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Bloomberg Transcript

Company Name: Dominion Resources
Company Ticker: D US
Date: 2017-02-01
Event Description: Q4 2016 Earnings Call

Market Cap: 45,032.02
Current PX: 71.85
YTD Change($): -4.74
YTD Change(%): -6.189

Bloomberg Estimates - EPS
Current Quarter: 1.030
Current Year: 3.743
Bloomberg Estimates - Sales
Current Quarter: 3687.000
Current Year: 13327.769

Q4 2016 Earnings Call

Company Participants

- Thomas E. Hamlin
- Mark F. McGettrick
- Thomas F. Farrell II
- Paul D. Koonce

Other Participants

- Julien Dumoulin-Smith
- Greg Gordon
- Michael Weinstein
- Steve Fleishman
- Angie Storozynski
- Faisel H. Khan
- Jeremy B. Tonet
- Paul Patterson

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 the 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

Operating Earnings and EBITDA

- Dominion Resources reported operating earnings of $0.99 per share for Q4 2016, finishing in the middle of our guidance range
- EBITDA for each of our business segments was in line with their respective guidance ranges
- As a result, operating earnings finished at $3.80 per share for the full year 2016, which was 10.5% above operating earnings for 2015
- Overall, we are very pleased with the performance of each of our operating segments and our financial results for 2016

GAAP Earnings

- GAAP earnings were $0.73 per share for Q4 and $3.44 per share for 2016
- The principal difference between GAAP and operating earnings for the quarter and the full year were charges associated with coal ash remediation at several of our closed coal generating plants
- A reconciliation of operating earnings to reported earnings can be found on Schedule 2 of the Earnings Release Kit

Cash Flow

- For Q4 2016, Dominion Midstream Partners produced adjusted EBITDA of $45.8mm, 94% higher than the level produced in Q4 last year
- Distributable cash flow increased 63% to $37.7mm

Acquisition of Questar Pipeline

- On December 1, Dominion Midstream Partners completed the acquisition of Questar Pipeline from Dominion Resources
- The acquisition more than doubled Dominion Midstream's ongoing adjusted EBITDA and is expected to cover our planned 22% distribution growth through mid to late 2018
- Finally, on January 25, Dominion Midstream's Board of Directors declared a distribution of $0.2605 per unit payable on February 15
  - This distribution represents a 5% increase over last quarter's payment and is consistent with our distribution growth plans

Capital Growth Plan

- Moving to treasury activities and earnings guidance at Dominion, 2016 marked a peak in our capital growth plan, with over $5B in growth CapEx and $4.4B acquisition of Questar
- During the year, we raised over $10B in capital to fund growth, make acquisitions, and repay maturing debt
- Cash flow from operating activities was $4.1B for 2016
- We have $5.5B of credit facilities; and taking into account cash, short-term investments and commercial paper outstanding, we ended the year with available liquidity of $2.4B.

Debt Financing

- For our planned public debt financings in 2017, please see slide 7
- For statements of cash flow and liquidity, please see pages 13 and 24 of the Earnings Release Kit

Cove Point

- As we move into 2017, Dominion will continue to see very strong capital growth with the final year of construction at Cove Point, ongoing construction of the Greensville County power station and the startup construction of the Atlantic Coast Pipeline

- However, with the completion of Cove Point and the anticipated asset drop into Dominion Midstream Partners in 2018, the company's cash flow profile will change dramatically beginning next year, moving from negative to significantly positive

Dividend

- As we have highlighted in the past, we expect to generate about $7B of cash flow as Cove Point is dropped into Dominion Midstream Partners, which we used to reduce debt, increase dividends in excess of 8% per year, invest in new growth projects and repurchase common stock

Hedging

- As to hedging, you can find our hedge positions on page 26 of the Earnings Release Kit
- We have hedged 85% of our expected 2017 production at Millstone and 100% of first quarter production
- We also expect to limit our hedging of 2018 production until we see the outcome of pending legislation in the Northeast

Guidance

Federal Tax Law Change

- Before we move to earnings guidance, let me comment briefly about anticipated federal tax law changes
- Our preliminary analysis shows a wide range of potential outcomes depending on what decisions are made around the actual tax rate, interest deductibility, day one expensing and normalization
  - We have highlighted some of the key issues on slide 8
- Remember, different than many of our peers, we have a portfolio of non-regulated and long-term contracted cash flows that will be treated differently than our regulated portfolio
- Based on our asset mix and public information to date, we would expect to be somewhat earnings neutral to any final tax package

Earnings Growth

- Now, to earnings guidance at Dominion
- It has been evident for some time that 2017 will be a challenging year for Dominion to achieve its historical earnings growth rate
- Now that we have hedged most of Millstone's 2017 expected output, we estimate $10 to $12 per megawatt hour reduction and realized energy prices vs. last year, impacting 2017 earnings by about $0.015 to $0.20 per share
- Also, as we have said on previous calls, we expect to generate about $0.30 per share in solar investment tax credits, a y-over-y reduction of almost $0.20 per share

EPS

- As a result, Dominion's operating earnings guidance for 2017 is $3.40 per share to $3.90 per share

- The midpoint of that range is $0.15 per share or about 4% below operating earnings of $3.80 per share for 2016
- Operating earnings guidance for Q1 2017 is $0.90 per share to $1.10 per share

Cove Point

- Moving to 2018, we believe, operating earnings will increase by at least 10% over 2017
- Cove Point export should provide between $0.40 per share and $0.45 per share of incremental earnings in 2018
- Having one fuel refueling outage at Millstone, should add another $0.10 per share to y-over-y results

Solar Investment Tax Credit

- Offsetting these growth drivers will be an expected further reduction in solar investment tax credits of $0.15 per share to $0.20 per share from 2017
- We expect about $0.10 per share contributions from solar ITCs in 2018 and beyond, driven by customer needs in Virginia
  - While we are not providing a specific guidance range for 2018 today, you can see that these factors alone can support at least a 10% increase in y-over-y operating earnings

MLP

- Looking to 2019 and beyond, we believe our growth opportunities continue to be one of the best in the energy industry
- Some of the growth drivers to focus on are highlighted on slide 11
- All of our business segments are well positioned to support strong growth in 2018 and beyond
  - In addition to these organic growth drivers, Dominion will benefit for the use of about $7B in cash flow generated by asset contributions to our MLP
- A portion of this cash flow will significantly reduce parent level debt and allow for share repurchases, as well as support our growth capital needs

Dividend Rate

- For the growth we have highlighted, we expect 6% to 8% compound average growth rate in earnings off a 2017 base through 2020
- Not only is this one of the best growth rates in the industry, but coupled with our stated intent to grow our dividend rate at over 8% annually beginning next year
- Dominion provides investors with one of the best total return opportunities in the industry

Summary

So, let me summarize my financial review

2016 operating earnings were $3.80 per share. 2017 operating earnings guidance is $3.40 per share to $3.90 per share. 2018 operating earnings are expected to be at least 10% above 2017. 2017 to 2020 earnings growth rate should be 6%

to 8%; and we anticipate dividend growth of more than 8% per year, beginning in 2018

Thomas F. Farrell II

Business Highlights

Performance

- Strong operational and safety performance continued at Dominion – excuse me, in 2016
- All of our business units either met or exceeded their safety goals for the year
- I'm pleased that our employees set an all-time low, OSHA recordable rate of 0.66 last year
- Our nuclear fleet continues to operate well
- The net capacity factor of our six units was 93% for the year, the highest since 2013 and the second highest since Millstone joined the fleet 16 years ago

Brunswick County Power Station

- Surry Unit 1 set a fleet record for the shortest refueling outage this fall, surpassing a record set at North Anna in 2015
- Our Brunswick County Power Station, which began operating last April, has been honored with a number of industry awards including Best Overall Generation Project of the Year and Excellence in Safety Best Project

Growth Plan

- Now, for an update on our growth plans
- Construction of the 1,588 megawatt Greensville County combined-cycle power station continues on time and on budget
- As of year-end 2016, the $1.3B project was 19% complete
- Greensville is expected to achieve commercial operations in late 2018
- Five solar projects were completed in Q4
- The 80 megawatt solar facility on Virginia's Eastern Shore went into service in October
- Three other Virginia solar projects totaling 56 megawatts went into service in December, along with the 60 megawatt solar facility in North Carolina

Solar Portfolio

- For the full year 2016, 727 megawatts were added to our solar portfolio
- We have a number of solar projects under development in the State of Virginia and continue to see demand for renewables from our customers including data centers, military installations and the state government

Solar Alliance with Amazon Web Services

- In November, we announced a major expansion of our solar alliance with Amazon Web Services to add 180 megawatts of new solar generating capacity at sites in five Virginia counties, all of which should be in service this year
- In total, we have announced close to 300 megawatts that will go into service by year-end, bringing our operating portfolio to over 1,400 megawatts of solar generating capacity

Operating License

- We have been working to secure a combined operating license for our third unit at our North Anna Nuclear Power Station since 2009
- Last month, the staff of the Nuclear Regulatory Commission completed its final safety evaluation report, concluding that there are no safety aspects that would preclude issuing a license for construction and operation of the proposed reactor

North Anna 3

- Following a mandatory hearing later this year, the commission will vote on whether to authorize the staff to issue a license
- Company has made no decision to construct North Anna 3, but with the combined operating license, will preserve its option to do so, should the Virginia State Corporation Commission believe it is in the best interest of our customers
- Company has included new nuclear in its Integrated Resource Plan as one option to meet future customer demand and comply with environmental regulations

New System Operations Center

- Dominion Virginia Power connected 11 new data centers in 2016, two more than planned and two more than in 2015
- We anticipate a similar number of centers to come online this year and each year through the end of the decade
- In fact, we have already connected one new data center already this year
    - In addition, anticipated increase in federal spending on defense will provide strong support for the Virginia economy, which is the largest recipient of defense dollars in the nation
- We have a number of electric transmission projects at various stages of regulatory approvals and construction. $784mm worth of these facilities were completed last year, including our new System Operations Center

Electric Transmission Business

- We're planning to invest $800mm in our electric transmission business this year
- Our strategic undergrounding program continues at Dominion Virginia Power
- In August of 2016, State Corporation Commission approved Phase 1 in the recovery of $139mm capital investment to convert 412 miles of overhead tap lines to underground
- We will invest $110mm in capital and covert an additional 244 miles of overhead tap lines during Phase 2

Cove Point Liquefaction Project

- Progress on our growth plan for Dominion Energy continues as well
- Our Cove Point Liquefaction project is now 84% complete
- Engineering and procurement is essentially done
- All major equipment has been set, and steel and pipe installation continues
- We completed pressure testing of the air cooled condenser, and commissioning is underway for electrical, compressed air and water treatment
- We expect to achieve completion of 95% or more of structural steel by the end of this quarter
- The project continues on time and on budget to be in service later this year

FERC

- We are continuing to work toward the commencement of construction on the Atlantic Coast Pipeline and the related Supply Header project
- FERC issued its draft of environmental impact statement in December, in line with their permitting schedule
- The report is favorable, and importantly concluded that environmental impacts will be effectively mitigated and there would be no significant public safety impacts

ACP

- ACP has essentially completed its design, executed the construction contract, and completed over 80% of materials procurement
- The project's budget has been updated for the construction plan, including the cost to reroute segments impacting U.S. Forest Service lands
- And we now anticipate total development cost for the project, excluding financing cost, to $5B to $5.5B
- ACP expects to maintain the returns on the project through a combination of construction contingencies and negotiated rate adjustments, as allowed by the existing customer agreements
  - We expect completion of the Atlanta Coast Pipeline and the Supply Header in H2 2019

Pipeline Expansion Project

- A record six major pipeline expansion projects were placed into service in 2016, adding 1.2B cubic feet per day of capacity for our customers
- We have an additional six pipeline growth projects, underway with $700mm of investment to move 900mm cubic feet per day for customers by the end of 2018
- We are seeing continued appetite for new pipeline expansion projects, driven by new power, industrial and LDC load throughout our system
  - We believe a more open federal policy for infrastructure investments
- We'll increase drilling in the basin and increase demand from industrials and other sectors

Gas Infrastructure

- Importantly, we'll also expedite approvals of gas infrastructure, which will in turn accelerate investments in needed pipeline expansions
- Based on these drivers, we expect to secure a number of new growth projects this year, and significantly more through 2020 throughout our entire footprint, including our traditional Appalachian Basin, our new Western system and our expanding Eastern footprint, which has direct access to the fast growing Mid-Atlantic and Southeast U.S. markets

Summary

Greensville County Project

- So to summarize, our business has delivered strong operating and safety performance in 2016
- Construction of the Greensville County project is on time and on budget
- Construction of the Cove Point Liquefaction project is also on time and on budget
  - We continue to work toward FERC approval for the Atlantic Coast Pipeline and the Supply Header project
- And we look forward to completion of these major projects, which will deliver strong earnings and dividend growth starting next year

Earnings Growth

- As Mark stated, we expect earnings growth of at least 10% in 2018; and a diverse set of positive drivers will support continued growth in years to come, supporting an EPS growth rate of 6% to 8% through 2020 off of our 2017 base year
- Finally, because of our unique MLP structure, our superior cash flows will also allow dividend growth rate at Dominion higher than 8% per year for the foreseeable future

QUESTION AND ANSWER SECTION

<Q - Julien Dumoulin-Smith>: So perhaps just a first quick question on the tax reform scenario you discussed in what you'd be, I think you said, neutral. Can you discuss some of the moving pieces that you would think about under that specific scenario, just to give us a little bit more detail?

<A - Mark F. McGettrick>: Hi, Julien, this is Mark. And if we say neutral, we've run a number of different cases, some would be positive, some would be slightly negative. And I guess, we've taken the approach today that no one knows what's going to happen with taxes. And so instead of giving some range out in terms of probabilities, we took a neutral stance.

But the key drivers for us, and remember, our mix is different in a lot of truly regulated companies, but the tax rate obviously is a key component on where that lands. Interest deductibility is a very large component for us because of our unregulated fleet, and the amount of current interest that we deduct, normalization, practices and our regulated operations, we operate in many, many states and day-one expensing.

So, taking each one individually, they could have a positive or slightly negative impact, some greater than others, but because they – some of these may change or be offset, we think at this point, the best decision for us is to stay neutral until we get some additional clarity out of Congress.

<**Q - Julien Dumoulin-Smith**>: Got it. Excellent. Can you give us your latest expectations for proceeds just through the decade from the MLP drops? And breaking that down, if you can, between debt paydown targets, buybacks and any tax implications from the drop? And again, obviously, with some moving pieces there, just kind of what you see today is your expectation?

<**A - Mark F. McGettrick**>: I think, today, I would see a breakdown where debt repayment at the parent of between now and 2020 would probably fall in the range of $3B to $4B, and the remainder of the $7B would go to either share repurchases, support growth, dividend support, but that's kind of the breakdown that I look at right now.

<**Q - Julien Dumoulin-Smith**>: Is taxes not a material number within that, as best you espect?

<**A - Mark F. McGettrick**>: We have some tax strategies that we are planning to put in place. And remember as you think about this, the basis of Cove Point is going to be very high when it drops in. So, it's not like a traditional legacy pipeline asset. But we have factored taxes into our assumptions going forward and we're comfortable with the cash flows we quoted coming back to the parent.

<**Q - Greg Gordon**>: So, you guys, when you talked about the guidance for 2017 over 2016, very, very clear; the 2018 over 2017 also very clear. But – and pointing to at least 10% growth, but how do we think about the other puts and takes. Obviously, Virginia Electric Power you laid out still a reasonably robust capital spending and rate base growth forecast. So, is there any reason I should be concerned or believe that the quantum of net income from VEPCO in 2018 over 2017 wouldn't be higher as well?

<**A - Thomas F. Farrell II**>: No. No reason to be concerned about that.

<**Q - Greg Gordon**>: Okay. And then are there are any other – other than thinking about whether or not there is a drop in 2017 and recycling of cash flow, are there any other like major drivers for thinking about, so where we are in that 10% plus range?

<**A - Mark F. McGettrick**>: No. I think the drivers Greg, is more – the drivers are pretty straightforward 2017, 2018, Cove obviously is there, one fewer Millstone outage. We try to adjust these growth rates and guidance range to current commodity decks out there on power and also on gas. So I think the growth drivers should be pretty clear.

The other thing I'd emphasize, again, and we talked about it earlier. We've actually talked about for about year now. We are purposely stepping down our ITC reliance, so that we get to a very low normal run rate. We've used ITCs for a number of years here to help support earnings during a large capital spend program. And we are not going to be in that business any big way in 2018 and beyond.

<**Q - Greg Gordon**>: Great. And you also did not contemplate any change in regulatory scheme in Connecticut or Massachusetts, as it pertains to clean energy credits for Millstone, correct?

<**A - Mark F. McGettrick**>: The only thing we've factored into our growth rate and for 2018 is a very modest increase in power prices in the Northeast just because we think they're extraordinarily low right now. It was not a reflection of any legislative effort that would be out there, but just a – on a normal slow recovery in the Northeast on power.

<**Q - Greg Gordon**>: Okay. And you guys raised – last raised the dividend in December. So when you say that you're – when you articulated the dividend growth target today, should I presume that the normal cadence of going to the board with a – to have a conversation on the dividend will be again next December?

<**A - Thomas F. Farrell II**>: Yes. We have – the board is fully aware of these statements we have been making since the fall that we expect to – starting in 2018, to have a dividend growth rate higher than 8%. So we would – our normal policy would be go back later in the year to talk to them about next year's dividend policy, but they are very aware and supportive of dividend growth rate higher than 8% starting next year.

<**Q - Michael Weinstein**>: Hey, just a follow-up on Greg's questions. Can you elaborate a little more on why – why there is a 6% to 8% growth rate for the next two years instead of the old 7% to 9%, like why – you are already starting

at a lower base. I'm just wondering what – what's the driver in 2019 and 2020 that forces you to reduce that by 1%? Is it the ACP delay or is it something else?

<A - Mark F. McGettrick>: Michael, this is Mark. No, it's not really the ACP delay, although obviously ACP vs. previous estimates were being lower 2019 as the build out occurs and be stronger or I guess equivalent, I should say, in 2020.

But there's a couple of things to think about there. And when I referenced to Greg earlier, that we kind of reset the commodity deck here, that is a reference to really two parts of our business, obviously the power vis-à-vis which everybody – there is real clarity on that. But the second is gas and oil prices that might impact our business, in particular at Blue Racer.

Blue Racer's contribution vs. previous estimates are going to be down significantly based on current oil and gas outlook; that can change, it could go up, but we wanted to normalize that in this growth rate. Also the contributions at Hastings, our small processing plant that is housed within DTI, their contributions are also down from previous expectations based on the same liquids pricing events that are out there.

So, again to set up, taking a very bullish recovery in commodities, we pretty much looked at the strip, and if your outlook is that – that is conservative based on the recovery of economy, and E&P and others, that could well happen. But those are the two biggest drivers in the 2019 and 2020 timeframe than what we would have talked about previously.

<Q - Michael Weinstein>: Got you. So you're being conservative and considering there – I mean, when I look at the frac spreads going forward in Marcellus, that – I mean, there has been improvement over the last six months, and I'm just wondering if you're seeing any more interest from your – from your customers?

<A - Mark F. McGettrick>: There has been improvements, certainly in the basin two between South Point and Henry, but we've seen a little bit of an incremental activity in Blue Racer. But it's going to be a slow recovery there, I think, to a more normal rate than we thought two years or so ago in the Southern Utica.

So we put out a growth – anticipated growth a couple of years ago for Blue Racer. I'd reference you to those numbers, but it's going to be significantly less than that based on what we're seeing currently over the next two or three years.

<Q - Michael Weinstein>: Got you. And in terms of Connecticut legislation, and is there a possibility for Massachusetts legislation to support nuclear as well, is that something you're hearing?

<A - Thomas F. Farrell II>: There is a – good morning. What we've heard is more through the regulatory process in Massachusetts, but yes.

<Q - Michael Weinstein>: So, what – how – what form will that take?

<A - Thomas F. Farrell II>: Similar, as we understand it, I mean, all of this is in development, but it's similar – it would be a similar approach to what Connecticut is considering, which unlike some of the other states is not a – some people are describing the other states and subsidies, I'll leave that to others to discuss, but Connecticut is clearly not, it's up to the – it is a opportunity for us to fit into their clean energy program, and compete with other clean energy sources.

Connecticut – Millstone Power Station provides over half of Connecticut's power and it has – you can obviously see for the 20% lower prices we're getting for this year than we got last year, it's been under some pressure. And – but we're hopeful that things will improve there.

<Q - Steve Fleishman>: A couple quickly. The – just on the 10%-plus for 2018. I mean you guys give pretty wide ranges when you do the years. So, is the 10% like the low-end of that wide range or is that being too specific?

<A - Mark F. McGettrick>: No I – the way I look at it, Steve is if you look typically, what those folks have done. The way, we look at it, if you look at the midpoint of our range. We see it of – 2017 I should say, we would see at least 10% growth of the midpoint of 2017.

And you are right, we do give fairly wide ranges and that is mainly because we have been so weather sensitive the last five years that it can move in off a lot based on weather in Virginia and Ohio for us, but – but that's how I would do the math, midpoint-to-midpoint.

<Q - Steve Fleishman>: Okay. That makes sense. One clarification on something you've already said so, you talked about kind of updating to kind of roughly the current forwards but then also on the power side, and then also talked about, though, expecting, anticipating some recovery in the numbers. So I guess, I wasn't exactly clear, which is the answer to that?

<A - Mark F. McGettrick>: Let me see, if I can help you a little bit on that. We look at the strip and we have a very small amount of growth annually off the current strip that's out there in the Northeast. So it's not material to our estimates, it's a few percent a year, the lift in power price. Again, we don't know if it would be more than that or less than that. But we've gone through this for two years now and power prices have not recovered to a level that were in expectations, and we were able to cover those other ways. What we've tried to do here is to say, we've taken a market look of what's out there and we've just taken a very conservative upside to that.

<Q - Steve Fleishman>: Okay. And then last question is, Tom, mentioned more opportunities for growth off of the pipeline network both the East and the West. When we think about your 6% to 8% growth rate, is that something that would be kind of included there toward the end of the period or is that beyond the period when those new projects would hit? How should we think about that?

<A - Thomas F. Farrell II>: Steve, some of them, I think actually has been – a lot of interests starting really this – at the end of last year and this year throughout. We really think of it as three different areas. The West and our traditional Mid-Atlantic. I mean, Mid – Appalachian Basin area. And now it is more Southeastern situation with what we have in North – in South Carolina for example.

They will start layering in – for new projects we'll start layering in 1919, 1920 and 1921. So they're going to be spaced out. There will be some in 1918. There will be some in 1919, 1920 and 1921. It depends on what – how quickly we sign them up. Some will be longer, and more capital and some will be shorter and less capital. So I would – they will come out – they will – as you would traditionally see, we announced them as we sign them. And we will have projects that will come in in 2018, we already talked about those today, we have more in 2019, more in 2020, more in 2021, more in 2022. And by expanding our gas infrastructure footprint, we have expanded the opportunities.

<Q - Angie Storozynski>: Just a follow up question to Steve's question. So, again did you incorporate those pipeline growth projects, or any midstream growth projects in that 6% to 8% earnings growth through 2020?

<A - Mark F. McGettrick>: A modest amount.

<Q - Angie Storozynski>: Okay. On Connecticut or New England, in general, I mean, can you give us any sense roughly what would be the benefit to earnings from this legislation, are we talking, I don't know, $0.05, are we talking $0.20, I mean, just a rough estimate?

<A - Mark F. McGettrick>: Angie, this is Mark. We have no estimate to give you, the legislation is not even out of committee. And the exact structure is still evolving, I think, so we don't have any estimate or even a probability at this point whether there'll be success in Connecticut. We would hope there would be, but we don't have a number today at all.

<Q - Angie Storozynski>: Okay. And my last question, so you said, out of the $7B of cash that's going to be coming from Cove Point. $3B to $4B will be used for debt paydown, and then the rest split between buybacks, dividends and then growth. Can you give us a little bit more of a sense, I mean, you are giving us EPS growth target. So, just roughly what is the number embedded for buybacks, so that we actually can get a share count, and is there a way for instance you could shift some of the money to make, I don't know, accretive acquisitions that could boost that growth trajectory?

<A - Mark F. McGettrick>: We haven't specifically allocated in 2018, 2019 or 2020, which is when we think Cove Point will be dropped over the three-year period. The exact amount that would go between supporting organic growth, share repurchase and dividends. But, on the dividend side, the math is fairly straightforward. There will be a modest amount, but it'll be the amount that allows us to grow our dividend at a level that doesn't burden our regulated entities beyond the 65% to 70% payout ratio. So, that's a few hundred million dollars.

Beyond that, we'll have to see what the opportunities are, Angie, before I can tell you specifically how much the share repurchase vs. organic. But, again, it will be a split between that, and as we get closer to the period, we'll go ahead and give clarity.

<Q - Faisel H. Khan>: I have a few questions on Dominion Midstream related to the drop of Cove Point. So, the dropdown value that you guys talked about $7B, is that already been negotiated with the Conflicts Committee?

<A - Mark F. McGettrick>: It has not.

<Q - Faisel H. Khan>: Okay. And then, what is the – I mean how are you going to drop this thing, are we going to stagger it over a few years or will it happen all at once?

<A - Mark F. McGettrick>: Right now, we're anticipating staggering in over a few years. And, a lot of that will depend I think on a couple of things. One is there a need for cash at the parent in a particular period that might change that. Second, how are the other assets in DM performing, which we expect to perform quite well, could move that around a little bit. But what I would do for your modeling purposes is I would take the exact amount of EBITDA necessary to grow 22% in 2018, 2019, 2020 off the existing EBITDA stream that's currently there, and back into how the split will occur. And I think what you'll find is that we don't need but a very small drop in 2018 and probably an equal level between 2019 and 2020. So that's how we're thinking about it now, but that could change based on opportunity out there.

<Q - Faisel H. Khan>: Okay. And then just the value of the drop $7B vs. sort of, let's say, the book value after this is all said and done will be $4B. So I mean, is it fair to say that you'll take back a lot of units when you do this drop; simply because you want to mitigate the tax impact of that sort of gain on the book value of the asset?

<A - Mark F. McGettrick>: We will certainly take back some units as part of the drop. A lot of that will be determined by tax planning and market access but based on our last drop or I should say or – I guess our first drop of Questar Pipeline, we can access the market at a very high level and it looks like a very favorable rate. So we would expect only the minimum amount to anticipate any tax issues that may occur out there in terms of units back.

<Q - Faisel H. Khan>: Okay. And what happens with the preferred equity at – in the Dominion Midstream from – in Cove Point, because that was related to the liquefaction asset. So, obviously you can't have two forms of equity in the partnership, would that just get sort of wiped out or sort of exchange for common equity in Cove Point?

<A - Mark F. McGettrick>: Okay. I think realistically, once all Cove Point is dropped in, it's – there is no preferred value to it at all. So probably, it becomes common, but we haven't really talked about that. Until it's all dropped in, a differentiation is probably important, but and after it's all in, I'm not sure there is a need for that.

<Q - Faisel H. Khan>: Okay. And then did you guys discuss that commissioning is under way, so are you going to produce any commissioning cargos this quarter, in Q1?

<A - Thomas F. Farrell II>: No.

<Q - Faisel H. Khan>: Okay. When would you – when would you envision producing the commissioning cargos, and assuming you sell those in the market, would that be used as a debit against your PP&E?

<A - Thomas F. Farrell II>: No. Just to backup, we're – we expect the units to come online, be ready for commercial operations late this year. The capacity and outlook is all entirely – is owned by the shippers. We have capacity contracts, take-or-pay contracts on those. So once its operational, we will be receiving our payments for capacity, and that will be up to the shippers to – to take the cargos.

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<Q - Faisel H. Khan>: Sure. No, I understand that. But I thought that in the commissioning stage, you'll produce cargos to test the facility, was my understanding. And then those commissioning cargos sort of belong to you...

<A - Thomas F. Farrell II>: That's...

<Q - Faisel H. Khan>: That's my understanding.

<A - Thomas F. Farrell II>: That will be later – late in the year.

<Q - Jeremy B. Tonet>: I just want to follow-up on Atlantic Coast Pipeline a bit more. And if you could just comment on how the progress there and any thoughts as far as, where the FERC stands right now, or the new administration, any updated thoughts on the regulatory environment would be helpful?

<A - Thomas F. Farrell II>: We're doing quite well with Atlantic Coast Pipeline. The draft environmental impact statement came out as scheduled under the scheduling order. It's quite positive, as I mentioned earlier. And it's obviously there for anybody to see. It had about 85 potential conditions in it, number like that, which I think is fewer than we had at Cove Point actually, for a much longer pipeline.

So, we were – FERC had done a very thorough analysis, but we had done a lot of – we had done a lot of very thorough work before filing everything, that any major reroutes were already all scoped out before the draft environmental impact statement came out. Comment period is underway. Public hearings will be heard starting at the end of this month. It will all be wrapped up in early March.

So we don't see any hurdles to getting our final EIS out in June as it's scheduled. There's an issue, I know, people may have with the going down the two FERC commissioners here over the next I guess about a week or a few days. We don't – need to have a full complement or a quorum at FERC until summer time to be on our schedule.

So I'm highly confident that the president will appoint folks by then, they will confirmed by the Senate and seated. So, we think, it's going extremely well, we've signed our construction contract. It's all taken into account all the changes that were necessary as a part of the rerouting through the mountains and the forests, the National Forest. So all in all, ACP is going extremely well.

<Q - Paul Patterson>: Just following back – and I'm sorry, if I miss this. The solar ITCs for 2018, it sounds like that will be kind of the base line that you guys are looking for. Could you quantify what the total solar ITCs for 2018 are expected to be, roughly speaking?

<A - Mark F. McGettrick>: Paul, right now, we're looking at kind of a normal customer driven run rate of about $0.10 per share from ITCs starting in 2018.

<Q - Paul Patterson>: Okay. Has there been any change in the farm outlook performance?

<A - Thomas F. Farrell II>: We have – how are you doing, Paul? Good morning.

<Q - Paul Patterson>: Hi.

<A - Thomas F. Farrell II>: We had – continue to have significant amount of interest in the farm-outs. Just to refresh you, I think we're about 3/5 of the way through the program. When we announced it in the beginning of 2015, we said that we would have – I think the number was about $450mm over a five-year period. We have done about 3/5 of it already. We have a lot of interests. We're not in any hurry to do. We have – we'll do plenty of farm-outs over that period, we're going to get the right price for them. So we're being patient, but we have plenty of interest.

<Q - Paul Patterson>: Okay. And then, on the nuke life extension, it sounded like there might be a considerable rate base opportunity there, from a – and also from a risk reward or from a risk perspective, a lower risk than new build. I'm just wondering, the bill seems to be moving to a legislature associated with that. And I'm just wondering when, assuming that that go, what's your outlook for that is and when it quantitatively might start showing up in rate base

<A - Thomas F. Farrell II>: I'll answer that part of that question and I will turn it over to Paul Koonce. So your reference is to, I think is the – there's a legislation progressing through the Virginia General Assembly that makes it clear that life extensions of our Surry and North Anna Power Stations, these additional life extensions – license extensions would be subject to rider treatment. It's progressing particularly through the General Assembly. General Assembly adjourns for the year at the end of this month. And all it's doing is ensuring rider treatment for all those CapExs.

With respect to new build, I think we said pretty consistently last few years, North Anna 3 is there as a possibility, an auction for us for Dominion, when and if, it becomes appropriate and is in the best interest of our customers to do so. I think it's quite clear that risk is less in doing life extensions than building new nuclear reactors as we've seen. But, I'll turn over the timing to Paul Koonce.

<A - Paul D. Koonce>: Good morning, Paul. Yeah, we – North Anna and Surry have operated terrifically over its life and we see the opportunity to spend probably in the order of $3B to $3.5B in just equipment upgrade. Right now, when we take an outage we perform a lot of maintenance. If we get the second license extension support then we might start replacing, not performing maintenance. So I think what you'll see is that beginning to take place in the 2018, 2019, 2020 and 2021 timeframe and even out into the decade.

One of the things we'll have to look at is our traditional refueling outages, do we change the number of days to get more work done. So we're really looking at all of that now, but you should start to see that, provided the legislation, you should start to see that in our earnings in the 2019, 2020, 2021 timeframe.

<Q - Paul Patterson>: Okay. And then just finally on the coal ash, are we pretty much finished with the impact of that given the last quarter, and is there any potential for recovery of these coal ash expenses?

<A - Thomas F. Farrell II>: Hey, Paul, I'm going to let Paul Koonce answer that one as well.

<A - Paul D. Koonce>: Yeah, Paul, you noticed we took $122mm after-tax charge in Q4 to revise our estimates, and really those estimate revisions were due to just additional water treatment at Bremo and Possum Point. Recall we have four sites that we are in the process of remediating Possum Point, Bremo, Chesterfield and Chesapeake. We are in the process of getting the solid waste permits, which will govern the final closure plan and the 30-year water monitoring requirements.

So I would expect, over time, as we get those solid waste permits, we buy – need to make revisions. But again, in a relative basis, our coal ash mitigation is pretty small relative to others.

<Q - Paul Patterson>: Okay, but we don't expect any recovery of these expenses?

<A - Paul D. Koonce>: Well, we do have a rider recovery for active coal plants, and Chesterfield Power Station is an active coal plant, so we do expect the coal ash mitigation associated with Chesterfield will be recoverable.

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