something were to take Millstone out of the energy mix in that state. It's a very good plant and it's got some economic challenges at the moment, but we're not anticipating any consideration of selling it.

<Q - Steve Fleishman>: One other clarity on the financing of Questar. So, the remaining financing was going to be converts and still DM dropdown. So, do you still plan to do some drops into DM later this year related to that?

<A - Mark F. McGettrick>: Hey, Steve, this is Mark. Yeah, the remaining – there's just a debt piece remaining as well. But what we said was we had about $2.4B of financing, which we plan to split between mandatory convertibles at Dominion and equity and other sources at DM. But as part of our bridge financing, we've taken out a term loan or will, I should say, take out a term loan, effective for 12 months at very attractive rates to us at close.

So, it gives us a lot of flexibility at DM on when we drop those assets into DM, we don't need to drop the assets to support our distribution growth rate until latter part of 2017. So, we will be very opportunistic on DM and when we do that and we may well utilize the term loan for a period of time to bridge the financing.

<Q - Steve Fleishman>: Okay. I guess my other question, just too kind of fill in the discussion more on new solar, what would be – because obviously it'd be helpful to get the ITCs, and the other part of it is though you do have – you would have a lot more capital need, I assume. So could you give a sense to get to the $0.30 or double this, like how much more capital spend might that require?

<A - Mark F. McGettrick>: I don't have that number readily available, Steve. I will follow up with you on it though.

<Q - Brian J. Chin>: Just going back to Millstone, you've made it very clear that you have a particular point of view on where the forward curves could go. If we wanted to simply assume where the forward curves are at right now, then relative to the assumptions that are embedded in guidance, can you give us a sense of how different the guidance might be, just help us calibrate where things stand at the moment?

<A - Mark F. McGettrick>: Well, we haven't given, Brian, specific guidance for 2017 yet. The only thing we've done is we gave directional opportunities in February or March of 2015, where we showed a potential growth rate long-term. What I would do if I was modeling this, I would go back to the end of 2014, see what the NEPOOL market price was then for 2017 and 2018 and 2019 and reference that to what the current strip is, if you wanted to see a range of potential impacts for that one asset alone.

So, now again, that doesn't take into consideration other opportunities that have developed since our last Analyst Day. For example, capacity performance improvement that wasn't there before, and other solar opportunities that we've talked a lot about today. But for that one specific asset, I would look at the prices at the end of 2014 and reference that to whatever the market has today or whatever you believe the strip is going to be in January of next year.

<Q - Jonathan Philip Arnold>: So, couple of questions. When I look at your fourth quarter earnings build out – I apologize I wasn't on the whole of the call, so tell me if this was covered, but it looks like you have $0.08 coming out of O&M/Other. And when I look at the past second-half bridge you gave us last quarter, it was presented a little differently, but there were like $0.02 coming from restructuring-type efforts. So, is this just kind of a presentational thing or are you doing more on costs and just how to bridge those two numbers?

<A - Mark F. McGettrick>: There is a couple things here. I would say it's probably format, more than anything, Jonathan. But to give you little more color on that $0.08, there will be incremental cost control beyond the $0.02 of staffing savings that we referenced on the last call.

We also would expect that Questar will close by Q4 and we would see some potentially slight help from that. And we think we will have some financing savings as well as we move through the year, based on our current plans vs. our previous ones.

<Q - Jonathan Philip Arnold>: So the plan has – you have got a little more aggressive on the plan, but there's also some presentation. Is that a fair summary?

<A - Mark F. McGettrick>: I think that's probably right. We're very focused on O&M. If you look at the first six months of this year, we were – vs. the similar period last year, I think we were down about $0.06 on O&M. We're going to be down on O&M between now and the end of the year.

And we're anticipating a recovery in weather, but we're a little weather short in the first six months vs. norm. So we're very focused on that. And O&M is one of the levers that we're working on to try to offset some of these unforeseens.

<Q - Jonathan Philip Arnold>: Okay, great. And then just on Cove Point, you're obviously staying on time, on budget, et cetera. I notice that the percentage completion went up 3% this quarter, would seem to be just kind of a quite a lot less than it has done in several recent quarters. So, can you give us a sense of what the trajectory from 67% to completion over the next however many quarters it is?

<A - Thomas F. Farrell>: Jonathan, I'm not sure – you have to go back and check your reference. I don't [indiscernible] (43:02).

<Q - Jonathan Philip Arnold>: You were 64% in Q1, now you are 67%.

<A - Thomas F. Farrell>: Yeah.

<Q - Jonathan Philip Arnold>: That's plus 3%. The last three quarters has been like plus 11%, plus 9%, plus 8%. So it just seems as probably the nature of how it works, and I am curious how we get from – what's the timing from getting from 67% to 100%?

<A - Thomas F. Farrell>: The plant, well, we're going to start commissioning middle of next year. So, you'll see that percentage continue to grow. You're in a part now Jonathan where you're doing this – you're laying the pipe racks and you're laying the conduits for the wiring and put the wiring in the big chunks of progress, the rapid chunks of progress, putting in the big pieces of equipment. That's all largely complete.

So the concrete is all poured, for example. And the sound wall is finished. We don't have any hesitation that we're on time and on budget and we will be ready to come online late next year.

<Q - Neel Mitra>: Just wanted to go over maybe the revised outlook for Blue Racer, given the fact that NGL prices have moved in, propane and ethane are a little bit stronger. Has your CapEx timing changed in terms of bringing on processing plants and just your overall view of the wet gas Utica and opportunities there?

<A - Mark F. McGettrick>: Neel, this is Mark. As we've said over the last 6 months to 9 months, Blue Racer, we should have had five processing plants online based on forecasts that we put out at our Analyst Day 18 months ago. We only have four online and they are almost all at full capacity. We have not seen a big step up based on current NGLs or oil in the basin. And we're being very cautious on Blue Racer to only invest capital when we have firm commitments from drillers. We have had some reach-out from producers and drillers here in the last several months inquiring about their interest in moving ahead in the last half of this year and first part of next year.

But right now, I would say, we're in a cautious mode on Blue Racer. And I don't expect new processing to be put in this year and maybe not for H1 next year.

<Q - Neel Mitra>: Got it. And then my second question on the farm-out agreements, are those typically lumpy or should we expect that they'll come on over a generally linear time period or are they going to come on in some sort of concentrated level and if you have some predictability around those earnings?

<A - Mark F. McGettrick>: They fall into the lumpy category. We've been constantly in negotiations. We have lots of different Utica fields. We have restructurings. We have a variety of activities going on and we are involved in multiple conversations even today.

<Q - Neel Mitra>: Great. And my last question, just on the quarter, in all three business segments, your operating expenses had come down. Is that a trend or is it kind of specific to this quarter?

<A - Mark F. McGettrick>: I think this quarter is probably larger, Neel, than you're going to see in the remaining part of the year as just a single number. But as I mentioned to a previous caller, that we're very focused on expenses and controlling expenses here to help us meet our guidance. And so, you will see expense savings between now and the end of the year vs. original guidance and that is included in the reference on the slide where we think between O&M and other activities that we've highlighted, we will y-over-y be about $0.08 better in the last half of this year than we were last year.