Q2 2022 Earnings Call

Company Participants

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

Other Participants

- Andrew Weisel, Analyst, Scotiabank
- Anthony Crowdell, Analyst, Mizuho
- David Arcaro, Morgan Stanley
- Insoo Kim, Analyst, Goldman Sachs
- Jeremy Tonet, Analyst, JPMorgan
- Nicholas Campanella, Credit Suisse
- Ryan Levine, Citi
- Shar Pourreza, Guggenheim Partners
- Steve Fleishman, Wolfe Research

Presentation

Operator

Good morning, my name is Julianne, and I'll be your conference operator today. At this time, I would like to welcome everyone to DTE Energy's Q2 2022 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

Barbara Tuckfield, Director of Investor Relations, you may begin your conference.

Barbara Tuckfield {BIO 19701481 <GO>}

Thank you and good morning, everyone. Before we get started, I would like to remind you to read the Safe Harbor statement on page 2 of the presentation, including the reference to forward-looking statements. Our presentation also includes references to operating earnings, which is a non-GAAP financial measure. Please refer to the reconciliation of GAAP earnings to operating earnings provided in the appendix.

With us this morning are Jerry Norcia, Chairman, President and CEO; and Dave Ruud Senior Vice President and CFO.

And now, I'll turn it over to Jerry, to start the call this morning.

Jerry Norcia {BIO 15233490 <GO>}

Thanks, Barb, and good morning, everyone and thanks for joining us.

Let me start by saying it halfway through 2022, we are on track for another very successful year and we continue to be well positioned for the future. This morning, I will highlight some of the successes we have accomplished this year, and Dave will provide a financial update and wrap things up before we take your questions.

Slide 4 lays out the topics I will talk about this morning and all are very positive. As I said, we are on track for another successful year at DTE. And it always starts with our commitment to deliver for our team, customers, communities and investors. We continue our journey of transitioning to a clean energy future, highlighted by putting our new natural gas plant in service, on time and on budget. We have made great strides on strengthening our grid, in particular, to prepare for potential severe weather.

On the financial front, we are delivering another strong year for investors. On our first quarter call, we told you we were ahead of plan and we continue to track in that way through the second quarter. We are confident that we will achieve our financial goals for the remainder of the year. In fact, we are raising our 2022 operating EPS guidance midpoint, from $5.90 per share to $6. This is the second guidance increase for 2022, and provides over 8% growth from our 2021 original guidance midpoint. So we are excited about delivering another successful year in 2022.

Let's move to slide 5 to discuss how we are delivering for all of our stakeholders. You're probably very familiar with the slide by now, this highlights the focus on our four key stakeholders. We know that with our engaged and talented team, we will continue to deliver for our customers, communities and investors. We are working hard on all of these fronts and I'm pleased to highlight some of the recognition we have received. We continue to focus on improving the health and well-being of our team. I'm proud to say we were recently recognized for our efforts in this area by receiving the Best Employers Award from the Business Group on health, for excellence in health and well-being. With an additional notice, for excellence and mental health. The award was given the companies that focus on Health, Equity and the employee experience, and demonstrate the principles of diversity, equity and inclusion. DTE is one of only two utilities to receive this award, which shows our commitment to improve the lives of our team and their families.

On the customer front we received the ENERGY STAR excellence and Energy Efficiency Award from the EPA and the Department of Energy, recognizing energy programs that demonstrate organization wide energy savings and best practices. We also continue our efforts to support our communities. DTE was recognized by Points of Light for the fifth consecutive year as one of the Civic 50. This award highlights DTE as one of the top 50 community-minded companies nationwide in corporate citizenship.

We will continue our efforts in helping to build stronger communities with the many programs we have in place. I'm glad our team gets acknowledge for the great work they are doing.

Equally as important is that DTE continues its journey to deliver for our customers and to be a force for good in our communities. What does that all mean? Well, I've always said, that having highly engaged employees, customers who are satisfied with their service, and communities that are resilient and thriving enables us to deliver distinctive value for our investors. And as I mentioned, we are raising the midpoint of our 2022 operating EPS guidance, given the strength we have seen in the first half of the year and the opportunities we have in the second half. Dave will provide the details on the guidance in a few minutes.

Let's turn to slide 6. Some of you have recently heard me say that right now is one of the most exciting times in our industry. I recently told a group of new employees that they are joining our company and industry in one of the most interesting times in our history. There is so much opportunity in front of us in transforming the way we produce power, shifting generation from coal to gas and renewables, in modernizing our grid, prepare for worsening weather patterns and preparing for increased demand from emerging technologies, like vehicle electrification. The level of investment in our company in our industry over the next 5 and 10 years will rival the original build-outs of power generation and the electric grid. We have made great strides in preparing for these opportunities in a number of key areas. The Blue Water Energy Center, our new natural gas plant went into service in June. This state-of-the-art facility has an 1100 megawatt capacity and was constructed on time and on budget. The in-service of this plant was timed with the retirement of our St. Clair and Trenton power plants. Today, less than 40% of DTE's generation mix is attributable to coal, and by 2028, after we cease coal use at our 1,000 megawatt Belle River Power Plant, coal will represent less than 30% of our generation mix. So we are ahead of our previous plan, well on the path toward our net zero emissions goal. Our voluntary renewables program, MIGreenPower continues to show substantial growth. In fact, we have doubled the number of customers enrolled in the program for the third year in a row.

Recently, new contracts with the Ann Arbor school system and Comcast were added to the program, we have nearly 1100 megawatts subscribed with large business customers and over 60,000 residential customers.

We are also finalizing agreements for over $1 billion of new MIGreenPower investments with additional large customers. We also continue our important main renewal work with the target of completing another 200 miles in 2022, ensuring we can continue providing safe and reliable service to our customers.

At DTE Vantage, we have multiple onsite energy projects and varied RNG projects coming online in the second half of the year. Additionally, we have a strong pipeline of projects to support growth in this business, including potential additional landfilled RNG conversions.

DTE Electric's rate case proceedings are going well. We are on track to file our integrated resource plan in October of this year. We continue to evaluate the opportunity to exit coal use at the Monroe Power Plant earlier than 2040, and this filing will begin to address our opportunities on that front.

As I mentioned on our first quarter call, we have been extremely focused on further hardening our grid, and as you know, we experienced extreme weather last year, we have an aging system. We need to replace and upgrade poles, insulators and transformers. As a team, we are committed to building a flawless grid for our customers and we need to invest to move towards that aspiration. And with the level of investment and energy inside DTE, we will get there. We continue to make progress on further improving the reliability of our system, with significant investments in tree trimming, around 70% of our outages are the result of trees and we have a very aggressive tree trimming program. We have gone from investing $60 million in 2013 to well over $200 million this year to push trees away from our wires; and as we do this successfully and continue to replace and rebuild our challenged circuits, our customers are experiencing the reliability that they expect.

So we are definitely making great progress across all of our businesses in 2022 and continue to be ahead of plan. As I mentioned, we are increasing our 2022 operating EPS guidance midpoint to $6 per share, providing over 8% growth from the original guidance.

Let's move to slide 7. We are planning to invest over $40 billion in our utilities over the next 10 years. At DTE Electric, we are investing over $35 billion over this time period to support reliability by building the grid of the future, while adding renewable resources. And as we plan for a cessation of coal use, we will need to invest in renewable resources, short and long duration storage, demand response and other dispatchable carbon free resources.

We also see the increased pace of EV adoption that is driving grid investments support increased sales and the need for additional reliable generation. At DTE Gas, we are deploying significant capital over the next 10 years to upgrade or replace our aging infrastructure and to further reduce greenhouse gas emissions. This large inventory of utility investment provides the opportunity for capital forward in the future five-year plans and positions us for sustainable long-term growth.

We continue to evaluate our long-term EPS growth target as we update our five-year plan and work through various milestones in our electric rate case while actively engaging stakeholders as it relates to our integrated resource plan filing.

And our total return continues to outpace the industry, supported by a dividend that is growing in line with our operating EPS growth.

With that, I will turn it over to Dave to provide the financial update. Dave, over to you.

David Ruud {BIO 16089859 <GO>}

Thanks, Jerry and good morning, everyone. Let me start on Slide 8 to review our second quarter financial results. Operating earnings for the quarter were $171 million. This translates into $0.88 per share. You'll find a detailed breakdown of EPS by segment, including our reconciliation to GAAP reported earnings in the appendix.

I'll start the review at the top of the page with our utilities. DTE Electric's earnings were $186 million for the quarter. The primary drivers of the variance of second quarter last year were higher rate base costs, cooler weather, O&M expense timing and the expected movement toward pre-COVID residential sales levels. This was partially offset by the acceleration of the deferred tax amortization in 2022 that was implemented to delay the filing of our rate case to keep base rates flat during the pandemic.

The sales level change was consistent with our forecast and included in our full year guidance. The higher O&M was driven in part by additional investment in acceleration of our tree trim program, and some of the O&M was also driven by planned investment to ensure we continue to be well positioned for future years.

The O&M timing variance will reverse in the second half of the year. I'd also like to remind you that in Q4 of 2021, we voluntarily implemented a one-time margin deferral of $90 million to be applied to the acceleration of tree trim expenses over the next few years to further our reliability improvements. This is an expense that is non-recurring for the second half of 2022. So with favorable weather and strong first half performance, DTE Electric is in a solid position to increase guidance for the full year.

Moving on to DTE Gas. Operating earnings were $6 million dollars, $1 million lower than the second quarter of 2021. The earnings variance was due to higher rate base and O&M costs partially offset by the implementation of base rates. Given the solid position year-to-date for the gas company, we will be raising full-year guidance for this business.

Let's move to DTE Vantage on the third row. Operating earnings were $28 million in the second quarter of 2022. This is a $6 million decrease from the second quarter last year, due to the sunset of the RAF business at the end of 2021, partially offset by higher earnings from the remainder of the portfolio.

On the next row, you can see Energy Trading earnings were $7 million for the quarter. This is a decrease of $40 million from the second quarter of 2021, mainly due to the strong performance in the power portfolio that we had in 2021 offset by favorable performance and timing in our physical gas portfolio this year.

Year-to-date, Energy Trading is at $52 million of operating earnings, which is favorable to our full year guidance. As I mentioned on our first quarter call, some of this favorability is driven by strong performance and some is timing related due to strategic long positions, it's part physical positions that will occur in future months.

While we do expect a reversal of the timing portion of this favorability as we deliver on these positions, we are confident in increasing our guidance in Energy Trading to reflect a strong performance in the first half of the year.

Finally, corporate and other was a favorable $9 million quarter-over-quarter, which is primarily due to expenses we incurred in 2021 to opportunistically retire higher priced debt at the holding company. In the second quarter, we also saw the reversal of the favorable tax timing from the first quarter. Overall, DTE earned $0.88 per share in the second quarter.

Let's turn to slide 9. As Jerry mentioned, we are ahead of plan year-to-date and we are increasing our 2022 operating EPS guidance of both DTE Electric and DTE Gas, primarily due to favorable weather and we are increasing guidance of Energy Trading due to the strong performance through the first half of the year.

Overall, we are increasing 2022 operating EPS guidance from a midpoint of $5.90 per share to $6 per share. And we feel we are in great position to achieve this, as well as continue to invest in our system to support performance in future years.

Let me wrap up on slide 10 and then we'll take your questions. In summary, we feel great about our year-to-date financial results. We're having a strong operational and financial start to 2022 and are increasing our operating EPS guidance midpoint of $6 per share, which provides over 8% growth from our 2021 original guidance midpoint.

A robust capital plan supports our strong long-term operating EPS growth, while providing cleaner generation and increased reliability with a focus on customer affordability. DTE continues to be well positioned to deliver the premium total shareholder returns that our investors have come to expect, with strong operating EPS growth of 5% to 7% and a dividend growing in line with operating EPS.

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

Questions And Answers

Operator

(Operator Instructions) Our first question will come from Shar Pourreza from Guggenheim Partners. Please go ahead, your line is open.

Q - Shar Pourreza

Hey, good morning, guys.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Shar.

A - David Ruud {BIO 16089859 <GO>}

Hey, Shar

Q - Shar Pourreza

How you doing? So, Jerry, let me just, if it's okay, start with the IRP, as we're kind of getting closer to the date. Do you have any sort of incremental thoughts on the overall approach beyond just the acceleration of coal and renewable investments? I mean do you see opportunities for some immediate step ups, like a purchase of an existing asset or more gradual capital over time? And any changes to -- in financing in either scenario?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, we see early in our plan, is certainly incremental investments in renewables, as well as batteries and also potential conversion of Belle River Power plant to natural gas use. So we see those types of investments, Shar, coming into the plan, and in the view in the first five years of the plan. So those are the major areas that -- of opportunity that we see. And of course, longer term, we see significant investment in baseload generation, potential incremental renewables as well.

So we're getting pretty excited about how this plan is shaping up and we're starting to get feedback from our stakeholders that is for somewhat supportive, some stakeholders want us to go faster, some of them want us to go slower, but we're feeling pretty good about how the plan is shaping up in order for it to be, what I would say a resilient, reliable plan for our customers as well as affordable and also valuable to our investors.

Q - Shar Pourreza

Just a follow-up on the slowing down. I know, really want to just maybe focus on the coal assets, right, because there seems to be a push in a few states to kind of maintain their viability longer for reliability purposes, et cetera. Any sense if your thoughts have changed and how to think about plants like Monroe, or are we still looking to accelerate those retirements, just given what we've seen in several states?

A - Jerry Norcia {BIO 15233490 <GO>}

I'd say Shar, our thinking has not changed. If you looked at how we've handled this thus far, we've retired a significant amount of coal already. We retired St. Clair, Rouge, Trenton, and we basically replaced those baseload generation assets one for one with natural gas assets that we purchased as well as new power plant, gas plant, that we just built; and so we feel real good about our position in terms of having reliable and dispatchable generation, and I think you'll see that pattern to continue, where not only will we build out renewable resources into our plan, but we'll also have battery systems and we'll have baseload generation in our future that will help achieve our resilience and reliability as we look to retire Monroe sooner than what we had expected, or forecasted, I should say.

Q - Shar Pourreza

Yeah. Got it. And just last one for me, just around the visibility of the Vantage growth and any kind of strategic updates? I mean obviously, there has been some turbulence in RNG, which is one of the major drivers of that business, but at the same time, competitors are starting to merge more prominently focused on RNG, I guess do you see that kind of complicating the development process, but more importantly, as we're thinking about strategically, does this kind of present even a better opportunity for you to recycle some or all of those assets?

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah, Shar. I'll start by saying that we're always looking for opportunities to maximize investor value. In that business today, we see a strong -- we have a strong line of sight to growth, especially in the landfill to RNG conversions, got a good inventory of those projects and those are still giving us mid-teens type of unlevered IRRs. So we feel really good about the growth but then again, a constant evaluation is the best path forward for our investors.

Q - Shar Pourreza

Terrific. Thanks, guys, congrats on the results.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you, Shar.

Operator

Our next question comes from Jeremy Tonet from JP Morgan. Please go ahead, your line is open.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Jeremy.

A - David Ruud {BIO 16089859 <GO>}

Hi, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just wanted to dive into load growth a little bit more, if you could share any more thoughts on your expectations for residential going forward here at this point in kind of the drivers? Just thinking about how -- post COVID world, if we are -- things are kind of evolving at this point relative to prior expectations?

A - Jerry Norcia {BIO 15233490 <GO>}

Dave, you want to take that?

A - David Ruud {BIO 16089859 <GO>}

Sure. Hi, Jeremy. Yeah, I'd say things are things are going as we had planned or as we had thought it would. If you remember, our residential sales were up about 7% to 8% over pre COVID levels, kind at the heart of everybody working at home, and we're seeing that trend down, when we saw that a little bit in this quarter, with about a 2% lower residential sales this quarter, and we think that's going to continue to trend down a little more as people come back to work and that's what we've contemplated in our rate case, and just assuming we get closer to those pre-COVID levels.

And we have seen, commercial and industrial come back and so we're flat overall. But we're seeing as people tend to go back to work, we're seeing some of that on -- some of that expected reduction in our residential services. Still higher than pre-COVID right now.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. And hot off the press and maybe too fresh, but just wondering those recent report surrounding mentioned supporting certain legislation out there on a climate package and just wondering if you had any preliminary thoughts there or how this might or not impact your upcoming IRP?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, you're right, it's hot off the press, it's interesting. And it was a good surprise last night. We are not counting on any of this right now in our plan but we think that there is some, some good benefits and some good impacts to clean energy going forward. So we see the PTCs for solar, actually PTCs for nuclear and the increased value for carbon capture all being positive to help this transition and really help with some of the things that we want to do in the IRP.

So we're going through and reviewing this, we had gone through it a year ago or whenever it first came out and kind of going back through and seeing what the impacts could be to our plan, but -- so, right now our plan didn't contemplate any of this, but this could all be good positive stuff for us.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's helpful. I'll leave it there. Thanks.

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah.

Operator

Our next question comes from Insoo Kim from Goldman Sachs. Please go ahead, your line is open.

Q - Insoo Kim {BIO 19660313 <GO>}

Hey, thank you. First question, going back to the upcoming IRP a little bit. And given the recent experience by CMS or Consumers Energy getting their IRP approved and the different items, including they're still getting the recovery in return of the value of their coal plants that they're retiring early. Just -- I know it's, we'll just have to wait for the filing at all, but how has that decision and the components of it impacted, I guess, your planning overall, as you think about your fleet?

A - Jerry Norcia {BIO 15233490 <GO>}

Well, first of all I will say that the results in the CMS case were instructive and very positive and supportive of the plan that we're looking to file. I will also say that in terms of assets, we're looking in the first five years for a conversion of an asset. So we will not retire any coal facilities at this point in time, likely, in the three to four years, but it will start to fall into, likely the tail-end of our five-year plan and beyond, where we'll pull forward future retirements, where we have to address undepreciated amounts through either conversion to different beneficial use or perhaps accelerated depreciation or take the option at CMS (Inaudible).

So lots of options available to us that we need to finalize that we look to pull forward retirements, especially the Monroe retirements, which, there's four units there and we'll do that in a likely in a staggered -- in a staggered way. I hope that answers your questions?

Q - Insoo Kim {BIO 19660313 <GO>}

That's good additional color. Okay. And then secondly, impressive guidance raise and that's almost a 9% EPS growth year-over-year off of the original, as we just think about again, the cost inflationary environment right now and I think you're doing your part every year to manage O&M or pull forward any extra levers you have to get ready for the following year is -- how you set up I guess for 2023, just given, I think this environment is a little bit more challenging than the normal years that you've been experiencing?

A - Jerry Norcia {BIO 15233490 <GO>}

I'll start and then I'll turn it over to Dave. But I would say we're really well positioned for 2023. I would say that our 2022 raised guidance still has, what I would call, very adequate contingency in the plan to address the balance of the summer and the fall, and we're also looking at an opportunities to pull forward. Maintenance expenses that help build contingency into 2023, lots of work in that regard.

In terms of the inflationary pressures, I'll ask Dave to comment on those and how we're handling those in the 2023 planning and beyond.

A - David Ruud {BIO 16089859 <GO>}

We continue to -- We see the impacts of inflation, we continue to really work hard to manage it, to make sure it doesn't impact our plan going forward. We've had a really good success in the past of lowering our cost, our costs, or keeping our costs down compared to our peers. And one of the things that we see is 85% of our spend is Services and we haven't seen as much inflation there. So we're, trying to manage that and what we're doing really is looking at all of our long-term contracts, watching the market closely extending some of those contracts, doing some bundling and some other bidding to help mitigate any of the impacts we see there. So we know there -- we see the inflation, we feel it in -- with the wages, but within our planning process, we don't see it impacting our capital plans or our O&M going forward as we continue to find offsets for it.

Q - Insoo Kim {BIO 19660313 <GO>}

Got it. That's good color. Thanks, Jerry. Thanks, Dave.

Operator

Our next question comes from Nicholas Campanella from Credit Suisse. Please go ahead, your line is open.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Hey, good morning, Team. Thanks for taking the question.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning.

Q - Shar Pourreza

I wanted to ask -- Good morning, good morning. I wanted to ask about the the new federal clean energy package, just, I imagine there's a lot of stuff in here that's similar to the prior and on the point of just nuclear tax credits, you do have the exposure at Fermi, and what type of headroom the PTC kind of create for customers there and do you have capital opportunities that could backfill that bill headroom if needed? Any color there would be great.

A - David Ruud {BIO 16089859 <GO>}

You're asking to how the nuclear PTC can play in for us, Nick?

Q - Nicholas Campanella {BIO 20250003 <GO>}

Yeah. Exactly, exactly.

A - David Ruud {BIO 16089859 <GO>}

We're still looking through that, we looked at it in the last plan too. Doubt that it could be an advantage for -- even our plants in a regulated environment because of how it is still selling into the (Inaudible) market. So we're looking at that, it does have a phase out when the market price is high, but we think that it can be a nice backstop and really help with our customer affordability as that comes down.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Got it. All right. And then I guess just on the electric rate case, you do have a history of constructive outcomes there, but just how do you feel about ultimately being able to settle this case at this point?

A - Jerry Norcia {BIO 15233490 <GO>}

Nicholas, we're very interested in settling and we're having those conversations now. I would say that whether we settle or it goes to a final order without settlement, we're feeling good about a constructive outcome. This rate case is primarily about capital investment and that capital investment is very well understood, it's not about increasing operating expenses, it's really about deploying capital that if we feel that the Commission, the staff, as well as the administration is very supportive of this infrastructure build out as it relates to renewables and baseload generation, as well as significant investment in our electric grid, I believe that our capital investment is very well understood and valued by the interested stakeholders, so we expect a good constructive outcome, but we would love to sell this certainly.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Got it. Thanks a lot.

Operator

Our next question comes from David (inaudible) from Morgan Stanley. Please go ahead, your line is open.

Q - David Arcaro {BIO 20757284 <GO>}

Hey, good morning. Thanks so much for taking my question.

A - Jerry Norcia {BIO 15233490 <GO>}

Hey Dave, Morning.

Q - Shar Pourreza

Morning. I was wondering on the O&M pull forward side of things, I was just wondering is there a certain level of O&M that you've been able to pull forward so far into 2022 from 2023, just given the strength that you've had thus far in the first half?

A - Jerry Norcia {BIO 15233490 <GO>}

Dave?

A - David Ruud {BIO 16089859 <GO>}

Yeah, we have been able to do some of that. Some of it was natural pull forward, we accelerated some of our tree trim expense and we were able to do that because we frankly we had less storms we are able to work through some of our tree trim that we've been able to pull forward and then some of our outages are planned outages, we were able to do a little bit earlier as well. So there is some of that and that's what we're seeing play through in the second quarter.

Q - David Arcaro {BIO 20757284 <GO>}

Yeah, okay.

A - David Ruud {BIO 16089859 <GO>}

But we do feel like it's putting us in a nice position for '23, the more of that we can do as well. So we're trying to manage a few years at the time here.

Q - David Arcaro {BIO 20757284 <GO>}

Understood. And then I think on the rate case, do you have any line of sight as to how long you might be able to stay out from rate cases again after the conclusion of this one and would strategically your preference be to have it be several years between rate cases going forward?

A - Jerry Norcia {BIO 15233490 <GO>}

Yeah, that's something we'll have to assess once we get the final results. Obviously our desire is always to stay out as long as possible, but once we once we finalize, we'll have a better view on that. We are looking at in future rate cases, potential mechanisms for example, trackers on capital that I would say is very transparent and very well understood and there seems to be renewed interest in that thought. So that's something that we may pursue in our next rate case.

Q - David Arcaro {BIO 20757284 <GO>}

Got you. Thanks. And then last quick one, I was just wondering, is there any commentary you'd provide on how the trading environment is looking thus far in 3Q just in terms of the market volatility, are there prospects for continued strength in that business?

A - David Ruud {BIO 16089859 <GO>}

Well, I'd say, you've seen there is still is a lot of volatility in that area. We continue to manage things really tightly and have strict controls in there, but we're generally long in our physical position. We've had, frankly, we've had a really good year there, as we mentioned, we're at $52 million year-to-date in the business, but some of that is timing that we know will play out over the second half. But even with the volatility, there should be some additional opportunity there as well.

Q - David Arcaro {BIO 20757284 <GO>}

Great. That makes sense. Thanks so much.

Operator

Our next question comes from Andrew Weisel from Scotiabank. Please go ahead, your line is open.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hey, good morning everyone, just a lot of my questions have been asked and answered, but I just wanted to ask two on the gas side. Can you give us any update on the clean vision natural gas program, the voluntary clean gas program, where does that stand?

A - Jerry Norcia {BIO 15233490 <GO>}

Andrew that -- we're getting subscriptions weekly. I would say that we're roughly around 5,000 to 60,000 customers that have signed up. So it's following a similar track as when we offered the MIgreenPower program on the electric side. So good interest, we're evolving the product, if you will, to try to attract commercial customers and industrial customers to the program.

So that will be the next evolution of that program and when we do that, we will -- we expect larger volumes. Right now, we're getting small volumes from residential customers and it's primarily a residential program, which is the way we started MIGreenPower. So we're going to continue to evolve that product as we've seen interest from some of our institutional customers and corporate customers that would like to enroll. So more to come on that.

Q - Andrew Weisel {BIO 15194095 <GO>}

Do you think that business could be as big as the electric one, relative to the proportionally?

A - Jerry Norcia {BIO 15233490 <GO>}

It's early to tell, Andrew, but we're certainly seeing an interest in the product, if you recall the product is really bio sequestration products, which are forestry products that we use as carbon offsets, as well as a small component of RNG and so we'll have to look to be acquiring more assets to support what I would say larger volumes, right at this point in time, we've acquired assets in Michigan through third parties that are in the forestry business that offer us those carbon offsets and we're well supplied and we're looking to see what the opportunities are for larger institutional corporate clients that would like to have this product. So more to come, it's hard to say if it will be as big as the electric business, but it took us three or four years to get that voluntary program on the electric side that really started coming and to get significant interest and commitment.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, that's helpful. The other one is just on the gas rate case, any sense of when the next filing might come?

A - Jerry Norcia {BIO 15233490 <GO>}

We're looking either fourth quarter or first quarter, fourth quarter of this year or first quarter of next year.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. That would have rates in place for not this upcoming heating season, but the following one, right?

A - Jerry Norcia {BIO 15233490 <GO>}

That's correct.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, thank you very much.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you, Andrew.

Operator

Our next question comes from Ryan Levine from Citi. Please go ahead, your line is open.

Q - Ryan Levine {BIO 19520640 <GO>}

Good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Ryan.

Q - Ryan Levine {BIO 19520640 <GO>}

Morning. It looks like about 40% of the, the EPS increase guidance was from Energy Trading. Would you be able to talk about how much of the year-to-date performance is expected to be reversed and then given the volatility of the last few weeks, does this guidance seem conservative from your perspective, when you look for the remaining portion again?

A - David Ruud {BIO 16089859 <GO>}

Ryan, that's a good question. You're right, we had another good quarter in trading and had a really good start to the year. So like I mentioned, we're at $52 million year-to-date in that business. And that's why we are confident raising the guidance from, like you said 15 to 25, up to 20 to 35, and the timing impact is probably about half of that and the performance is another half. So we're seeing, half of it that's really come out on performance, but the timing could play out in two ways, either with if we see prices come back or some of it just plays out as we deliver on the physical position. So if pricing doesn't come down as much then there could be some favorability in that timing piece for the second half of the year too. But we're confident in the guidance right now.

Q - Ryan Levine {BIO 19520640 <GO>}

How is that guidance set then given the comment you just made. What are the bookends of the range that was provided?

A - David Ruud {BIO 16089859 <GO>}

Okay. I'm sorry, if -- we said it based on what we know we can achieve and what we think we can achieve, and so we see that performance part is right within the middle of that guidance; and then, if some of the timing or the pricing doesn't play out in the kind of in the downward way, then we can reach the the high end of that guidance.

Q - Shar Pourreza

Okay. And then as in the release, looks like you reaffirmed your longer-term EPS growth guidance, should we view that to be off of a re-based '22 number that reflects the higher '22 guidance?

A - Jerry Norcia {BIO 15233490 <GO>}

That's of the original '22 guidance, is where we go from.

Q - Ryan Levine {BIO 19520640 <GO>}

Off the original. Okay, I appreciate that. Thank you.

Operator

Our next question comes from Steve Fleishman from Wolfe Research. Please go ahead, your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hi, good morning.

A - Jerry Norcia {BIO 15233490 <GO>}

Good morning, Steve.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Hey, Jerry, the -- I'm just curious, going back to question before on the RNG business, there was this recent transaction for Vanguard renewables and I'd be curious just any any thought on kind of the the pricing valuation of that and how it impacts -- how you're thinking about the value of Vantage?

A - David Ruud {BIO 16089859 <GO>}

Yeah. We saw that as well, Steve. It was, they're a different business than us and they don't have as many operating projects, but it did look like a really good opportunity and shows great interest and great confidence in the RNG market going forward and the opportunity for additional development projects. So sorry to do a direct comparison of pricing but was viewed as a positive in the market, that there is still some strong -- or still a lot of strong interest in RNG.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then I apologize, this is also kind of breaking news questions, but just in the past, when, I think, late last year, when BBB was first likely, you talked about, interest, and you've talked about interest in carbon capture storage and opportunities there long term, could you maybe just talk a little bit about how you're thinking about that business opportunity?

A - Jerry Norcia {BIO 15233490 <GO>}

Sure, Steve, we certainly were encouraged by the tax benefits that the current plan, good offer. We need to understand it clearly, but we've got a handful of projects that we're looking at early feasibility stage and in our service territory, as well as outside our service territory. And these could be quite interesting, with enhanced tax credits, especially the 45-Q that we believe is being proposed, change in that. So more to come on that but could be quite interesting in terms of evolving potential investment opportunity.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. My last unfair question is just, I guess, to Dave just in terms of thinking about this 15% minimum tax, could you just give a sense of whether that would be an issue for you at all?

A - David Ruud {BIO 16089859 <GO>}

Yes, Steve. We -- we looked at this before and we got to revisit it again, just to go through how it could all work. When we spend time with it a year ago, we understood that we could, we think it could work on an earnings basis and we can find ways to offset the earnings that may have a little bit of a cash it, but it wasn't that strong, it's also want to look at how that plays into some of the renewable development projects and the accelerated depreciation there is the other piece of that. But we were able to, as we are doing some of our analysis, mitigate most of the impacts of what that seems like it could do.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, great. Thank you. Appreciate it.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you, Steve.

Operator

Our last question will come from Anthony Crowdell from Mizuho. Please go ahead, your line is open.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Good morning, Jerry. Good morning, Dave.

A - Jerry Norcia {BIO 15233490 <GO>}

Morning, Anthony.

A - David Ruud {BIO 16089859 <GO>}

Hey, Anthony.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hopefully, just two quick ones. Just related to I'm just going to slide 16 on the convertible equity units. What I think is a dilution you get hit with (Inaudible), I think it's November for fourth quarter this year, the tailwinds that you guys have going into '23 to kind of offset this, I'm thinking of electric rate case and maybe more earnings for Vantage, are there any other tailwinds that may be that could potentially offset the dilution?

A - Jerry Norcia {BIO 15233490 <GO>}

I would say, Anthony, the entire capital plan at both utilities is a fundamental tailwind that will move us through 2023 and we're pretty confident we're going to achieve our growth targets in 2023 because of the primarily driven by the capital plan at the two utilities. I think you'll see that our growth at both utilities is very healthy in 2023 and that's what will move us through. And also Vantage, of course, will make its contribution in its growth, we're adding $15 million a year there.

So all three entities are really going to drive us through 2023 and that dilution that you're talking about.

Q - Anthony Crowdell {BIO 6659246 <GO>}

I actually don't think you're going to answer this. But would you be able to give us -- would the company be willing to give us guidance on net income? Like right now, we have I think 5 to 7 EPS growth. I mean I'm thinking for net income from '22 to '23 or base here, it's more much higher above the 5 to 7, is that something the Company would provide?

A - David Ruud {BIO 16089859 <GO>}

Well, that's something we can look to provide, Anthony, show the growth that are underlying utilities, maybe is something we've shown in the past, so that's something that we can look at also.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great, thanks so much for taking my questions.

A - David Ruud {BIO 16089859 <GO>}

Yeah, thanks, Anthony.

A - Jerry Norcia {BIO 15233490 <GO>}

Thank you, Anthony.

Operator

We have no further questions, I'd like to turn the call back over to Jerry Norcia for any closing remarks.

A - Jerry Norcia {BIO 15233490 <GO>}

Well, thank you everyone for joining us today. I'll just close by saying that DTE had a very successful second quarter and we're feeling great about the remainder of 2022 and also our long-term plan. I hope everyone has a great morning and stays healthy and safe. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, you may now disconnect.