# Q1 2021 Earnings Call

## Company Participants

- Diane Leopold, Executive Vice President and Chief Operating Officer
- James R. Chapman, Executive Vice President, Chief Financial Officer, and Treasurer
- Robert M. Blue, President and Chief Executive Officer
- Steven Ridge, Vice President, Investor Relations

## Other Participants

- Durgesh Chopra, Analyst, Evercore ISI
- Jeremy Tonet, Analyst, J.P. Morgan
- Julien Dumoulin-Smith, Analyst, Bank of America.
- Michael Weinstein, Analyst, Credit Suisse
- Shar Pourreza, Analyst, Guggenheim Partners
- Steve Fleishman, Analyst, Wolfe Research

## Presentation

### Operator

At the conclusion of today's presentation, we will open the floor for questions. (Operator instructions)

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

### Steven Ridge {BIO 20475546 <GO>}

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

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

I'll turn the call over to Bob.

## Robert M. Blue {BIO 16067114 <GO>}

Thank you, Steven. Before we provide our business update, I'd like to take a moment to remember our friend Tom Farrell.

Tom's passing on April 2, was heartbreaking to those of us who loved, admired and respected him. We've heard from so many people, including many of you about Tom's impact on the industry and the people who work in and around him. It's quite clear that while list of professional accomplishments was long the list of people whose lives he touched was much, much longer.

He would be graf[ph] occasionally, many of us participating on this call may have experienced that from time-to-time, but much more often we experienced his generosity, his loyalty, his dry sense of humor and his focus on improving our company, our community and our industry.

We should all seek to emulate his example, a consistent commitment to ethics and integrity to excellence and perhaps most of all to the safety of our colleagues. He cherished his friends and family most of all. I can't think of a better example of a leader and we will miss him dearly.

With that, I'll turn it over to Jim.

## James R. Chapman {BIO 19939701 <GO>}

Good morning. Thank you for those words, Bob. I'd also like to express my thanks for the messages of condolence that we've received from across the country and from around the world. Thank you, all. And as Bob said, we will very much miss, Tom.

Let me now turn into our business update. Following the in-depth review and roll forward of our capital spending outlook we provided last quarter, our prepared remarks today will be relatively brief. We are very focused on overall execution including extending our track record of meeting, or exceeding our quarterly guidance midpoint as we did again this quarter.

I'll start my review on Slide 4 with a reminder of Dominion Energy's compelling total shareholder return proposition. We expect to grow our earnings per share by 6.5% per year through at least 2025 supported by our updated $32 billion five year growth capital plan. Keep in mind in over 80% of that capital investment is emissions reduction enabling, and over 70% is rider eligible.

We offer an attractive dividend yield of approximately 3.2% reflecting a target payout ratio of 65% and an expected long-term dividend per share growth rate of 6%. This resulting approximately 10% total shareholder return proposition is combined with an attractive pure play state regulated utility profile characterized by industry leading ESG credentials and the largest regulated decarbonization investment opportunity in the country as shown on the next Slide.

Our 15 year opportunity is estimated to be over $70 billion with multiple programs that extend well beyond our five year plan, and skew meaningfully towards rider style regulated cost of service recovery. We believe we offer the largest, the broadest in scope, the longest in duration and the most visible regulated decarbonization opportunity among US utilities. The successful execution of this plan will benefit our customers, communities, employees and the environment.

Turning now to earnings. Our first quarter 2021 operating earnings is shown on Slide 6 were $1.09 per share, which included a $0.01 hurt from worse than normal weather in our utility service territories. This represents our 21st consecutive quarter, is over five years now of delivering weather normal quarterly results that meet or exceed the midpoint of our quarterly guidance range.

GAAP earnings for the quarter were $1.23 per share. The difference between GAAP and operating earnings for the three months ended March 31 was primarily attributable to a net benefit associated with nuclear decommissioning trust and economic hedging activities partially offset by other charges. A summary of such adjustments between operating and reported results is as usual included in Schedule 2 of the earnings release kit.

Turning on the guidance on Slide 7. As usual, we're providing a quarterly guidance range, which is designed primarily to account for variations from normal weather. For the second quarter of 2021 we expect operating earnings to be between $0.70 and $0.80 per share. We are affirming our existing full year and long-term operating earnings and dividend guidance as well, no changes here from prior guidance.

Turning to Slide 8, and briefly on financing. Since January, we've issued $1.3 billion of long-term debt consistent with our 2021 financing plan guidance at a weighted average cost of 2.4% thanks to all who participated in these important offerings and as a reminder, we'll have additional fixed income issuance at Dominion Energy Virginia, a Gas Distribution at Dominion Energy South Carolina and our parent company, during the remainder of the year. For avoidance of doubt there is no change to our prior common equity issuance guidance.

Wrapping up my remarks let me touch briefly on potential changes to the federal tax code. Obviously, it's still early days with a lot of unknowns, but at a high level, we see an increase in the corporate tax rate has been close to neutral on operating earnings based on as is the case for all regulated entities, we assumed pass-through for cost of service operations, an increase in parent level interest tax shield, and the extension and expansion of clean, or green tax credits. All of which will be offset by higher taxes on our contracted assets segment earnings.

We also expect modest improvement in credit metrics. We're monitoring the contemplated minimum tax rule closely and we would note the administration's support for renewable development suggest the ability to use renewable credits to offset any such minimum tax rule. More to come over time on that front.

With that, I'll turn the call back over to Bob.

## Robert M. Blue {BIO 16067114 <GO>}

Thank you, Jim. I'll begin with Safety. As shown on Slide 9 through the first three months of 2021 we're tracking closely to the record setting OSHA rate that we achieved in 2020. In addition, we're seeing record low levels of lost time and restricted duty cases which measure more severe incidents. Of course the only acceptable number of safety incidents is zero. And we will continue to work toward that critical goal.

Let me provide a few updates around our execution across the strategy. We're pleased that the 2.6 gigawatt Coastal Virginia Offshore Wind project has been declared a covered project under title 41 of the Fixing America's Surface Transportation Act program also known as FAST 41. The federal permitting targets now published under that program are consistent with the project schedule that we shared on the fourth quarter call in February.

Key schedule milestones are shown side by side on Slide 10. We continue to be encouraged by the current administrations' efforts to provide a pathway to timely processing of offshore wind projects. In the meantime, we're advancing the project as follows. We're processing competitive solicitations for equipment and services to achieve the best possible value for customers, and in accordance with the prudency requirements of the VCEA.

Interest in those RFPs has been robust. We're analyzing performance data from our test turbines which have been operational for several months now and/or to-date generating at capacity factors that are higher in our initial expectations. Recall we had assumed a lifetime capacity factor of around 41% for the full-scale deployment. Further evaluation of turbine design and wind resource in addition to the data, we're gathering in real time suggested our original assumption is too low. Higher generation would result in lower energy cost for customers.

We're monitoring raw material cost, and it seems to be the case across a number of industries right now, we're observing higher prices. In the case of steel for example, the return of pandemic idled steel making capacity hasn't yet caught up to global demand. We'll continue to monitor raw material cost trends as we move towards procurements later in the project timeline.

We're moving into the detailed design phase for onshore transmission. As we observed within the industry recently utility systems are only as good as they are resilient, which is one of the reasons that we made the decision in 2019 to go the extra distance to connect to our 500 kv transmission system to ensure that the projects power will be available when our customers need it most. We believe the decisions we're making around onshore engineering configurations will ultimately result in the best value for customers.

And finally our Jones Act-compliant wind turbine installation vessel is being constructed and is on track for delivery in late 2023. We expect the vessel will be an invaluable resource to DEV as well as to the US offshore wind industry. We expect to announce further details on non-affiliate vessel charters in the near term.

In summary, lots of very exciting progress, which will continue through the summer, including our expected Notice of Intent from BOEM in June. As is typical for a project of this size at this phase of development there'll be some puts and takes as work continues.

Taken as a whole, there is no change to our confidence around the projects expected LCOE range of $80 to $90 per megawatt hour. Near the end of the year we'll file our CPCN and rider applications with the Virginia State Corporation Commission and we'll be in a position at that time to provide additional details around contractor selection in terms, project components, transmission routing, project costs, capacity factors and permitting.

Turning to updates around other select emissions reduction programs. On solar, on Friday the Virginia State Corporation Commission approved our most recent Clean Energy filing, which included 500 megawatts of solar capacity across nine projects including over 80 megawatts of utility owned solar, the fourth consecutive such approval.

We also recently issued an RFP for an additional 1000 megawatts of solar and onshore wind as well as 100 megawatts of energy storage and 100 megawatts of small-scale solar projects and 8 megawatts of solar to support our community solar program.

Our next Clean-Energy filing, which we expect to include solar and battery storage projects will take place later this year. Since our last call, we continue to de-risk our plan to meet the VCEA solar milestone by putting another 30,000 acres of land under option, bringing the total to nearly 100,000 acres of options, or exclusive land agreements, which is enough to support the approximately 10 gigawatts of utility owned solar as called for by the Virginia Clean Economy Act.

Our nuclear life extension just this morning the NRC authorized 20 year life extensions for out two solar units in Virginia. The Surry station provides around 15% of the states' total electricity and around 45% of the state zero carbon generation. This authorization is a critical step in ensuring the plant will continue to provide significant environmental and economic benefits for many years to come.

We expect to file with the SEC for rider recovery of relicensing spend late this year for both Surry and North Anna stations. Our Gas Distribution business as we've discussed in the past, our gas utility operations are enhancing sustainability and working to reduce Scope I and Scope III emissions with focused efforts around energy efficiency, renewable natural gas and hydrogen blending, operational modifications and potential changes around procurement practices.

For example as part of our recently filed natural gas rate case in North Carolina, we ask the North Carolina Utilities Commission to approve five new sustainability oriented programs hydrogen blending pilot, it's part of our goal to be able to blend hydrogen across our entire Gas Utility footprint by 2030. A new option to allow our customers to purchase RNG attributes and three new energy efficiency programs.

Finally, in South Carolina, the South Carolina Office of Regulatory Staff recently filed a report finding that our revised IRP met the requirements of the law and the Public Service Commission's order requiring the modified filing. As a reminder, the preferred plan and the revised filing calls for the retirement of all coal-fired generation in our South Carolina system by the end of the decade, which helps to drive our projected carbon reduction of nearly 60% by 2030 as compared to 2005. While the IRP is an informational filing it does not provide approval, or disapproval for any specific capital project. We look forward to continuing to talk with stakeholders, including the Commission about an increasingly low carbon future. An order is expected from the Public Service Commission by June 18th.

Turning to the regulatory landscape. Let me provide a brief update on our Virginia Triennial Review filing, which we submitted at the end of March. As shown on Slide 12, the filing highlights Dominion Energy Virginia's exceptionally reliable and affordable service. The state's careful and thoughtful approach to utility regulation has resulted in a model that prioritizes long-term planning, that protects customers from service disruptions and bill shocks. Consider these facts. 99.9% average reliability delivered at rates that are between 8% and 35% lower than comparable peer groups.

We're proud of our record in the work we do to serve customers every single day. Our filing also reflects over $200 million of customer arrears forgiveness as directed by the General Assembly. Relief that is helping our most vulnerable customers address the financial impacts of COVID-19. The filing also identifies nearly $5 billion of investment in rate base on behalf of our customers over the four year review period, including $300 million of capital investment in renewable energy, and grid transformation projects that we believe meet the eligibility criteria for reinvestment credits for customers.

The Commission's procedural schedule is shown here. We've included additional details regarding the case as filed in the appendix for your review and look forward to engaging with stakeholders in coming months. It's clear to us that the existing regulatory model is working exceptionally well for customers, communities and the environment in Virginia.

We're delivering increasingly clean energy, while protecting reliability and safeguarding affordability. In South Carolina, we continue to engage in settlement discussions with the other parties as highlighted in our monthly filings before the commission. We aren't able to discuss specifics of that process, but can report that all parties appear committed to working toward a mutually agreeable resolution.

Finally, let me highlight noteworthy developments in the legislative landscape for our company. In Virginia during the now adjourned session the Virginia General Assembly passed House Bill 1965 which adopts low and zero emissions vehicle programs that mirror vehicle emission standards in California.

The law, which has been signed by the Governor ensures that more electric vehicles are manufactured and sold in Virginia. Will likely take a few years before we see the significant and inevitable ramp up in electric vehicle adoption in our service territory, but we're taking steps today to be prepared for the incremental electric demand and associated infrastructure that includes regional coordination with other utilities to ensure highway quarters that ensure seamless charging networks, support for our tin-territory EV charging infrastructure which includes a significant investment in a variety of grid transformation projects as well as the rollout of time of use programs.

At the federal level we're encouraged by the support we're seeing for our offshore wind project. We applaud efforts to increase funding for the research and development of technologies that will allow the utility industry to drive further carbon emissions reductions.

We are philosophically aligned with the current administration and wanting to accelerate decarbonization across the utility value chain, while also recognizing that the energy we deliver must remain reliable and affordable. It's still early, but we're engaging in the process of policy formation and monitoring developments closely. We continue to believe we are well positioned to succeed in an increasingly decarbonized world.

I'll conclude the call with the summary on Slide 13. Our safety performance year-to-date is tracking closely to our record-setting achievement from last year. We reported our 21st consecutive quarterly result, but normalized for weather meets or exceeds the midpoint of our guidance range.

We affirmed our existing long-term earnings and dividend guidance, we're focused on executing across the largest regulated decarbonization investment opportunity in the nation to the benefit of our customers, and we're aggressively pursuing our vision to be the most sustainable energy company in America.

With that, we're ready to take your questions.

# Questions And Answers

## Operator

Thank you.(Operator Instructions) Our first question comes from Shar Pourreza with Guggenheim Partners.

## Q - Shar Pourreza

Hey, good morning, guys.

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

Good morning, Shar.

## Q - Shar Pourreza

Just a couple of quick questions here. First, we've seen others revised estimates on --. Any update on how kind of -- impacted your customers and fuel cost? Are you still okay there? And how are you sort of thinking about maybe resiliency spend for renewables based on maybe some of what you've observed as a result of --? Any incremental spend associated with that we could be that we should be thinking about there?

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

Shar, it's Bob. I'll let Jim take the first part of that question, and then I'll answer the second.

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

Yeah. Good morning. Shar.

## Q - Shar Pourreza

Good morning, Jim.

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

So yeah, good question. We're hearing a lot about this topic across the industry this quarter of course. For us. I mean, let me walk through it. So there is no impact for us at all on our electric operations of course given our geographic location.

On the Gas side, very minimal cost impacts in Ohio, in West Virginia, in North Carolina, those business kind of leverage storage assets to minimize purchasing during that week. And Utah it's interesting though. We did see increased gas purchases. We saw price spikes in the Rocky's region for gas during that week of course. And we saw -- we had increased gas purchases of our own during that period in the range of about $60 million.

Now as a reminder, those costs are coming back customers, but we think it's modest cost to customers. So no financial impact to the company from that. But what's interesting is the strength of the operational, and the regulatory design there really saved customers very significant cost during that period. And those are twofold. One is Wexpro, the regulated fuel supply arm. So during that week customers got the benefit of that cost of service supply so insulated from price spikes. And then second contracting Questar gas is, I think it's the largest contractor for a storage capacity for Clay basin there in the Rocky's region.

So without those features that $60 million would have been multiples to many multiples higher. So pretty positive reflection of the operational and regulatory profile there. But overall, big picture, pretty manageable and scale for us.

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

So, Shar, as we're looking forward, I think it's important to remember that the regulatory models in the states where we do business and particularly our electric states in Virginia and South Carolina are very well suited to operate a reliable system for our customers and that is absolutely the number one priority for our customers is keeping the lights on. And so on the generation side, that means, things like having diverse fuel mix, making sure the design basis for equipment is right for the circumstances under which is it's going to operate, considerations for fuel security firm transportation for natural gas and on the T&D side, it would be advanced simulations of the effective events on the grid innovative equipment and engineering, new voltage control devices, for example, and it means a robust communications infrastructure.

In Virginia all of those types of investments that I was just describing are contemplated in both the Clean Economy Act and the Grid Transformation and Security Act from 2018. Things like Grid Mod, strategic undergrounding storage. So we feel very good about that now, but we're reviewing to see whether any of our resiliency efforts need to be expanded, or we need to add new resiliency programs and we do that all the time by the way. We learn from experiences on our own system and other systems.

So I'll just sum up by saying, nothing changes on the clean energy capital investment front. We're confident we will continue that investment and operate reliably and the scope of any additional reliability investments, and resiliency investments remains to be seen, but we're studying what is best for our customers right now is we've been doing for decades.

## Q - Shar Pourreza

Got it. And then just two very super quick ones on South Carolina. First obviously, Santee NextEra pulled their offer the Senate passed the bill that's more focused on internal restructuring. Do you -- does Dominion have any stance remaining here including maybe an MSA opportunity, or is that sort of behind us?

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

Yeah. Our position on that is that it hasn't changed. It's the same we've offered, we've worked cooperatively with Santee. We continue to work cooperatively with Santee, and we look forward to other opportunities to work cooperatively with Santee Cooper.

So no change there, Shar. We want to do what is best for South Carolina.

## Q - Shar Pourreza

Perfect. And just the GRC. I appreciate the comments that you made. But is there any sort of sense of timing, maybe just some of the pushes and takes is there kind of a point of no return, we should be thinking about as we think about maybe a breakdown of settlement talks? Just maybe a little bit more visibility, and that concludes. Thank you.

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

Yes. The pause was for six months from January. So it comes to an end on the July 12, I believe. And so the case would resume on July 12. So a little more than two months from now. But as we said in our prepared remarks everyone appears to be approaching this now looking for a constructive outcome and that's what we're focused on.

## Q - Shar Pourreza

Terrific. Thank you, guys. And I echo your comments around Tom. He is going to be greatly missed, and he was a true gentlemen. So, I appreciate your comments. Thanks, guys.

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

Thank you, Shar.

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

Thank you, Shar.

## Operator

Thank you. Our next question comes from Jeremy Tonet with JP Morgan.

## Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

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

Good morning.

## Q - Jeremy Tonet {BIO 15946844 <GO>}

So just want to start with the caveat granted, we're very early innings here and things will change, but are there any thoughts you could share on how the current version of the Biden infrastructure plan might impact the -- such as the tax credit front? Could this potentially impact wider spread deployment of storage in Virginia?

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

Yeah -- your preface to the question was, exactly right, it is indeed early days. So we don't know what's going to come out in the final analysis. So I think the best way to think about it is, we're just very well positioned. We think the approach to decarbonize as quickly as we can reliably and affordably makes all the sense in the world. We're very well positioned to do that.

This is not something that's new for us, and we see to the extent we see opportunities with the Biden plan. We'll take advantage of them, but at this point we don't exactly know. We just know the atmosphere is really good. We think it's smart for customers. We're excited about it.

## Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That makes sense. And then also, I guess under the new administration, you can touch on this a bit, but maybe you could just comment a bit more on your interaction BOEM here in how you kind of feel about things progressing moving forward through the process now versus before?

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

Sure. We've had the opportunity to be involved in a couple of different industry conversations with BOEM leadership and other leadership and the administration. I think it's very clear that they see the advantages to offshore wind development and I think the best evidence when it comes to us is, as we mentioned earlier that schedule for the notice of intent and for the record of decision line up exactly with what we talked about on our fourth quarter call.

So we have a very good sense that the professionals at BOEM as they always have are going to move forward efficiently. The leadership and the administration clearly thinks the offshore wind is good economically, and to meet carbon goals.

And we're looking forward to sort of taking advantage of the experience that we have with the only wind farm operating in federal waters off the coast of United States today, as we expand that to something much bigger.

## Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. And just one last one if I could. And I think you've touched on this a bit, but just wondering what you're learning from initial hydrogen efforts here? How does this inform that relative opportunity between hydrogen and RNG for your gas distribution system going into the future?

## A - Diane Leopold {BIO 16365511 <GO>}

Hi, good morning. This is Diane Leopold. So just as a reminder on our hydrogen pilot we're in our very early stages as in days, our gas distribution business is implementing some blending programs that a training facility starting in Utah. And we just commissioned it and it's started testing just a couple of weeks ago.

So we're really moving forward with that. We're looking to expand that, if it's successful to a small customer use application and then follow the pilots and our other service territories. In fact we requested a similar piloted at a training facility as part of our North Carolina rate case. So we're starting small, very important on hydrogen blending.

So we see a combination of moving forward with continued pilots and testings of hydrogen blending throughout our LDC system including putting it into the LDC production and even methanation in the future as well as an increased percentage of RNG into the system, which is really one for one offset with methane.

So increased RNG increased hydrogen blending possibly towards methanation as we move to continue to decarbonize the LDC system.

## Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That makes sense. Thank you. Tom will be missed. Thank you very much.

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

Thanks.

## Operator

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

## Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah. Hi, good morning and best to Tom's family and all of you.

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

Thank you, Steve.

## Q - Steve Fleishman {BIO 1512318 <GO>}

(Multiple Speakers) You bet. While we heard from Diane there just you have been kind of early investor in RNG projects, and I think -- I just be curious kind of where that stands? And do you see a lot more coming over the next few years?

## A - Diane Leopold {BIO 16365511 <GO>}

Hi, good morning, Steve. Diane again. So yes, we have been an early investor. We announced our intention to spend about $650 million on two main partnerships. We've been focusing on the agricultural RNG, so the hog farms with Smithfield and the dairy farms with Vanguard renewables. We have one project that's in service as of the second half of last year. We have three projects under construction now, and expect to have about five more under construction later this year.

So we're really ramping up on actually bringing forward the projects. On the demand side, we really see a significant strong demand right now from a variety of customers. You could see the people like the refiners that have LCFS obligations to make, and we see more states looking to implement LCFS standards. We see utilities, both on the power generation side and direct customer use side and then we see a lot of colleges and universities and other corporations that are kind of carbon conscious buyers that are looking to offset their fossil usage.

So we really see a lot of demand, starting to pick up for multi-year contract terms at attractive prices. So long term, we're still looking at these projects as critical supply sources for our LDCs as an important tool for customers to achieve net zero. And so starting to access through our GreenTherm tariff that we already have in Utah now and we have requested in North Carolina, we'll continue to do so, but we're really continuing to see strong demand and/or projects are ramping up.

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

Hi, Steve, it's Bob. I will mention that I had the opportunity last week to actually visit our operating site in Utah. It's quite something with the scale of the farming operation. It's also interesting that it happens to be not too far from one of our solar farms as well as there is a wind farm there too. So it's come a center of renewable energy and we just think that in the scope of what we're doing in our decarbonization investment. There are a lot of opportunities as Diane described, and RNG that will serve us well for the long term.

## Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then just one quick question. Just sales trends in Virginia South Carolina? Any quick thoughts there?

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

Hey, Steve. Good morning, it's Jim. The sales trends are occurring kind of like we expected. I'll share a few stats. In Virginia, year-to-date still pretty resilient like we saw most of most of last year. So year to-date up a little over 2%. Residential is still strong up almost 4%. C&I also up almost 5%. So pretty good. Keep in mind that one underlying trend, we mentioned this a lot is the continuation of data center growth. That number is up like 25%, or it's small, but growing is a third of our commercial segment is data centers. We expect to connect another 20, or so data centers and our service charge rate this year. We conducted 19 last year. So that trend is very supportive of overall sales and continues to be strong.

## Q - Steve Fleishman {BIO 1512318 <GO>}

Great. Thank you very much.

## Operator

Thank you. Our next question comes from Julien Dumoulin-Smith with Bank of America.

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

Hi, good morning, team. Thanks for the opportunity.

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

Good morning, Julien.

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

Good morning, Julien.

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

Hey, excellent. Perhaps if I can give pivot off that last question on sales. Perhaps, can we talk about the Next Clean Energy filing later this year? We expected more of the same in terms of on resources versus PPAs. But also, how are you thinking about that filing against sales trends and also against some of these other headlines from independent IPPs just looking at accelerating their procurement efforts in and around your service territory maybe via, shall we say corporate procurements of various flavors and sorts? If you can speak to sort of the overall backdrop, do you mind?

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

Yeah. Thanks, Julien. So, I think the answer should it look similar to the filing that we just got approved the answer to that is no in that this next filing will be larger in scale, and I think you particularly asked the split between PPA and utility-owned and that will be different. Going forward, that's what the Clean Economy Act is it's quite specific on this point that for the new solar build 65% is to be utility owned and 35% is to be third party, or PPA and sort of the total amount of that is on the order of a 1000 megawatts a year for the next 15.

So that's what you should be thinking about really long term for us is we will match the VCEA proportions and the magnitude going forward. The sort of second part of your question were, our focus, our growth is in regulated renewables to the extent that we and if I'm understanding correctly to the extent we have customers, important customers who were looking for contracted approaches, we expect to do some of that, but our focus on growing our solar portfolio is on the regulated side.

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

Fair enough. And then with respect to South Carolina here. I know that you're coming up on the July time frame, at least we're broadly approaching and we got some updates here in the interim, but still confident that perhaps by that point in time, we can reach some sort of resolution, if you will? Is that fair as far as it goes?

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

Julian, I used to be a lawyer and as a profession, we seem to be procrastinators. So I wouldn't read too much into the fact that there is two months left. You can get a lot of work done in two months. And as we said in the script everyone is approaching this constructively. So yeah, we think we can get it done.

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

Got it. And if I can squeeze in one last one. Just LNG, and I know you guys have obviously still then or chunkier but you've seen some pretty elevated valuations here in the space of late. Any comments, reactions just wanted to throw that in there quickly?

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

Hi, Julien. Its Jim. Yeah we -- I'll repeat what I think what we've said many times before. We very much like our new look and our asset mix. The dynamics you're speaking to, we're not blind to that, that some day that could be an opportunity to raise capital and replace what we have in our plan for modest continued equity issuance, but no current focus on that topic.

We're following but that we're focusing on executing our plan with our current asset mix.

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

Excellent. All right. All the best. And I echo your sentiments with respect to Tom.

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

Thanks. Julien.

## Operator

Well, thank you. Our next question comes from Durgesh Chopra with ISI.

## Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning, team. Thank you for taking my question. Just quick clarification, Jim on 2021 guidance what are we assuming in terms of the timing on the South Carolina rate case? If you could just clarify that, please.

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

Yeah Durgesh, good morning. So on the South Carolina rate case, we've been again here consistently saying a couple of things. One is that given the size of that business in relation to Dominion of course that's just the electric part of DESE, we're talking about base rates on the electric side. Any reasonable outcome is not -- is going to be within our guidance range. Within, so no material impact. And then as far as the impact of a delay we've seen some folks suggesting that a delay a year, would be kind of in the 5% range so take half of that for six months, you're talking about a couple of pennies. That's probably in the ballpark, but still not material and within our guidance.

## Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. Okay. So basically regardless of the timing of a final decision there you sort of the guidance, '21 guidance has in debt?

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

Any reasonable outcomes should lead to that. That's right.

## Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay, perfect. And just a quick one on the nuclear plant extensions. Does that change, or give you an opportunity to deploy more CapEx? Or is kind of is this is in line with your thinking when you sort of develop the CapEx plan four, five years out?

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

It's in line with our thinking when we developed the CapEx plan.

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

It was $1.3 billion of spend related to the nuclear relicensing in our five year plan that we went through on the fourth quarter.

## Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. Thanks guys. And it's really a loss losing Tom. So my best for Tom, and his family.

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

Thanks for your thoughts.

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

Thank you. Durgesh.

## Operator

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

## Q - Michael Weinstein {BIO 19894768 <GO>}

Hey, guys, good morning.

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

Good morning.

## Q - Michael Weinstein {BIO 19894768 <GO>}

On the Triennial filing, the revenue deficiency that you guys have identified. Is that mostly related to rate base service, or is it a new investment, or is it more operationally related?

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

So I think you're asking about the 22 test year and our measurement versus a 10.8% ROE. And the answer is just with the way that the law works we project forward sort of known and notables for the year '22, and we calculate what the return is. And in this case that return is slightly below the 10.8% that we believe is the appropriate authorized ROE.

So I don't know that I can identify any one specific thing, there's a number of sort of components that go into that, but it's -- you do that analysis compare it against what we believe is an appropriate ROE and that's how we end up with that slight revenue deficiency, and the regulatory speak.

## Q - Michael Weinstein {BIO 19894768 <GO>}

Got you. So combination of everything. Diane on RNG just one other question on that subject. Do you anticipate a time when blending RNG, and maybe even hydrogen II into the system would enable a utility and your utilities specifically to say that they are greenhouse gas neutral or greenhouse gas zero, or even negative?

And when do you think that will happen? And how many years do you think in the future would you have to wait for that?

## A - Diane Leopold {BIO 16365511 <GO>}

Well, absolutely. In fact it was part of our thinking when we committed to net zero by 2050 across both our gas and electric businesses was blending renewable natural gas and hydrogen into the system as part of a component of that. So, it's certainly already worked into the plans I believe of numerous utilities in their net zero plans especially RNG and the agricultural RNG which is why we're trying to attract so much of it into our LDC systems, and working with regulators and investing in it to get it in the networks is because it's so much more carbon negative than a lot of other forms.

So instead of just being carbon-neutral you just get a lot of bang for the buck out of smaller quantities of it to help meet those net zero goals.

## Q - Michael Weinstein {BIO 19894768 <GO>}

Gotcha. One last question on the solar business. Are you seeing any impacts from -- as a result of supply -- global supply demand tightness in that segment and mostly shipping is like shipping logistics issues, chip shortages. We're hearing in the solar industry that the supply is tight and prices are up. Just wondering if that's affecting you at all?

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

Yeah, Michael it's Jim. We're seeing the same, not in a material way and the shipping and logistics issue, we're not seeing as much as just some upward price pressure on poly, on glass, on steel, but it's something we're watching. But it's not for our business is not a material issue, but certainly there is upward pressure on cost right now.

## Q - Michael Weinstein {BIO 19894768 <GO>}

Okay. Thanks a lot, guys.

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

Thank you.

## Operator

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