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EDITED TRANSCRIPT

DTE - Q4 2014 DTE Energy Co Earnings Call

EVENT DATE/TIME: FEBRUARY 13, 2015 / 2:00PM GMT



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PRESENTATION

Operator

Good day, everyone, and welcome to the DTE Energy hosted fourth-quarter 2014 earnings release conference call. Today's conference is being recorded. At this time, I'd like to turn the call over to Anastasia Minor. Please go ahead.

Anastasia Minor - *DTE Energy Company - Executive Director of IR*

Thank you, Dana, and good morning, everyone. Welcome to our 2014 year-end earnings call. Before we get started, I would like to remind you to read the Safe Harbor statement on page 2 of our 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 net income to operating earnings provided in the Appendix of today's presentation.

With us this morning are Gerry Anderson, our Chairman and CEO; and Peter Oleksiak, our Senior Vice President of Finance and CFO. We also have members of our management team with us to call on during the Q&A session.

And with that, I'd like to turn it over to Gerry to start our update this morning.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Well, thanks, Anastasia. And good morning to all of you, and thanks for joining us. I think I'm going to be able to give you a very positive assessment, both of what we accomplished this past year, and what we feel we are positioned to deliver this year in 2015.

So the agenda for the call is laid out on slide 4. I'm going to begin with a look-back on the past year, and then I will provide a summary of energy policy developments, both in Michigan and in Washington. And I will wrap up my comments by taking you through a long-term growth update, and then I'll turn things over to Peter Oleksiak to provide a financial update and some closing thoughts.



So I'm going to frame my look-back on 2014 within DTE Energy's system of priorities. And those priorities are laid out on slide 5. Those of you who have been on this call in recent years should recognize the system of priorities. It does describe the way we think about our Company and the way we run our Company. And I'll take you through it briefly just to re-familiarize you.

So, we start things with our employees. And this is a core focus for the Company, with the simple common sense that it's hard to create a great company if your culture and the energy of your people isn't great. If you get that right, you can translate that into great customer service, and to great continuous improvement and management of your costs. And you can also translate it into people who are willing to work hard to grow your Company.

And if you get those right, then I think great customer service and good management of cost and growth that plays into, for example, the state of Michigan's economic development agenda, give you a good chance to shape a political and regulatory context that's constructive for the Company. And if you combine a constructive regulatory context with a good growth strategy, we have a chance to produce really strong outcomes for you. And for us, that means consistent, predictable 5% to 6% or more annual earnings growth, combined with an attractive dividend and a strong balance sheet.

So, let me take you through the results around each of these priorities in the next few slides, beginning on slide 6, as a way of looking back on this past year's accomplishments. Starting with our employees. So we ranked in the top decile of Gallup's Employee Engagement survey. Gallup does this all over the globe. And we entered the top decile for the first time in our Company's history.

And I know at our year-end Christmas party this past year, I picked out a couple of things that I was proudest of from 2014, and this was one of the two. Because I think it's a big deal for us to continue the sort of performance that we've had over the past six years.

We also learned our second consecutive Gallup Great Workplace award. We were top quartile for the second year in a row in our industry with safety results. And we also had the National Safety Council rank us in the top 5% of 672 companies that they work with nationally. They really look at safety culture. So I think this was another important outcome for us.

On the continuous improvement front, interestingly, the Project Management Institute, which is another one of these large global institutes, named DTE one of three finalists for their Global Project Management award. So I can tell you that we haven't always been this way. In fact, six or eight years ago, I can remember our first ranking on their zero to 5 scale, and we ranked a zero.

And it was at that point that we challenged our people to turn our ability to manage large projects into a world-class process. And they have worked on it hard since then. And interesting to see them start at zero and end up as a finalist for top of the list, so to speak.

This continuous improvement mindset is translating to our O&M expenses. Again, our expenses this past year were flat to 2008 levels. It really comes through a lot of CI work around the Company. And so that ranks us again among the top of the peer group in our industry in O&M reductions.

On a customer satisfaction front, we had some good news this past year. Our gas business ranked number one for both residential and business customer satisfaction. And both of those are first's for our Company -- first time ever that we've been top of the list. We have been targeting this very explicitly with our employees, so it's great to achieve it.

Our electric residential satisfaction is now third in our peer group. And we are pretty clear with our employees that we want to take that to where the gas business is. What we need to do to get it there is primarily to invest in strengthening our electric system. Reliability is our primary gap to the top one in that satisfaction survey. So, we are, therefore, investing in reliability.

Moving to slide 7, on the political and regulatory front, I really do feel there's positive momentum in Michigan's energy policy. I'll discuss that here in a few minutes, so I won't dwell on it now. But we did, this past year, file our first electric rate case in four years, that will play out here in 2015.

We reduced average customer rates last year by 6% in January of 2014. We reduced rates another 6% actually in January of 2015. So, that's a good thing to have rates going down. And then we had Michigan spend, that spend with Michigan suppliers says \$900 million; actually we just closed

the books on the numbers -- \$922 million. We started some years back in 2010 at about half that level. It's been a great way for us to play into the economic development and job creation agenda of this state.

On the growth front, we invested over \$2 billion this past year, more than double our depreciation levels. We had \$1.8 billion in the utilities. One of our significant projects was the Echo Wind Park. That was 112 megawatt wind park that pushed us right to our 10% on the renewable portfolio standard here in the state. We made fundamental progress on the NEXUS pipeline. I will discuss that in more detail here in a few minutes.

Very active around the Bluestone pipeline in Pennsylvania. That was a significant area of investment last year, and it will be this year as well. We relocated our eighth REF unit and we have the ninth one underway, and should be able to bring that online this year.

On the financial front, our operating EPS came in at \$4.60. Our revised guidance late last year was \$4.52, so we came in at the high end of our guidance range. We began last year with guidance of \$4.30, so we cleared that by a pretty healthy margin. We did earn our allowed ROE at both our gas and electric utilities. And our total shareholder return for the one, three and five-year time frames were all top quartile. And we were able to increase the dividend 5.3% as well.

Well, I look back on all that, I feel we had a great year in 2014. And I also feel great about the way that we are positioned for 2015.

So, moving on to slide 8, I am now going to turn to an update on energy policy, both in Michigan and Washington. And I will start that look on slide 9. And I just want to begin by saying that Michigan continues to have what I consider to be a sound, balanced political and regulatory context. I think the state is working hard to behave that way, to behave in a way that's productive for growth and productive for business.

In addition to their normal workload, several of our public service commissioners are giving a significant amount of time to helping the state conceptualize good future energy policy. So, for example, Chairman Quackenbush is an important advisor to the Governor and the Governor's team as they think through policy options.

And as for Governor Snyder, he made it clear that updating energy policy is an important legislation priority for him this year. He called out the need for new legislation in his State of the State address. And in doing that, he highlighted the significant transformation in generation sources that our state will undertake over the next 10 to 15 years.

And as is his nature, Governor Snyder has carefully studied energy issues. He's given a lot of thought to future energy policy in our state. And so I feel fortunate to have him leading, as we shape policy that's really going to carry Michigan through a important period of evolution in the state's energy sector.

We also have good leadership in both the House and the Senate on policy. And so I'll move to slide 10 to talk about some of the players.

Senator Mike Nofs is pictured on the left there. He is an extremely seasoned hand when it comes to energy policy. Mike chairs the Senate Energy and Technology Committee. He was one of the principal architects of Michigan's 2008 energy legislation. He was in the House then. But Senator Nofs thoroughly understands the issues facing our state and the policies that we need to address that.

Representative Aric Nesbitt is also a very knowledgeable and experienced leader on energy issues. Aric chairs the House Energy Policy Committee. He did that last term as well. So he is well up the curve. And I am confident that he also thoroughly understands the future energy policy needs of our state.

And finally, Governor Snyder recently appointed Valerie Brader to head the newly-formed Agency on Energy. The Governor formed the new agency to better coordinate the various parts of state government involved in developing and executing energy policy. And Valerie is a trusted and very competent aide to the Governor and, I think, a very good choice for this role. She's been very close to energy issues through the Governor's first term. And that continues into his second term.

So bottom line, as we head into a really important energy policy and set of energy legislation deliberations this year, we have a really good group of leaders working the issue. And I think that bodes very well for constructive legislation as an outcome.

Now in terms of the nature of the legislation, fundamentally, our state needs to do two things. I think this will be the focus of legislation. First, we need to address the remaining retail access in the Michigan market. And I think that all of the principal players in the discussion understand that clearly.

And second, we need to establish a well-defined process for defining and approving the many investments that our state will make over the next 15 years to update and transform our power plant fleet. So we are really going to need a process for thinking through the right portfolio mix, approving those investments, being flexible to change the investment slate and redefine it as we -- as new knowledge comes onboard, and so forth.

That process is not defined for the state simply because we have not been through a transformation of this scale in a long, long time. And so we need to put that in place. And I also think the policymakers understand and have their eye on that.

Now the power plant fleet transformation that I described is laid out on slide 11. That transformation, of course, is driven by EPA's 111(d) regulation. That regulation will be finalized late summer this year. I am spending a lot of time in Washington trying to ensure that, principally, that the final regulation is workable in terms of its reliability impacts and its impacts on customer rates. And both of these issues are really a question of pace, not the ultimate endpoint.

I do sense that the EPA and the Administration are listening to input on this front. So I am hopeful that we can have the regulation brought to a point that works for companies like ours.

For Michigan, as you can see, on the right-hand side of this slide, 111(d) will lead to a significant shift away from coal to a much heavier share of gas in renewables. And this mix shift will require an investment in our state on the order of \$15 billion; \$7 billion to \$8 billion of that will be by DTE Energy. And thus the need for updated energy policy in the state. It's a big transformation, akin to what happened back in the 1970's and 1980's.

So moving on to slide 12, I'm now going to shift gears and provide an update on our long-term growth and investment prospects. And I'll start that discussion on slide 13. As I mentioned earlier, we had a strong finish to 2014. Our earnings finished at \$4.60 a share, up about 12.5% over the prior year. Peter is going to give you more color on this in a minute, but I think it's fair to say that every one of our business units turned in a strong performance this past year.

Back in the fall of 2014, we provided an early outlook EPS guidance for this year of \$4.55. We are now increasing that guidance to \$4.60. Again, Peter will give you more depth on that new guidance in a minute, but one way to look at it is that our guidance implies that the weather and trading upside that we saw in 2014 will now be internalized into core long-term growth in 2015.

We also continued our dividend growth in 2014, as you see at the bottom of the slide. We have consistently said that, as we grow our earnings, we intend to grow our dividend in parallel. And that is certainly still the plan.

As you know, our stated goal for many years has been to grow our EPS and our dividend at 5% to 6% per year in a highly predictable and highly reliable fashion. Our actual earnings growth, as you can see at the top right of the slide, has been higher than that. It's been closer to 7%. And I think we are in a position to continue this strong earnings growth, which is where I want to turn my attention to now.

So as you can see on slide 14, we are going to be pursuing a very full investment agenda over the next five years. Capital expenditures from 2015 to 2019 are projected to average \$2.3 billion a year, which is by far the highest five-year average in DTE Energy's history. Our projected capital expenditures for this year, \$2.6 billion, is also record level. We've never been actually near that level.

So we are clearly in the heart of a heavy capital investment era at the Company. And as you can see from the graphic, each of our four growth businesses is going to contribute to this investment in growth. The heaviest investment, both this year and over the next five, will be in our electric



business. And contributing to that investment this year is our acquisition of the 700 megawatt gas-fired Renaissance power plant. We closed that acquisition in January.

We also do have a second RFP out for another gas-fired plant. We do expect to act on that this year as well.

So as we make those investments in our utilities, we are intensely focused on keeping the rate impacts modest. I think we believe, as a company, that it will be those companies who manage the rate impacts of a heavy investment era well that will emerge as the winners for shareholders. So we are very focused on managing the rate impacts.

On slide 15, clearly, these investments, plus general inflation, put upward pressure on rates. But we have a number of factors at work that are offsetting that upward pressure. So in addition to the continuous improvement and cost management that I discussed earlier, there are over \$600 million in surcharges that have rolled off in our electric business over the past two years. And as a result, we are able to lower average rates by 6% last January, and by 6% again this January.

In addition, we have been working with our legislature and Commission on revised business cost of service rates. And the result of both the rate reductions and that work is that many of our large energy-intensive companies will see rate reductions of 15% to 20% between 2013 and 2015.

We did file our first electric rate case in four years in December of last year. And I think we are just pleased that this rate increase request will be playing out within a broader context of falling rates, as I just described.

In our gas utility, our gas main renewal and meter replacement programs are covered by an infrastructure recovery mechanism. And as a result of that, we don't expect to need to file a gas rate case until 2016 or 2017.

So turning now from our utilities to our non-utility businesses, one area of continued significant investment in growth is our gas storage and pipeline business. And slide 16 lays out the footprint of that business. Our current footprint extends essentially from Chicago to New York City. The Millennium pipeline, the Bluestone pipeline, and the Bluestone gathering system, which are on the eastern end of this footprint, were areas of significant investment activity for us this past year, driven by drilling in the Marcellus Shale. And we do expect that to continue this year.

Our gathering activity, for example, will be kind of full throttle. However, I want to focus my comments today on two assets on the western end of the footprint -- the proposed NEXUS pipeline and the VECTOR pipeline. VECTOR transports gas between Chicago and the Michigan and Ontario markets.

Moving on to slide 17, we made a lot of progress over the past year in developing the NEXUS pipeline. I just want to review a little bit of that with you. So agreements were executed with LDCs and several producers in the Utica region that underpin the pipe. And those agreements put us in a position to move forward, and we are moving forward.

We recently wrapped up a supplemental open season. That open season focused on interest shippers were expressing in additional receipt points. So, for example, receipt points upstream of Kensington Ohio on Texas Eastern. We were also responding to interest in potential laterals from Nexus to additional loads that the pipe might serve.

We also, over the past year, completed interconnect agreements for NEXUS with key pipelines, including VECTOR, including the DTE system, among them. And then finally and more recently, we submitted our FERC prefiling. We have engaged an EPC contractor. That was announced yesterday. Fluor will play that role. And we are right in the middle of public outreach activities. Those are well underway, too.

So given all of that, we now have serious engineering work on the pipe underway, and we expect to have the bulk of that engineering completed by the fall of this year. And we expect our final FERC application this fall as well.

Now with respect to VECTOR, many of you are aware that we recently wrapped up an open season for that pipe as well. And I am pleased with the results. Both NEXUS and the Rover pipeline signed 15-plus-year long-term agreements with VECTOR. And those agreements put the pipe on strong



financial footing for the foreseeable future. A number of the existing shippers on VECTOR did not renew capacity commitments, so we did not, in the end, need to expand the pipe to accommodate NEXUS and Rover.

So I think if you look forward, the growth and expansion of the VECTOR pipeline over time is now linked to the growth and expansion of NEXUS, Rover, and generally, to supply from the Utica Shale region. And given that that supply is expected to, by almost everybody who's looked at it, expected to expand at a rapid pace, we would think that VECTOR will benefit from that.

Moving on to slide 18, you see laid out here the earnings expectations for the gas storage and pipeline business. Earnings were \$82 million this past year. We are targeting \$145 million by 2019. Anything showed in color is earnings that we feel we have locked in with existing projects and assets. We do have \$10 million there for additional development, but it's not a very big bogey over a five-year period. So we hope we can do at least that, if not better.

You can see that the pipeline platform is slated to more than double over the next five years; the gathering platform doubles as well. We have a little bit of shrinkage in the storage platform. That's what the forwards show, although I must say that I think, as all the various changes in the gas markets play out, I am hopeful for storage. But we market to the forwards.

I'm going to turn now to our Power and Industrial business on slide 19. We are active in three lines of business in this unit. One of those is Industrial Energy Services, where we provide onsite services for large industrials and other large users of energy. In that business line, we have several cogeneration projects that are currently under development. We brought one online this past year. We have several more in development; one sizable one that's late-stage. So we expect that to be a good area of growth for this business line in the years ahead.

In the renewable arena, we operate wood-fired and landfill gas-fired power plants. Growth here will come from expanded output at existing assets. So, for example, we had a plant last year that was brought online at a partial year, and the full-year performance will expand earnings. We also brought on several large landfill gas sites this past year. So it's that sort of organic growth that's growing this line of business.

Finally, reduced emission fuels, where we reduce emissions from coal-fired plants. We brought on the eighth unit last year. The ninth unit is in late-stage negotiations. We expect to have that plant operating by mid-year 2015.

And on slide 20, you see the earnings expectations for the Power and Industrial business. So, P&I earned \$90 million this past year. We expect it to grow to \$145 million -- projected at \$90 million to \$100 million this year; growing to \$145 million. Again, anything you see in solid colors are projects that we have in-hand, so that we expect that that growth will come. We do have a \$20 million new development bogey that would be filled by things like cogeneration projects that I mentioned earlier. So, we feel good about achieving this as well.

So, that wraps up my comments. And I'm going to turn things over to Peter Oleksiak now for a financial update. Peter, over to you.

Peter Oleksiak - DTE Energy Company - SVP and CFO

Thanks, Gerry, and good morning to everyone. Everyone who dials in on a regular basis to this call knows I like to give a quick shout-out to our Detroit Tigers; I feel compelled to do that here. Actually one week -- exactly one week away, saw spring training starts. So, no bold predictions; cautiously optimistic. And we will provide an update for early-season update in the first-quarter call.

So with that short commercial break, I'd like to start with our financial update and our year-end results, and slide 22. As Gerry mentioned earlier, DTE Energy's 2014 operating earnings were \$4.60 per share. For a detailed breakdown of EPS by segment, please refer to the Appendix slide 32. The Appendix also includes a reconciliation to GAAP reported earnings.

Slide 22 shows our year-over-year operating earnings by segment. I will focus on the middle column, which is the 2014 results. Let me start first with the total earnings for our growth segments. 2014 operating earnings of \$796 million were up \$73 million or \$0.37 per share. Our largest subsidiary, DTE Electric, earned \$528 million and was up \$44 million over last year, driven by our revenue decoupling amortization in the first half of the year, and lower O&M expenses driven by reduced benefit cost and lean actions taken in the second half of the year.



2014 was a great year for our electric utility, given the weather-related challenges it faced. It was also the final year of a four-year rate case payout strategy. DTE Gas 2014 earnings of \$140 million were just below 2013 earnings, as colder winter weather was more than offset by higher O&M expenses, including reinvestment. The Appendix contains detailed year-over-year earning locks for our two utilities.

Moving down the page, our gas storage and pipelines earnings of \$82 million were \$12 million higher than 2013. This increase was driven by higher short-term weather-related storage earnings, and also continued growth in our pipeline and gathering earnings. Earnings for the year in this segment were partially offset by the ongoing impact of the accounting change related to one of our pipeline investments.

Earnings for our Power and Industrial Project segments of \$90 million were up \$20 million from 2013. This increase was driven primarily by higher reduced emissions fuel earnings that were mainly one-time in nature. In total, operating earnings for our growth segments were \$4.48 per share, up 9% from \$4.11 per share in 2013. Overall 2014 was a great year for our growth segment.

To round out our operating earnings, we include the results of our Energy Trading business. At Energy Trading, 2014 earnings were \$20 million, up from a \$3 million loss in 2013, driven by accounting recognition of the strong economic performance. The economic contribution for 2014 was over double our targeted annual level of \$20 million to \$25 million. And that incremental performance flowed through the accounting results. Slide 38 of the Appendix contains our standard Energy Trading reconciliation, showing both economic and accounting performance.

Now let me move the discussion ahead to this year and slide 23. As Gerry mentioned, we are raising our guidance midpoint for \$4.55 per share to \$4.60 per share. Slide 23 shows our updated operating earnings guidance for the 2015 by segment. We have a comparison here of our 2015 guidance, the far right column, compared to the 2015 early outlook, which is in the middle. I'm going to focus on where we have a green arrow on the page.

The increasing guidance is mainly driven by our non-utilities. We are slightly increasing our Gas Storage and Pipeline guidance range, based on higher expected earnings from -- for the pipeline business. And we are increasing the guidance range for our Power and Industrial Project segments by \$5 million for strong performance in the renewables businesses.

So earnings overall for growth segments are expected to increase from \$4.48 per share to \$4.60. This represents a 5.5% growth when you factor weather normalization.

You see near the bottom of the page our comment of lower share issuance in 2015. Right now, we are targeting \$200 million of equity issuance this year, which is \$100 million lower than it was assumed in our early outlook. The driver of this change is a combination of strong 2014 cash and the recent extension of bonus depreciation. So, the average shares outstanding for our updated 2015 guidance is slightly lower than our early outlook. Both numbers round to [179 million shares] (corrected by company after the call).

I just mentioned that the 2015 \$4.60 EPS midpoint of guidance represents a 5.5% growth when 2014 weather is normalized. And the next page, slide 24, lays out this comparison. The left side of the chart starts with 2014 actual growth segment results, then walks to the 2015 midpoint, including the change for weather. As you all know, 2014 was one of the coldest winters on record, providing favorability at our gas utility. This weather impact was a positive \$0.12 for 2014. You can see in the next two columns that the growth year-over-year consists of \$0.20 per share of utilities and \$0.04 per share at our non-utilities.

Earlier, I mentioned strong 2014 cash flows. And we can see this on slide 25. In 2014, our cash from operations was \$1.8 billion, down from 2013 levels, but \$200 million higher than our original 2014 guidance. The decrease year-over-year was primarily driven by lower surcharge collections and higher purchase power costs at DTE Electric. Capital spending was higher in 2014, due to increased investment at our DTE Electric. Overall, free cash flow was down from 2013, but \$400 million higher than original guidance.

Looking forward to this year, slide 26 provides our cash flow guidance for 2015. We see lower cash from operations this year, driven by the elimination of our securitization bond surcharge. The 15-year securitization bonds that facilitate the recovery of our then-nuclear plant assets are now fully recovered. On average, our electric customer saw a 6% decrease in their rates in the month of January. We look to significantly increase capital expenditures in 2015, due to increased generation investment at the utilities and growth projects at our non-utility businesses.

Earlier, Gerry described our investment in DTE Electric as we move to transition our generation from coal to natural gas renewables. In 2015, we are making investments in natural gas generation to shore up our summer capacity shortfall.

The strong 2014 cash flow performance has set us up nicely for 2015. And on the next slide, 27, you can see that our balance sheet remains strong, with leverage and FFO metrics at or above targets. We plan to continue our focus on balance sheet strength in 2015. We did achieve our target of zero equity issuance in 2014. And as I mentioned previously, we are targeting \$200 million of equity issuance at 2015, down from the \$300 million in our early outlook.

We look to issue \$800 million to \$900 million of equity over the next three-year period, 2015 to 2017, with the swing most likely with the pace and timing of investment in our non-utility businesses. Issuing debt over the last few years in this historically low interest rate environment has been great for the financial results and our utility customers. With the refinancing done in this low interest rate environment, we have saved more than \$100 million of annualized interest expense since 2010.

I know everyone wants to get to the Q&A portion of the call, so let me wrap up on slide 29, then we'll take your questions. 2014 was a very good year, and we are well-positioned to have a successful 2015. DTE delivered on its growth targets over the years, actually exceeding our targets. We have provided nearly 7% annual EPS growth over the last five years. Our 2015 EPS guidance provides a 5.5% growth over 2014 segments after adjusting for the unusually cold weather in 2014.

Part of our shareholder value equation is to continue to grow our earned dividend with earnings. Our EPS growth, coupled with our dividend, has historically delivered total shareholder return above utility indices. As we laid out for you at EEl, and now on this call, we have meaningful investment opportunities within our two utilities, our gas midstream businesses, and our Power and Industrial Projects business. Collectively, these businesses will continue to have a clear line of sight of growth opportunities in front of them.

Our election growth, which is the bulk of our growth over the next five years -- our utility growth, I mean -- is occurring in a growing Michigan economy, and constructive regulatory and legislative environment. We know we have to earn this constructive environment every day. Our work in operational excellence, cost management and customer satisfaction will do good things for our customers, and help make sure we keep that constructive regulation.

So with that, I'll wrap it up, and thank you for joining us this morning. And Dana will now be open for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Michael Weinstein, UBS.

Julien Dumoulin-Smith - - Analyst

It's Julien here actually. So, I was particularly intrigued by your comments around full throttle, if you will. Can you expand on that a little bit, both with respect to kind of nearer-term opportunities? I mean, how robust is that? What kind of upside versus what you've disclosed do you kind of see? And then as you think about building out this business, I mean, what are we talking about vis-a-vis your partnership and the ability to take that elsewhere? I mean, was that also what you were getting at in that comment?

Gerry Anderson - DTE Energy Company - Chairman and CEO

Yes, that was a comment around our gathering activities. And what I meant to imply was that our work with Southwestern around Bluestone last year was, I'd just say, extremely busy. They -- as they have disclosed on their calls, really are focusing capital there because it's a good place for



them to earn returns. And as they focus their drilling there, we need to -- we're between them and the market. So we were extremely busy this past year.

I will tell you that maybe the most important continuous improvement project we had in our Company this year was driving down gathering costs for Southwestern and becoming best-in-industry, yet undertaking that. Because your ability to earn additional opportunities with gatherers is driven by how well you do it, and never being in their way in terms of getting to market, and just being consistent. We did, as you know, I think, expand our agreement with them, so that will be leading to other activity with them in that region in an expanded geography. So that's going to keep us busy for the next couple of years.

And we do, in that business line, have an explicit goal to take the skill set that we have developed in Michigan and are working there in Pennsylvania to places like the Utica Shale, and more broadly in the Marcellus Shale. So that's probably what I was getting at.

Julien Dumoulin-Smith - - *Analyst*

Got you. And then just turning a little bit to VECTOR here, but what's the timeline here for getting a little bit more of an update? I suppose, in some sense, I was looking for data points sooner. I suppose the question is, you alluded to the opportunities with NEXUS and Rover, when do we find out about those kind of at a high-level?

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Future growth opportunities or --? The way I would characterize it is that the agreements that were signed with NEXUS and Rover, if you were to look at the earnings growth guidance that we have provided, those agreements fully support the guidance that we have out there, and what we need from VECTOR to fulfill those. And I think the future growth of VECTOR really now comes as NEXUS and Rover mature, and as volumes grow in the Utica -- if you look at anybody's projections at the Utica, they're going to see aggressive growth there.

And we fully expect those volumes to go both north and south, and to the mid-Atlantic. But a healthy portion will find their way north because they are good markets, and recently have had a good basis differential. So we would expect as the overall volumes of the region grow, we will get our portion of those. And that's really what will drive VECTOR's growth.

In terms of timeframe, most of the projections you see of that growth on VECTOR happen pretty -- that growth in the Utica happen at a pretty aggressive pace over the next five years. So, we don't have anything firm now, but we would expect as that growth comes that VECTOR should benefit.

Julien Dumoulin-Smith - - *Analyst*

Excellent. Yes, absolutely. And then just in terms of P&I, the Renewable segment, if you could comment briefly here, just when you're thinking about just 2015 versus 2014, what's kind of the shift there? I know it's a specific question here, but it seems like kind of a nice improvement there.

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

Hi, Julien. This is Peter. The increase in earnings year-over-year renewables in that subsegment is related to the ramp-up that we've been describing these wood-waste generating plants. We have a few of them -- actually all of them in service right now, so a few of them are ramping up. We're going to see a sizable increase year-over-year on that. And also, we have some new biomass projects are coming online.



Gerry Anderson - *DTE Energy Company - Chairman and CEO*

(multiple speakers) We had a couple of large projects in California and one in North Carolina -- large for landfill gas. Landfill gas projects in general are not huge, but these are in the 10 to 20 megawatt sort of range. That's pretty big for those. So those are adding as well.

Julien Dumoulin-Smith - *Analyst*

Great. Well, thank you, guys, for the time.

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

Thank you.

Operator

Dan Eggers, Credit Suisse.

Dan Eggers - *UBS - Analyst*

Gerry, I guess, just first on kind of the Michigan legislation in that process you're looking for, can you maybe give what you think the timelines going to be between the Governor's March speech and when we start to see formation of legislation, and when it could be taken to vote, and how important -- I guess associated with that is, how important is going to be the EPA rules on carbon to help initiate and shape that legislation?

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Well, I think just to start with where you ended, that legislators and policymakers who haven't been closely watching energy are being educated on the EPA regulation, its timeframe and how big a deal it is. It's not like a big deal for our state; it's every state. But they are beginning to understand what a big deal it is for Michigan.

But in addition to that, Dan, MISO has come out with its capacity projections for the Midwest, the upper portion of MISO. And the place where there is a capacity shortfall is Michigan. And MISO is projected at 3 gigawatts in Michigan. So, in addition to the EPA actions, Michigan needs to act because it has a capacity shortage in 2016.

And not surprisingly, the amount of that capacity short is pretty much 1-to-1 with what the retail access load or choice load in the state is. Because we and consumers are building for our customers, and nobody is planning for building for those retail access customers. So that's come into the lens as well. But the state needs to act to address that capacity shortfall in 2016. And it needs to be clear about who is responsible for that.

So that's a timing driver, too. And I think it's got a lot of people realizing that we can't wait on the EPA. Even EPA, if you think about it, we need to move now to have the processes in place. Because this EPA regulation finalizes late summer. We have probably two years then to submit plans. And the fact that you're submitting plans means that you've been through some process where you believe that you come to agreement with stakeholders to actually build what you have in your plan.

Well, there's a lot that needs to happen over the next couple of years to come to an agreement on big capital expenditures to pull that off. Everything that we build takes three to five years. And the EPA has an interim compliance date of 2020. That comes a couple years after we will have put our plans together.

So, to anybody who thinks about this very long realizes that most companies are already -- should already feel like they are up against it, in terms of timing. And that's true in Michigan as well. And I think the folks who are spending some time with energy are beginning to realize that there is no luxury of additional time; we need to act. So I think all of that is coming together to drive the timing of this, Dan, and that's positive.

What I expect is that the Governor will give an address here in March. There's actually a Roads ballot initiative to raise money to fix the roads here, that will occupy a lot of folks in the political arena in the early part of the year. That will play through. And then I think both the Governor and legislative leaders have said that energy becomes a principal priority. Numerous people have spoken about trying to knock it off by mid-year, so we would expect that there will be a pretty pointed discussion in the second quarter about where to take energy policy.

Dan Eggers - UBS - Analyst

Thank you for that. I guess, Gerry, just kind of on the \$7 billion to \$8 billion of 111(d)-related spending as you guys see it, with the rules coming this summer and relatively tight timelines, when do you think that starts creeping into the CapEx program and starts eking its way onto the EPS growth rate slides?

Gerry Anderson - DTE Energy Company - Chairman and CEO

Well, we are seeing the first -- kind of the first Echo's of that whole thing right now, is we are buying existing power plants. That's responding to capacity shortages in the near-term, but it's also beginning to position the fleet longer-term.

In terms of new assets, we could see some renewable build, I think, continuously between now and 2020, with larger projects beginning to show up in the late-teens and early 20s. Those would be the combined cycle units. So our hope would be to spread this out over time as much as possible and not point-load it, so that we can really manage customer rate increases in a ratable way. So I would expect that once we become a bit clearer on state policy, we're going to begin to step our way into this.

Dan Eggers - UBS - Analyst

So we should be looking maybe over the next year or so to seeing that CapEx number have to rise, just as you guys flush out how quickly you have to respond?

Gerry Anderson - DTE Energy Company - Chairman and CEO

I think we can be clearer on the sorts of assets that we will be investing in and the timeframe once we get a plan put in place and a clear framework for that. And I do expect that if I look forward over the five-year planning period, that we will start pushing investments in to respond to this. The renewables you can move pretty quickly. The combined cycles, as you know, to permit and engineer and so forth take longer, so we couldn't get those on until probably the late-teens earliest, into the early 20s. But we will -- that's the timeframe we're targeting.

Dan Eggers - UBS - Analyst

Okay. Thank you guys.

Gerry Anderson - DTE Energy Company - Chairman and CEO

Thank you.

Operator

Greg Gordon, Evercore Investment Banking.

Greg Gordon - *Evercore Investment Banking - Analyst*

So I missed the beginning of the call, I apologize. So if I'm repeating something that you answered already, forgive me. So, can you quantify -- this dovetails with what you were just talking about -- can you quantify what the impact might be on your capital plan if you were -- if it therefore necessitated to pick up your pro rata share of the capacity shortfall?

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

The choice -- Greg, this is Peter. The way to think about it, our choice shortfall is around 900 megawatts. And we will take some short-term actions if it comes back quickly. But long-term, we will be weathering that in through our long-term planning and baseload generation.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

To put a different way, as I said in my comments, we don't have policy that makes it clear who is responsible for that roughly 1,000 megawatts. If that responsibility comes to us, then we can't do anything in terms of long-term assets in a short timeframe. So we will have to scramble to put together a short-term solution. But it would mean that we would be building 900 more megawatts of some combination of renewable peaking and combined cycle assets. We don't know the exact mix of that but it would be roughly 1,000 megawatts of additional construction that we would undertake.

Greg Gordon - *Evercore Investment Banking - Analyst*

No, that was precisely my question. Thank you. Take care.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

You bet.

Operator

Matt Tucker, KeyBanc Capital Markets.

Matt Tucker - *KeyBanc Capital Markets - Analyst*

Congrats on a great year. First question on VECTOR. Can you comment on any expected earnings uplift or degradation as you transition to the new contracts from the old ones?

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

No. It -- the way this worked out is really nice for VECTOR. The expiring contracts have now been completely filled with the new volumes coming from NEXUS and Rover. As Gerry mentioned earlier, it fits really nice with our earnings guidance and planning for VECTOR. And it sets up VECTOR nicely for future expansion, now that it's refilled.



Matt Tucker - KeyBanc Capital Markets - Analyst

Thanks, Peter.

Gerry Anderson - DTE Energy Company - Chairman and CEO

So (multiple speakers) no degradation and right on our plan.

Matt Tucker - KeyBanc Capital Markets - Analyst

Perfect. And then a couple on NEXUS. If you could just comment on the expected partnership structure, I noticed your contractor, Fluor's press release, has mentioned you and Spectra as the lead sponsors. And then also with respect to the potential expansion, just curious if you are in -- if you say you are in active discussions even today on the possible expansion of nexus.

Gerry Anderson - DTE Energy Company - Chairman and CEO

So let me start with the last question. What I would characterize on the additional open season is that, at DTE -- and I think Spectra is very similar -- we like to have 80%-plus of the pipe contracted with firm contracts before we head into the engineering and construction. And we, with the initial open season and the work we did this past year, we achieved that. So we are moving ahead.

But on any of these pipelines, the process that of expanding take really happens continuously, right through the day you start the pipe. And so as our pipe has become more real, and people realize we are moving ahead with it, people then begin to say, well, maybe we ought to look at attachments. So as I mentioned in my comments, we got interest in additional load upstream of the pipe, upstream from Kensington.

We also have load points along the path of the pipe that realized they could build out modest laterals and use the pipe for things that work for them. So those are the sorts of things that are coming in. And as we think about the pipe, we are really trying now to evaluate and finalize the ultimate capacity of the pipe. And the work we're doing with these additional expressions of interest is going to help us clarify just what final capacity we want for the pipe and so forth.

So, I hope that helps. I don't know that it's so much an expansion as it is trying to land on the capacity we built for the pipe and build additional support to undergird it.

Matt Tucker - KeyBanc Capital Markets - Analyst

Thanks. And if you could just comment on the expected partnership structure?

Gerry Anderson - DTE Energy Company - Chairman and CEO

Oh, yes, yes. Sorry, forgot the first part. So, our numbers still assume that we are one-third, and Enbridge continues to work through. So they've signed on to take capacity from the pipe. But I think they have this still in their capital allocation decision-making queue.

And we consistently say we would love to have them on as a partner, but we and Spectra stand ready to take their project 50/50 if they decide they want to put their investments into other opportunities at the Company. We don't have clarity on that yet; that's really in their decision-making process.



Matt Tucker - *KeyBanc Capital Markets - Analyst*

Thanks. And just a final follow-up. Given your long-term visibility on VECTOR is much improved, and the visibility on the likelihood of NEXUS going forward is a lot better than at this time last year, does that impact your thinking at all about a potential MLP?

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

I think our statements in that are probably similar -- that we've done a lot of work looking at MLPs, and understand that the quality of an MLP is very proportionate to the scale of assets that you have available, and the length of time that those assets could be deployed over. And you see radically different quality from companies who don't have much of a queue that they can utilize versus companies who have a long one.

And the implied yields are extremely different. So, what we have concluded is that we really wouldn't want to move at a scale that implies a low-quality MLP. And if we choose to do this, it will be after we play out at least the plan that we kind of have in front of us right now.

Matt Tucker - *KeyBanc Capital Markets - Analyst*

Great. Thank you.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Thank you.

Operator

Andrew Weisel, Macquarie Capital.

Andrew Weisel - *Macquarie Capital - Analyst*

Just another question on VECTOR. It's great that you refilled the capacity from expiring contracts, but I'm a little curious to hear a bit more feedback from them as to why some of the existing guys didn't renew, and why we are not going to go forward with the expansion, at least not now? Is that related to the pullback in gas over the past few months, or any thoughts like that? And then on a related question, does that at all affect the potential for future Millennium expansions?

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

Andrew, this is Peter. The initial VECTOR pipeline, as you recall, was really built to deliver gas from the west to the east. So those additional foundational shippers that helped underpin the economic stability in that pipe, it was really a different basins and different purpose than today.

We are actually excited now to see that VECTOR has a role and purpose within the shale gas that's in our region. And it really will be more of a producer-driven pipe with all producers within our region. I think it played out nicely for us. And we really refilled the pipe and there's really a defined purpose now for VECTOR going forward.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Just to add to Peter's comments, back when VECTOR was built, we had Canadian volumes flooding the Chicago market. And it was a pipe in many ways to take that gas into storage in Michigan and at Dawn. And you know what the dynamics of Canadian gas have been; they've changed pretty sharply.



And so a number of the shippers -- and there were a couple of marketers in there as well, who had capacity. That play just really wasn't there with the same strength it had in the past. So that was behind their not renewing. And, as Peter said, the pipe really flipped through a pipe that's now more focused on Utica.

I do think it will be bi-directional. So that Utica gas is going to be able to press its way into Illinois and Wisconsin markets. And those are great markets, as well as Michigan and Ontario.

Andrew Weisel - *Macquarie Capital - Analyst*

Great. And Millennium, thoughts on potential expansion there and when we might see some updates timing-wise?

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Yes, I think you asked whether there was any connection between the two -- there really isn't. Millennium, interestingly, was initially built as a pipe to take Michigan and Dawn storage to New York and the northeast. It's been overwhelmed by Marcellus Shale dynamics. So, it's now a bi-directional pipe that's all about Marcellus Shale.

If we continue to expand that pipe as fast as we can, because the volumes there are growing so heavily, the region is constrained for export capacity. You know that the Northeast is looking for more paths, so the discussions are very active about all of that.

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

There are some early conversations we are having with LDCs in the East Coast, so if there is an expansion opportunity, it will be more in the 2017/2018 timeframe.

Gerry Anderson - *DTE Energy Company - Chairman and CEO*

Great. Thanks for taking the question.

Andrew Weisel - *Macquarie Capital - Analyst*

One more if I can, a follow-up. The electric utility CapEx came down by about \$130 million compared to the EEI deck. Is that just related to the actual purchase price from Renaissance? Or are there any other changes to 2015 of the longer-term outlook?

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

That was as we were refining our capital planning, and that's why we always call it -- characterize it as an early outlook. There is this normal timing of it with some environmental-related timing, generational-related timing. But it really was not related to the RFPs.

Andrew Weisel - *Macquarie Capital - Analyst*

Okay, thanks a lot.

Peter Oleksiak - DTE Energy Company - SVP and CFO

Thank you.

Operator

Jonathan Arnold, Deutsche Bank. (Operator Instructions).

Jonathan Arnold - Deutsche Bank - Analyst

I'd noticed, Gerry, in the opening remarks that you talked about your long-term growth goal of 5% to 6%. And you commented on the actual having been closer to 7%. And then you said you were feeling confident about being able to continue with strong growth. Are you -- were you suggesting that you feel confident continuing to deliver above the range, given the above -- the largest CapEx plan you've had in a while, et cetera? I just want to make sure I didn't take that out of context.

Gerry Anderson - DTE Energy Company - Chairman and CEO

(laughter) No, I'm happy to answer it. So, you're right, that whether you pick the start year 2008/2009, the growth has been closer to 7%. And I think we've also been open with shareholders that, internally, we target higher than the 5% to 6%, so that we are able to hit that with consistency. I've always said that if your target equals your plan, that doesn't give you any ability to offset unexpected events.

So we do target higher. And our goal every year is to come in higher. And in recent years, we've been able to do that. So I hope we can in the future. That's our goal. But we put the 5% to 6% out there because it's something we are absolutely committed to achieving with a high degree of predictability.

Does that answer it?

Jonathan Arnold - Deutsche Bank - Analyst

Yes, it does. Thank you.

Operator

And we'll take our final question today from Paul Patterson with Glenrock Associates.

Paul Patterson - Glenrock Associates - Analyst

I have a -- I mean, most my questions have been answered, so just quickly on Rule 111(d) and just projected sales growth in general. As you know, the EPA is sort of making a big deal about energy efficiency as being a big driver. And I'm just wondering -- A, what do you see as sort of the normalized sales growth over the next few years?

And also, are there any opportunities for you guys to actually make money, maybe, deploying energy efficiency strategies or something for your customers? And sort of, innovatively, if you guys have gotten any sort of -- oh, now I know that's sort of -- it's not necessarily traditional, but I just thought maybe you guys might be thinking about that?



Gerry Anderson - *DTE Energy Company - Chairman and CEO*

So, a couple of comments. It's clear from the way the EPA has handled energy efficiency, and if you're in the inner workings of the rule, it's really a carbon intensity target. And they put energy efficiency in the denominator so it actually behaves like megawatts. And what they're trying to do by doing that is encourage deployment.

I think our state and our Administration want to see good high-quality energy efficiency investments deployed in Michigan. So I am certain that it will be a core part of our response plan. And it's one of the ways, frankly, you can keep the rate impacts of this and the affordability impacts for customers more manageable. So we are working hard to think about the right energy efficiency investments.

In terms of the impacts on growth, you've seen it around the country that it's muted, slowed, and, in some cases, put a slight negative tilt on growth. In a lot of places that have been at this a long time, it does flatten growth, which is a good thing, but it generally doesn't put it into some -- I'm talking electric now -- doesn't put it into a kind of a secular decline like you saw in the gas industry, where there were significant volume reductions over time.

I don't expect that in the electric industry because we keep adding electric end-use load. And so the two are really offsetting each other. And so, while we expect modest growth to flat growth in our electric demand, we don't expect decline. And so we think that we are going to be -- the capacity we are expecting to build out is on the order of what we're dealing with now, plus a bit.

That could be impacted by things like automotive load shifting. If you get close to some of the folks who know the cafe standards, there's a lot of thought that, as you get into the later years of the cafe standard, it's going to be hard to comply without shift of petroleum into electric. And, if that happens, that really affects demand for electricity. So, all those sorts of things will affect it in the end. And I hope that answers your question.

Paul Patterson - *Glenrock Associates - Analyst*

It does. Just what -- regards to flat growth, I mean, your service territory, what do you guys -- could you quantify that a little bit in terms of what that sort of means in terms of just from your internal modeling kind of perspective?

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

We plan on about 0.5% growth in 2015. We're forecasting now is 0.5% growth to 2014. So within that, I'd say the underlying growth before energy efficiency is probably about 1% higher, but we are counting on about 1% efficiency in that.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Thanks a lot.

Peter Oleksiak - *DTE Energy Company - SVP and CFO*

Thank you.

Operator

And gentlemen, I'll turn the call back over to you for any additional or closing remarks.



Gerry Anderson - DTE Energy Company - Chairman and CEO

Well, look, I will wrap up quickly, just by saying that we feel great about 2014. And I'll repeat what I said at the outset. I feel great about the way we are positioned for 2015 as well. So, as I said to our employees the other day, we've had about a half-dozen years of really strong both performance and financial results here at the Company. And I feel good about making 2015 the seventh in the string.

So, with that, we will close up. Look forward to talking with all of you and seeing you in the near future. Thanks for being on the call.

Operator

Thank you. And that does conclude today's conference. Thank you for your participation.

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