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# DTE Energy Co. (DTE)

Q1 2018 Earnings Call

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**Peter B. Oleksiak**

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

**Jerry Norcia**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day and welcome to the DTE Energy 2018 Q1 Earnings Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Barbara Tuckfield. Please go ahead, ma'am.

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**Barbara Tuckfield**

*Director - Investor Relations, DTE Energy Co.*

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

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

And now, I'll turn it over to Gerry to start the call.

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**Gerard M. Anderson**

*Chairman & Chief Executive Officer, DTE Energy Co.*

All right. Well, thank you, Barb, and good morning, everyone. Thanks for joining us today. So, this morning I'm going to give you a recap of our performance for the first quarter of 2018, including an update on a couple of key developments and initiatives at the company. Then I'll hand it over to Peter, who will provide a detailed financial review of the quarter, and Jerry Norcia then will provide similar in-depth business updates.

So, let me turn you to slide 5. So, top line we are off to a very good start to 2018 and with one quarter behind us, I am very confident that we will deliver on our financial plans this year. Longer term, we continue to target the 5% to 7% operating earnings per share growth rate through 2022 that we have discussed with you in recent years. And just as a reminder, 2018 guidance is the base for this growth rate.

On the renewable energy front, we recently filed a plan with the Michigan Public Service Commission to significantly increase our renewable energy capacity over the next few years. And if approved, this will drive increased investment in new wind and solar projects and will double our current renewable energy capacity. I'll provide you with some more details on that plan in a few minutes.

DTE Electric received its final rate order last week, and that order set our ROE at 10% versus 10.1% previously. And it maintained our debt equity mix at 50/50 versus our request, which was at 49/51. So, those two items combined with the O&M increase defined in the case mean that we're going to maintain our earnings guidance range for DTE Electric of \$648 million to \$662 million, but will be biased to the lower end of that range given the changes.

That said, we continue to work very constructively with the Michigan Public Service Commission on a number of important issues. So, after months of collaborative work with the MPSC staff, in January we filed a comprehensive five-year plan for our distribution system. Additionally, we recently submitted our updated Renewable Energy Plan for the next five years and I feel we're well aligned with the MPSC in this area.

And then, third our Certificate of Necessity or CON filing for our gas combined cycle plant will be finalized later this week, on Friday actually. And we expect a constructive outcome in that proceeding.

We also have a rate case in motion for our gas utility. In this filing, we requested that the MPSC approve an increase to the number of miles of main that we renew on an annual basis, and we've had productive discussions with the staff on that issue. We expect to receive a final order in that case in September.

Moving to the non-utility businesses. Our Gas Storage & Pipeline business is off to a very strong start to 2018. Our earnings in this business line are running hot, and we expect to be biased to the high-end of our earnings projections here. We're making significant progress on the NEXUS pipeline with several construction milestones achieved, and we do remain on track for in-service late in the third quarter of the year.

Construction on both our Millennium CPV Lateral and the east side expansion are also going well, and we're still focused on in-service dates for those projects in the second half of the year.

We also continue to be encouraged by the financial performance of our 2016 Link acquisition, and we can talk a bit more about that later.

At our Power & Industrial business, earnings are also running hot this year. And as at GSP, we expect to be biased to the high-end of our earnings range in that business. P&I also continues to make really encouraging progress on its growth plan. We have several very promising development initiatives underway that Jerry Norcia will describe in greater detail a little later.

So moving on now to slide 6. I think, you'll recall that just about a year ago we laid out our plan to transition to cleaner energy sources and to reduce our carbon emissions by over 80% by 2050.

As I briefly mentioned earlier, we recently submitted our 2018 Renewable Energy Plan to the Michigan Public Service Commission. This plan proposes 1,000 megawatts of carbon-free electricity from new wind and solar projects in Michigan that would be completed by 2022. A portion of that capital investment is a pull ahead of capital that we had later in our long-term or 10-year plan.

Michigan, as you know, is in the process of implementing the bipartisan legislation that was passed in 2016 to address the state's energy transition. And this renewable plan that we've submitted enables us to achieve the 15% renewable standard by 2021 that is laid out in that legislation.

Also this plan is another significant step toward our carbon emission reduction goals, and those goals can be met in a way that continue to deliver reliable and affordable power for our customers as well.

If approved, these renewable energy projects would drive an investment of more than \$1.7 billion in Michigan and would double DTE Energy's renewable energy capacity.

So to give you some specifics, we plan to bring the Pine River wind park online later this year and the Polaris wind park online in 2020. And together these two parks will total 330 megawatts of new capacity and will be DTE's largest and most efficient wind parks to date.

We'll also be adding an additional 300 megawatts of new wind capacity in 2020 to supply a new voluntary renewable energy program targeted at our large business customers who are seeking to reduce carbon emissions.

Then in 2021 and 2022, we will be adding two additional wind parks that will provide a combined 375 megawatts of capacity.

Along with the increased wind capacity, we're also planning on adding 15 megawatts of solar power. So wind today is clearly lower cost than solar in Michigan, and thus we're really concentrated on wind capacity in the near-term. But solar costs are improving. And we expect that by the mid-2020s, solar will be ready to play a more prominent role in our mix.

Of course, we will continue to add more renewable energy beyond the dates defined in the plan that we've submitted.

DTE has already reduced its carbon emissions by over 25% over the last 10 years, and in the process has driven investments of about \$2.5 billion in Michigan's renewable sector and has added 1,000 megawatts of wind and solar capacity.

By 2023, when we play out the plan I just described, we expect our carbon emissions to be down 30% to 35%. It's interesting that that was the range that was laid out for us for 2030 in the Clean Power Plan. So we're going to be down significantly by the early 2020s. And then we plan to be down 45% by 2030 and 75% by 2040, as we continue to play out our transformation.

With that said, before these goals are achievable and achievable in a way that'll maintain both reliability and customer affordability, and the 2050 timeframe and the 80% reduction that we're targeting align with what scientists broadly have identified as necessary to address climate change.

So reducing our company's carbon emissions and developing cleaner sources of energy, as I think you can pick up, is a key strategic focus for us, and it will continue to be an important area of investment, as we transition our generation fleet.

So with that, I'm going to turn things over to Peter Oleksiak to talk a bit more about our financial results.

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## Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

Thanks, Gerry, and good morning, everyone. First, like to give a quick update on my rebuilding Detroit Tigers as we're finalizing the first full month of the season. Our Tigers are off to a slow start as anticipated, but are still within striking distance of first place and actually there were some pretty young prospects that looked promising.

But unlike our Detroit Tigers, actually we got off to a really strong first quarter as you can see on slide 8. We had an operating earnings of \$342 million or \$1.91 per share. And for reference, our reported earnings were \$361 million or \$2 per share and you can find a breakdown of the EPS by segment including our reconciliation to GAAP reported earnings in the appendix.

Let's touch on each segment in detail, starting at the top with our electric utility. DTE Electric earnings for the quarter were \$142 million or \$36 million higher than the first quarter of last year. This was driven by lower storm expense, a return to normal weather, and the implementation of new rates. There's a more detailed year-over-year earnings variance for DTE Electric, which can be found in the appendix.

For DTE Gas segment, operating earnings were \$111 million and were \$4 million higher than last year. This increase was driven primarily by return to normal weather offset by higher O&M.

For Gas Storage & Pipelines business, operating earnings were \$62 million for the first quarter, or \$17 million higher than last year. This increase was due to the lower tax rate, as well as increased gathering and transport volumes, mainly in the Bluestone area.

Operating earnings for the Power & Industrial businesses were \$42 million, or \$12 million higher than 2017. And this is primarily due to higher REF volumes and higher steel related earnings, as well as the lower tax rate.

As you know on our year-end call, we increased our EPS guidance by \$0.10 per share due to tax reform, which is wholly tied to the non-utility businesses. And you're starting to see that play out here in the first quarter.

Rounding out our growth segments in the first quarter is Corporate & Other, which is \$32 million unfavorable compared to last year due to a smaller benefit of a stock compensation, a lower tax rate, as well as timing of taxes. Remember last year the first quarter was impacted favorably due to an accounting change related to the simplifying GAAP accounting for taxes on stock-based compensation, which is why we saw that large positive earnings number in the first quarter last year.

We saw the benefit this year for accounting change, but it's much lower than last year. So, for the first quarter results are – for Corporate & Other are more in line with historical results. Energy Trading had operating earnings

of \$1 million in the first quarter, which is down \$17 million from last year, driven by lower performance and accounting flow through in our power portfolio.

During the quarter, we disclosed that earnings for Energy Trading were coming in lower than the first quarter last year. And we mentioned the potential for a modest accounting loss in the quarter, but after a solid performance in the power and gas portfolio in March, we finished the quarter strong with slightly positive earnings.

And for the quarter, Energy trading contributed \$8 million of economic income, so a good quarter economically. The appendix contains our standard Energy Trading reconciliations showing both economic and accounting performance. Overall, DTE earned \$1.91 per share in the first quarter of 2018 or \$0.12 more than last year.

Let's move to our 2018 guidance slide, which is on page 9. I'll start with the top of the slide with DTE Electric. As Gerry mentioned we did receive a rate order at our electric company and earnings for this segment will be biased to the lower end of the range based on the factors he described earlier. We still have a lot of the year to play out including the summer weather, and we'll continue to update you on Electric earnings as the year progresses.

For DTE Gas, we feel comfortable that we are on plan this year. We'll receive a decision on our current rate case at the end of the third quarter, and we feel good about the earnings projections for this segment.

For our GSP and P&I segments, we increased the earnings guidance on the yearend call, and as was mentioned earlier these segments are seeing positive impacts of volume favorability. And as you can see by the indicating arrows, we expect to land at the higher end of guidance for both these segments, due mainly to these increased volumes.

Energy Trading had \$1 million of earnings in the first quarter. And we are comfortable with the \$5 million to \$20 million guidance range we have for this business. So, overall, we feel confident about achieving our operating EPS guidance of \$5.57 to \$5.99 for this year.

Now, I'd like to turn over to Jerry Norcia to discuss our long-term growth.

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## Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

Thank you, Peter. I'll begin on slide 11. We continue to see growth in our utilities fueled by our investment in infrastructure and generation. As Gerry mentioned, we received our Electric rate order, this rate increase is more than offset by future rate reductions driven by tax reform, sort of allows DTE Electric to recover necessary investments to continue to increase reliability and improve customer satisfaction.

Early this month, we had one of the worst ice storms the company has experienced in the last decade. The ice storm unfortunately left over 400,000 of our customers without power. That's nearly 20% of our electric customers, which tells you how significant this ice storm was. Utility really came together with 1,600 workers from DTE and five other states, and we worked round the clock to restore service to our customers. Restoration crews put up approximately 250 miles of new power lines; enough wire to reach from Detroit to Traverse City. This storm reinforced the need to harden our aging infrastructure.

We're facing the same aging infrastructure challenges that many other utilities are experiencing. And in that regard, in January, we filed an updated five-year distribution plan. This plan provides a comprehensive description of our distribution investment and maintenance programs for the five-year period from 2018 to 2022. It includes details on the condition of the distribution system, cost benefit analysis concerning both capital and O&M, system

maintenance and investment strategies that improve resiliency, mitigate the cost associated with inclement weather and, of course, all the associated performance metrics that come with those investments.

We are focused on maintaining the existing distribution assets in a cost effective manner for decades and only expanding this, the system when it was needed to meet demand. However, many of these assets are reaching an age and condition that require them to be replaced in the coming years.

The rebound in Michigan's economy and the revitalization of many of its businesses require that the infrastructure be upgraded to continue to serve customers in a reliable manner.

In addition, as new technologies come to the energy sector, the grid must be upgraded and automated in a way that will enable us to operate more efficiently and reliably. Our distribution plan lays out the strategy for investing in a grid that will serve Michigan's residents and businesses for years to come.

Now let's move on to our generation system. We filed Certificate of Necessity last year to build a natural gas-fired power plant. We expect an order from the Michigan Public Service Commission at the end of this week, on Friday as a matter of fact. The almost \$1 billion project is scheduled to break ground in 2019, creating hundreds of Michigan jobs during construction.

In this filing, DTE determined that building a natural gas-fired plant is the best solution for our customers due to many factors, including the environment, liability, and affordability. New plant will be a highly efficient plant, consuming less than 50% of the fuel per megawatt hour produced than coal plants. We are retiring and emitting nearly 70% less carbon, which is the equivalent of taking 1 million cars off the road. It also enables the build out of renewables providing 24/7 power when renewable energy is not available.

Natural gas-fired plants will be a critical part of our power generation capacity in decades ahead. Long-term DTE plants produced over three quarters of its power from renewable energy and highly efficient natural gas-fired plants. New plant is scheduled to begin operation in 2022, offsetting some of the capacity that falls off when three of our coal-fired plants retire from service in 2020 to 2023 timeframe.

Let me turn to DTE Gas. Our system has held up well with the cold snap here in April, but similar to the Electric system, we continue to need system hardening. As many of you know, we filed the general rate case in November of 2017, which included a proposal to increase the annual number of miles of main replacement. This proposal will allow the system to be hardened at a quicker pace and will significantly decrease O&M cost.

As always, when considering the investment in system hardening, we are very focused on rate affordability for our customers. With the reduced rates from tax reform, we filed the plan with the MPSC to return the tax benefit to our customers; this would go a long way in mitigating the effects of the rate case and allows us to continue our focus on achieving our affordability goals.

Now let's move on to slide 12 where I'll talk about our non-utility businesses. Our non-utility businesses continue to focus on growth projects. At GSP, we're making significant progress on NEXUS and are continuing work with producers and end-use customers on contracting open capacity on the pipe. We've invested over \$700 million through March. Much of the grading of the compressor stations work is done, and we've started grading on the right-of-ways as well at all four spreads. Mainline and facilities construction is under way in Michigan and Ohio. And our goal remains to be at full capacity as the pipe goes in service later this year. Negotiations are continuing with large industrial customers, producers and LDCs. And as we finalize these deals, we will announce them.

Along with NEXUS, Link is continuing to progress with its plan. In other areas of the GSP business, Millennium CPV Lateral, and east side expansion are under construction, and as Gerry mentioned, they'll come online in the second half of the year.

In the year-end call, we told you that our non-utility businesses are clear winners with tax reform and that we would update the 2022 targets for these businesses. We are increasing the 2022 operating earnings of GSP by \$35 million to a range of \$280 million to \$290 million. Our capital investment has not changed; it remains at \$2.8 billion to \$3.4 billion for the 2018 to 2022 time period.

Now switching over to our P&I business. Since our year-end call, things have heated up in our discussions with one of the CHP deals combining heat and power deals that we are working on, and we are in the beginning stages of the construction for the combined heat and power plant at the Ford Motor Company complex. We're also finalizing one of the RNG project agreements we mentioned on the year-end call. These projects are progressing, but due to competitive reasons, we will not be sharing details on these until the ink is dry on these agreements.

These longer-term agreements will replace a portion of the REF earnings that roll off in 2020 and 2022. Our 2022 plan calls for P&I to produce earnings of \$70 million. To achieve that, they need to originate \$45 million of new growth by 2022. \$15 million or one-third of that growth was originated last year. We feel like we have a very strong line of sight on the next \$15 million this year, with the projects that I mentioned that are in late stage discussions. So, we could be at two-thirds done by year-end with four years to go.

We're also making meaningful progress on additional combined heat and power and RNG projects. We mentioned we have an experienced business development group focused on driving these projects to completion, as well as pursuing additional projects that we see as good opportunities for us.

Like GSP, P&I will also benefit from tax reform, and we are increasing the operating earnings by \$5 million with a target of \$65 million to \$75 million by 2022. And capital investment from 2018 to 2022 will remain unchanged at a range of \$0.8 billion to \$1.2 billion.

Now I'll wrap up on slide 13. We delivered solid first quarter results and remain confident we will achieve our 2018 operating EPS guidance. Our utilities continue to focus on necessary infrastructure investments that improve reliability and the customer experience. With additional expansions and business development, we continue the sustainable growth at the non-utilities.

Finally, I'm confident that we are on track to deliver strong EPS and dividend growth that drive premium total shareholder return.

And with that, I'd like to thank everyone for joining us this morning. So, Mindy, can you open the line for questions?



## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] We'll go first to Michael Weinstein with Credit Suisse.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Hi, good morning.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Morning, Michael.

A

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Hey, could you discuss the contracting for the remaining one-third of NEXUS, and what – specifically I understand it's going to be mostly producer push at this point. And I'm wondering what is the demand from producers that you're seeing out there and – for capacity? And also what your expectations are for length of term and that kind of thing?

Q

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

We're targeting producers. The discussions are underway, negotiations with producers, LDCs and industrial customers, and we are targeting long-term agreements, 15-year agreements.

A

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Are you seeing adequate demand out there to fill the pipe by the completion of construction?

Q

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

Yes, we are.

A

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Okay.

Q

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

We just need to get ink on paper at this point.

A

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Got you. And how are those negotiations progressing, is there any constraint around them? Yeah.

Q

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

They're progressing well, of course, lots of negotiations back and forth, as you can imagine. And we are positioned as one of the pipes that does have capacity to bring to the market quickly. So we feel confident that we'll start closing deals here.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Great. And what kind of a timeline do you see for maybe introducing solar into the mix at the utility?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So we already have introduced solar. In fact, last year we brought online a 50 megawatt, 250 acre solar project, so that was a relatively big one for us. We did it now to push our self down that path.

But when we do the numbers, it's pretty clear that wind today is a superior resource in terms of pricing. So as I said on the call, we're going to lean on wind as long as that difference is there.

But we continue like a lot of people to see solar cost trend down. And I do think probably by the mid-2020s or so, it's going to be ready for a larger share of our renewable mix. So as we think about Renewable Energy Plans beyond the one we just filed, we'll probably see some of that mix begin to shift. Does that hit the answer on that one?

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Yeah. I was just wondering about what kind of timing you're seeing on when those prices actually cross the threshold and become competitive with the wind that you already have in there?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Mid-2020s is what it looks like.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Okay.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So – and by that time, we will have a pretty large installed base of wind in Michigan. So I think some diversification will be helpful as well. So that explains our thinking.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

And one...

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

We want a diverse mix of renewables, but we also want to strike where the price is right, so we're going to wait a bit on large scale investments in solar.

So we'll continue to add at sites like the one we described earlier, the 15 megawatts, and the 50 megawatt site that we did, but we're investing in wind in the 1,000 megawatt sort of scale. That will come for solar a bit later.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

And just one last question on this. Could you like maybe break out the percentage of how much you expect to add through with the C&I offerings that you're giving, and then how much will be utility scale going forward?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

You're talking about the voluntary offering?

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

Right.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So, that – we've set aside 300 megawatts for that. I'd say that's hopefully a starting investment because we are seeing some of our large customers come to us and request the ability to increase the renewable mix in their portfolio.

So you've seen customers like GM, for example, say that they want to be 100% renewables by 2050. Well, they're getting started on those sorts of things, as are other large industrial and commercial customers.

So, we're going to set aside 300 megawatts, so that would be 300 megawatts out of a total of 2,000 megawatts by the time we're done with this round. So, you can get a sense for how much that is, but our expectation would be that we'll continue to see demand for that. And as we do we'll push that into our mix.

Michael Weinstein

*Analyst, Credit Suisse Securities (USA) LLC*

Q

All right. Thank you.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Thank you.

**Operator:** We'll go next to Julien Dumoulin-Smith with Bank of America Merrill Lynch.

Julien Dumoulin-Smith  
*Analyst, Bank of America Merrill Lynch*

Q

Hey, good morning.

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

Hi Julien.

Gerard M. Anderson  
*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Hi Julien.

Julien Dumoulin-Smith  
*Analyst, Bank of America Merrill Lynch*

Q

Hey. So, I was wondering can we get a little bit more clarity on the tax reform benefits at the two segments here, just the \$35 million and the \$5 million at GSP and P&I. I suppose maybe naively, how has tax reform discussion evolved such that you get such material benefit from these two in 2022? And I've got a follow-up.

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

We disclosed on the year-end call that the existing contracts we will get the benefit, so what you're seeing there, an increase of the existing contracts we have in place today. What we've assumed is that new contracts we will pass that on, but we may potentially share in that and that could potentially help close up that white space gap, but mainly it's the new contracts that you're seeing the increase from.

Julien Dumoulin-Smith  
*Analyst, Bank of America Merrill Lynch*

Q

Got it. And so, actually that plays right into the follow up here. With respect to NEXUS, not to harp on it too much, but it does – this reflect higher kind of structural applications on that project. I presume that's probably the bulk of the new contracts that you're contemplating in GSP.

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

On NEXUS, the tax reform doesn't have any impact on our ability to capture the value that we forecasted because our recourse rates will be well above our negotiated rates.

Julien Dumoulin-Smith  
*Analyst, Bank of America Merrill Lynch*

Q

Right. So, that's not impacting those negotiations at all, right. And again, just to say it even more bluntly, the impact from the FERC ruling altogether is very immaterial?

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

Very modest, because most of our pipes are operating with negotiated rates and we – on our last call, we said that the impact is about \$1 million to \$2 million from the FERC actions.

Julien Dumoulin-Smith

*Analyst, Bank of America Merrill Lynch*

Q

Right. Exactly. But if I can go back to this producer push subject because – if you could elaborate a little bit about the incremental investment, maybe on the gathering side and the other midstream investments to bring the product to NEXUS, how do you think about that in the context of the statement about continuing to add investments in Link? Are there other type systems that you're looking at whether organically or inorganically to complement the NEXUS expansion?

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

Where we're seeing most of our action right now is on Bluestone and Link, the two gathering assets that we own today. And as it relates to NEXUS, there are many, I would say late stage discussions about continuing to expand that system with our producers on that system. So, it's a very attractive system and it's got a very attractive resource. So, more to come there, but we're feeling really confident right now about meeting and exceeding our pro forma on that asset. And as you know, that asset is pointed right at NEXUS. So, we expect that in the future, those'll help support the fill and expansion of NEXUS.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

When you say that asset, he's talking about Link...

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

Yes.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

...which – the activity about Link, around Link has been really encouraging, and as we bought that I guess, late 2016. So, we're a year and a half in and in a year and a half in, we continue to be very encouraged by the economics therein by our investment opportunities. So, it's been a good asset.

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

[indiscernible] (00:31:20).

Julien Dumoulin-Smith

*Analyst, Bank of America Merrill Lynch*

Q

But, you're still on track with the targets you had laid out for Link at the time of the acquisition now?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yes, indeed.

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

Yeah.

Julien Dumoulin-Smith  
*Analyst, Bank of America Merrill Lynch*

Q

Excellent. All right, guys. I'll leave it there. Thank you.

Gerard M. Anderson  
*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Thanks, Julien.

**Operator:** We'll go next to Shahriar Pourreza with Guggenheim Partners.

Shahriar Pourreza  
*Analyst, Guggenheim Securities LLC*

Q

Good morning, guys.

Gerard M. Anderson  
*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Good morning.

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

Morning, Shar.

Shahriar Pourreza  
*Analyst, Guggenheim Securities LLC*

Q

Let me just follow up real quick one more time on Michael's question on NEXUS. Thought we would have an update on this call with at least one of the two industrial customers that you were working with. I felt one was nearly finalized. So, what's the status on those two customers that you've flagged before in the past?

And then, just curious can these two customers provide enough end market demand to finally fill this pipe with E&P signing on to these supposedly two markets – new markets?

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

For the one industrial customer, it's essentially done. Second, we're still negotiating with to complete producer agreements. Again, we're continuing to exchange proposals. So, those discussions continue. And we also have several LDC discussions well underway. And – so, that's the current status.

Shahriar Pourreza  
*Analyst, Guggenheim Securities LLC*

Q

Curious why you're not disclosing the one industrial customer that's been finalized?

Jerry Norcia  
*President & Chief Operating Officer, DTE Energy Co.*

A

I think we've – have the ability at this point to disclose, but...

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

No, it's under confidentiality agreement.

Shahriar Pourreza

*Analyst, Guggenheim Securities LLC*

Q

Okay. That's helpful.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So, we can't disclose them.

Shahriar Pourreza

*Analyst, Guggenheim Securities LLC*

Q

Okay. That's helpful. And then, just looking at additional Link type investments and sticking with midstream here, the recent sort of what "the meltdown" you've seeing with MLPs, I know you guys vetted Links for a long time before purchasing that investment. Have you seen additional Link type opportunities, especially given the recent – I guess for a quarter and what you've seen in the MLP markets? Are you seeing more willing sellers of assets that you would, I guess, want to vet?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I think the short answer is, yes, we are seeing more of those. Like Link, we'll take a long hard look. I think the more we hear, the more we believe that there will – this isn't going to be a short term phenomenon. Some of these companies are going to need to work through this over the foreseeable future. So, we will look at and evaluate opportunities analogous to Link and if we think we find one that's a good strategic fit, makes sense economically we'd be open to that.

Shahriar Pourreza

*Analyst, Guggenheim Securities LLC*

Q

Okay, got it. And just, lastly, on distribution. So far, can you maybe just update how the dialog is going? And then, just more importantly with the track or a rider request, how should we sort of think about what the podium would be for that ask?

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

I can tell you that the engagement level between our team and the Michigan Public Service Commission team, staff team is very high. We've got multiple discussions that are scheduled and happening between now and the time of our next rate case filing. And the goal is to get alignment on investment and distribution, as well as other items in our capital plan that could result in a capital tracker. So, lots of interest in that from both parties, both from the Commission staff and our team, and we're hopeful that we can get to a strong alignment that we can file in our next rate case.

Shahriar Pourreza

*Analyst, Guggenheim Securities LLC*

Excellent. Thanks so much guys.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Thank you.

A

**Operator:** We'll go next to Praful Mehta with Citibank.

Praful Mehta

*Analyst, Citigroup Global Markets, Inc.*

Hi, thanks so much. So, the first question just on the utility side. It was helpful to get your tax reform impact for the GSP and P&I. But on the utility side, wanted to understand from a tax reform perspective, especially given post the rate case, how do you see the growth rates that those two businesses individually play out through that 2021/2022, and how does that fit with the overall growth rate for the business?

Q

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

Yeah. This is Peter. The growth rate we will be funding is – at the end of the year, we're going to have a case around the deferred tax. It's approximately \$1.7 billion; we're going to be giving that over 25 years, about \$70 million a year. So, as we're funding that piece, in particular we're going to be replacing that half of that with equity. So, we are going to be seeing equity levels increase in both utilities and its worth about a 1% over and above rate base. So, we are anticipating earnings growth happening on the utilities from tax reform.

A

Praful Mehta

*Analyst, Citigroup Global Markets, Inc.*

Got you. So, that should be – just to be clear that should be over and above just the rate base impact because the deferred tax refund effectively flows through as higher equity in your calculation?

Q

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

That is correct. It's about 1% adder on the rate base growth.

A

Praful Mehta

*Analyst, Citigroup Global Markets, Inc.*

Got you. Perfect. And then, secondly, just strategically, given most of tax reform impacts are now kind of built-in and you're looking at I guess enough questions on the NEXUS and in the midstream side, but just strategically for your business, is there more discussion ongoing in the industry in general now on M&A, both corporate M&A, both on the buy and sell side? How do you see that playing out and is that dialogue increasing given tax reforms now kind of in the rear view?

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A



Oh, geez, that's – so, we like everybody has – have investment bankers who come through, and I don't know that I've had too many times when I haven't been told that the interest in the industry and M&A was high. But, I do think there are parties out there looking around. We saw one play out just the other day was Spectra.

And I think there is ongoing interest, but I don't understand – I don't sense that tax reform has unleashed a wave that's fundamentally different if that's what you're asking. I think we continue to see the sort of ongoing interest that consolidation of this industry has witnessed for a long time now.

Praful Mehta

*Analyst, Citigroup Global Markets, Inc.*

Q

Fair enough. I totally get the investment banker point, but just to clarify it's not like credit weakness for some companies would be an opportunity for others in terms of M&A as you see it?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Well, I – actually one of the folks I talked to recently, I think stated it well as an investor not a banker, and he said, look, strengthen your balance sheet is really option value, it gives you the opportunity when good opportunities arise to strike, and when you spend that balance sheet flexibility, you've lost your option value. I think there were companies who spent their option value on what we view as some – not so accretive transactions. And – so, I think there are companies who didn't do that, who probably have greater flexibility if they see something come along that they really like.

And so, we continue to look to the earlier question at potential GSP sorts of acquisitions. But, if – we've always said, if the right corporate transaction came along that we really thought added value, we'd be open to it. But, we aren't going to be involved in a high premium sort of transaction, we just don't see the value in super high premium deals that don't make sense to us. So open, but we'd do them at the right price with the right counterparty.

Praful Mehta

*Analyst, Citigroup Global Markets, Inc.*

Q

Got you. Super helpful, guys. Thanks.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Thank you.

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

Thank you.

**Operator:** We'll go next to Jonathan Arnold with Deutsche Bank.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

Good morning, guys.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Good morning.

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

A

Good morning.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

Just one on wind projects. Could you give us a flavor of the nature of the projects you have in the plan or the sites that you've been developing yourselves. Are they coming early or late stage from developers, are you going to do BOT or can build them yourselves, just a little more sense of kind of how that plays out.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

They're mix of both, Julien (sic) [Jonathan] (00:39:50). So, in some cases people had lined up lease rights and we have entered the build out and transfer. In other cases we did that ourselves, and will simply sign a construction agreement and then do the build out by DTE.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

So would you say it's sort of an even split or...

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I probably ought to go back and get the numbers before I answer, Jonathan, to give you a split. Maybe Barb could do that with you after this.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

Yeah. Okay. That's fine. And then looking further out in the utility, you're obviously close to the decision on the gas plant. How far out would you see your next gas plant being, given some of the comments around renewables and gas in the longer term future?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So we don't see a need for another gas plant till the end of the 2020s. We'd have our next major coal retirement in the late 2020s. That's when we'd evaluate the need for the next gas plant.

I think one of the things we'll watch over the next decade is how the overall system around us evolves, as we add more and more renewables and our neighboring companies do the same, we have to watch how the MISO grid evolves. And we may find we need the new gas plant out in the 2030 timeframe. We may find that investments in renewables will cover us and provide the reliability.

So I think the answer is we will see. But in the meantime, we're – between now and the late 2020s, the real focus will be on renewable additions.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

Great. Thank you, Gerry. And could I just on your comments about the rate case order and skewing you towards the lower end, is that a – do you see that as a 2018 guidance factor? And you'd hope to sort of get back on trajectory, given it's your largest segment beyond or...

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I think the easy way to say it is that we're not modifying our 5% to 7% growth target for the company. So I think in that sense that, yes, we expect our plan to be on track.

Jonathan Philip Arnold

*Analyst, Deutsche Bank Securities, Inc.*

Q

And is – okay. I think I have said enough, Gerry. Thank you.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Thank you.

**Operator:** And we'll go next to Paul Ridzon with KeyBanc.

Paul T. Ridzon

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Thank you. Gerry, could you just – I think there might be some confusion based on some things I've seen. You did not lower consolidated guidance to the lower end of the range, just the Electric segment. And then...

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yeah, yeah, yeah.

Paul T. Ridzon

*Analyst, KeyBanc Capital Markets, Inc.*

Q

...what was your commentary on the other segment?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Oh, yeah, exactly. The Electric segment, we biased towards the low end of the guidance range. The gas utility is doing fine I think in a lot of places. The weather started a little mixed but has actually finished strong here in April. So the gas utility from a weather perspective is in good shape.

And as I said, the two large non-utility segments are running hot to their plan. So the year looks in really good shape.

Paul T. Ridzon

*Analyst, KeyBanc Capital Markets, Inc.*

Thanks for that clarification.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

So unless we get surprised by something we don't see, should be a good year. I think we're in good shape.

A

Paul T. Ridzon

*Analyst, KeyBanc Capital Markets, Inc.*

Thanks, again.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Yeah.

A

**Operator:** We'll go next to Steve Fleishman with Wolfe Research.

Steve Fleishman

*Analyst, Wolfe Research LLC*

Yeah. Hi, good morning. So just on the rate order, as you mentioned you'll be back on track after this year maybe. But just what are the types of costs being disallowed? And just is this something that we need to worry about in future cases?

Q

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

Yeah, Steve, this is Peter. One of the costs that was disallowed was a part of our incentive plans with some financial measures. We've had this in the past. So that wasn't completely unanticipated.

A

The other was inflation. We had some inflation in the plan, and then they modified the level of inflation that we had in the plan.

Steve Fleishman

*Analyst, Wolfe Research LLC*

Okay. And so is that, but – okay. So basically the reason you might be at the lower end is just that inflation may end up being higher than what they allowed, so to speak?

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Yeah. We had a little bit more of that – we had the 10.1% and more inflation.

A

Steve Fleishman

*Analyst, Wolfe Research LLC*

And then a little on the ROE. Okay.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

The ROE and that were built into our numbers for the year, so it backed us up a bit. But as we said the overall plan looks fine.

Steve Fleishman

*Analyst, Wolfe Research LLC*

Q

Okay. And then the renewables program that you announced more specifics, is that – how much of that is additive to your capital plan if at all? Or is it all already in there?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

So the 300 megawatts that I mentioned pulling, that was the pull forward and that's a nice investment. But I guess I'd say that we aren't modifying our 2022 guidance due to that pull ahead. So it's additional investment, but when you look at it in the total scheme of the company I think the guidance we put out there for 2022, we will just stand with.

Steve Fleishman

*Analyst, Wolfe Research LLC*

Q

Okay. And then just on the mid-stream side, more high level, again, the – someone asked before about just the unrest in the sector and maybe created more opportunities. Could you talk a little bit about how size-wise you're willing to kind of make this business as a mix of the whole company? And we assume if you do acquisitions, they'd be more kind of asset-by-asset as opposed to larger kind of company-sized acquisitions?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yeah, I think that's a fair characterization, Steve, that they'd be asset-by-asset. We often find that we're able to get a better strategic fit, and therefore, create economics we like when we do it that way.

But I'd also say that we stay in very active discussions with our investors on mix and the mix that they like. And I think the feel we have from our investors is that this GSP segment provides the company nice earnings growth profile. But we also know that it could become too large if we pursued investments too fast. So, we're trying to walk the mix line in a way that really works well for investors and for rating agencies by the way. We're well within the boundaries for them too. But I think if you did a large corporate acquisition, it could shift that equation for our investors and potentially for the agencies. So, does that get added, Steve, or give you sense of things?

Steve Fleishman

*Analyst, Wolfe Research LLC*

Q

No, that's very helpful. One last very quick clarification, the 2022 guidance updates for the GSP and REF, is that just for the tax changes no other changes in the outlook out there?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yeah, that's what that was for. Yeah.

Steve Fleishman

*Analyst, Wolfe Research LLC*

Okay. Thank you.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Thank you. Appreciate it, Steve.

A

**Operator:** We'll go next to Charles Fishman with Morningstar Securities.

Charles Fishman

*Analyst, Morningstar, Inc. (Research)*

Just one question I had. On the doubling of the renewable and specifically the wind, I would assume there may be some transmission involved in that. I realize you sold your transmission, gosh, a long time ago. Are you depending on – is there a significant amount of transmission involved or are you depending on somebody else to build that? Is there any risk to that 2022 target date or non-issue?

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

No, we had a significant transmission build out in what they call the thumb part of Michigan, where most of our early wind investments came. But in Central Michigan where we are moving now with many of these investments, there doesn't appear to need to be material transmission build out, so we don't see that as a factor in timing.

A

Charles Fishman

*Analyst, Morningstar, Inc. (Research)*

Okay. That's all I had, Gerry. Thank you.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

All right. Thank you.

A

**Operator:** [Operator Instructions] We'll go next to Andy Levi with Avon Capital Advisors.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Hi, good morning, guys.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Good morning, Andy.

A

Jerry Norcia

*President & Chief Operating Officer, DTE Energy Co.*

Good morning, Andy.

A

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Just a couple of quick questions. Just on the Electric side. Was there a refund in the first quarter, the true up for the rate case because you were collecting I guess since November 1?

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

Yeah. There was not a refund. How we're going to get this back to customers will come in three parts. The current rates will be adjusted most likely for both utilities by early fall.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

He's talking about the rate case refund...

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Yeah, the rate case. Yes.

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

Oh, the rate case – the rate case refund.

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yeah. Yeah.

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

So, the rate case refund, there will be self-implementation proceeding, which is normal course. So, we'll be probably having that over the next probably few months.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Was that in the first quarter? Did you adjust the first quarter for the refund?

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

Yes, we did.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Or no? Okay. How much was that?

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

We adjusted for the level of the rate case, the rate order.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Is that what like \$0.11 a share or something like that or?

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

We did have a certain amount of the self-implementation, plus a little bit of a reserve on top of that. So, it wasn't that material.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Can you tell us what that number was?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

The total impact or the reserve?

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

No, just the total impact of – so the first – in the first quarter, the total impact of the rate refund. So, it's kind of like a one-time item, right?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Yeah. So, we were...

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

I'm getting...

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

And it's part of your operating earnings, I understand that, but I'm just also suggesting that's maybe part of the reason why you're at the [indiscernible] (00:49:48)...

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

A

The full first quarter was trued up. So, it really wasn't a refund in the first quarter, the full – it was trued up to the levels of the rate case, we did have some self-implementation early – late last year that was trued up as well in the first quarter, which is very immaterial.



Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Okay.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Just to put...

A

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

I understand.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Just to put a number on it, net of reserve was \$10 million after tax is a rate case impact.

A

Peter B. Oleksiak

*Chief Financial Officer & Senior Vice President, DTE Energy Co.*

Yeah. Positive.

A

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Okay, okay. And then I guess, maybe \$0.11 is versus the \$1.25 if you had it, okay. And then, is that part of the reason why you're at the low end because of the refund or is it just the lower revenue amount from the rate case in general?

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

Look, it's all taken together. All impacts, so we have the earnings range for Electric that we had communicated and not unexpectedly if our ROE gets pushed down a tenth and the couple of the other things that were pushed back in the range a little bit.

A

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Okay.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

So...

A

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

And then, sorry, go ahead.

Q

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

No, as I say, I don't want to overblow it. We had rate cases play out over time through the years, and we've got lot of other things in the mix, but that is as described, and that said, we're going to play out in the earnings range that we laid out there. And for the company I think, it's going to be a very positive year.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

As it is always for you guys. And then, just on NEXUS. Can you give us on an annual basis, once it's in service, any type of guidance or high-level of thinking on what come in the first year out, what the annual earnings may be from NEXUS? And then, also whether you project financed it at all?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

No. We haven't project financed it. That's always an option down the road if we wanted to do that and our partners wanted to. And I think you know we've generally concluded it's not in our interest to break out earnings kind of line-by-line project-by-project just because we have lots of counterparties to each project and lots of interest in when a deal is signed, what did that do to your profitability on this project.

And so, we're trying to balance our need to interact with counterparties with. I need to give you good information, but that's led us to give you guidance at the segment level, but not do it in detail pipe-by-pipe.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Okay. I mean, that's – \$1.3 billion is the investment. And I guess, maybe at the very least we can assume kind of a utility return and then kind of go from there once it's full?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I think our history with these sorts of pipes is at minimum we want to get in at our cost of capital, right. And then we push from there and our history has been that the pipes end up with returns well above utility returns as you expand them and add compression, and so on and so forth, which is why we like these investments, they've proven to be really good value creators.

Andrew Stuart Levi

*Analyst, Avon Capital/Millennium Partners*

Q

Okay. And I assume NEXUS will be similar?

Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I think NEXUS; NEXUS has that same feel. So, let me – I'll just go to Link, Link is a little further along because it was constructed when we bought it, but it was still a young pipe. But we went through it fundamentally, because the geology that it accessed was superb, that's playing out.

We've had a couple of the producers and to be honest, it's always hard when you're dealing with really good geography to figure out who it is, that's going to be pushing it hard, but we've got a couple of producers there that

are just going after it, and it is accruing to our benefit. So, somebody asked earlier, how you're feeling about Link, we're feeling really good there.

And we're at and beyond pro forma and they've got that firming up now years out ahead of us. So, that's been a real positive. NEXUS is earlier, but it also accesses superb geology, and I think we're going to see driller's go after that hard.

In a gas environment that's long generally in the country meaning, we aren't going to be short gas, as far as anybody can tell. Drillers double down on their best geology and that's what we're seeing at Link, that's what we're seeing at Bluestone, and I think it's what we're going to see around NEXUS. They're going to concentrate their drilling in those really good geologies. And so, that's happening around NEXUS, but obviously it's earlier, but we are hearing chatter now that you get out a few years and in the drillers they're worried about pipe takeaway in the region that NEXUS access being constrained because their own drill plans there, and what they perceive other people's drill plans to be.

So, it feels like the dynamics are set up in a similar way, we're just earlier with NEXUS than we are with certainly with Bluestone and also with Link.

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**Andrew Stuart Levi**

*Analyst, Avon Capital/Millennium Partners*

Q

Okay. And no MLP, right Gerry.

---

**Gerard M. Anderson**

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Not at this time.

---

**Andrew Stuart Levi**

*Analyst, Avon Capital/Millennium Partners*

Q

Okay.

---

**Gerard M. Anderson**

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

I think we'll hold on that one.

---

**Andrew Stuart Levi**

*Analyst, Avon Capital/Millennium Partners*

Q

Yes. That was a good decision years ago. So, anyway thank you very much. Have a great rest of your day.

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**Gerard M. Anderson**

*Chairman & Chief Executive Officer, DTE Energy Co.*

A

Thank you, I appreciate it.

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**Andrew Stuart Levi**

*Analyst, Avon Capital/Millennium Partners*

Q

Yeah.

**Operator:** And that is all the time we have for questions today. I'll turn the conference back to Gerry Anderson for any additional or closing remarks.

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## Gerard M. Anderson

*Chairman & Chief Executive Officer, DTE Energy Co.*

No, I'll just wrap up by thanking you all for being on the call. I do feel that as I said at the outset, we're off one quarter into a really good start in the year. And we look forward to being able to update you again down the road here. So, appreciate it. We'll talk soon.

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**Operator:** This does conclude today's call. Thank you for your participation. You may now disconnect.

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