Q1 2018 Earnings Call

Company Participants

- Bette Jo Rozsa, Managing Director, Investor Relations
- Brian Tierney, Executive Vice President, Chief Financial Officer
- Nicholas Akins, Chairman, President and Chief Executive Officer

Other Participants

- Ali Agha, Analyst, SunTrust
- Angie Storozynski, Analyst, Macquarie
- Christopher Turnure, Analyst, JP Morgan
- Greg Gordon, Analyst, Evercore
- Jonathan Arnold, Analyst, Deutsche Bank
- Julien Dumoulin-Smith, Analyst, Bank of America Merrill Lynch
- Michael Lapides, Analyst, Goldman Sachs
- Paul Patterson, Analyst, Glenrock Associates
- Paul Ridzon, Analyst, KeyBanc
- Praful Mehta, Analyst, Citigroup
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

Ladies and gentlemen thank you for standing by. Welcome to the American Electric Power First Quarter 2018 Earnings Call. At this time all participant lines are in a listen-only mode. Later there will be an opportunity for your questions. Instructions will be given at that time. As a reminder, today's conference call is being recorded.

I would now like to turn the conference over to Bette Jo Rozsa. Please go ahead.

Bette Jo Rozsa {BIO 16484334 <GO>}

Thank you, Lia. Good morning, everyone, and welcome to the first quarter 2018 earnings call for American Electric Power. We appreciate you taking the time to join us today. Our earnings release, presentation slides and related financial information are available on our website at aep.com.

Today, we will be making forward-looking statements during the call. There are many factors that may cause future results to differ materially from these statements. Please refer to our SEC filings for a discussion of these factors. Our presentation also includes references to non-GAAP financial information. Please refer to the reconciliation of the applicable GAAP measures provided in the appendix of today's presentation.

Joining me this morning for opening remarks are Nick Akins, our Chairman, President and Chief Executive Officer; and Brian Tierney, our Chief Financial Officer. We will take your questions following their remarks.

I will now turn the call over to Nick.

Nicholas Akins {BIO 15090780 <GO>}

Thanks, Bette Jo. Good morning, everyone, and welcome again to AEP's first quarter 2018 earnings call. We were very happy to get out of 2017 in respectable fashion, with one of the model [ph] this year is on record, but still delivering results within our guidance range for the year. We're off to a much more normal start in 2018 financially, with more normal weather, buoyed by what appears to be a resurgent economy.

In fact, AEP service territory, economy and load performances is as strong as it has been in years. Unemployment rates are the lowest since 2000 and retail sales are up in all classes, all companies and actually in all 10 sectors of the economy, which hasn't happened since 2011. With that said because of O&M timing and it's return to normal levels after a year of reductions due to weather, our results for the quarter were on par with expectations in achieving our stated guidance range for the year of $3.75 to $3.95 per share, which we are reaffirming.

The first quarter 2018 EPS came in at $0.92 per share GAAP and $0.96 per share operating versus $1.20 per share GAAP and $0.96 per share operating, respectively, in 2017. So overall, a good quarter and start for the year.

Looking deeper into the quarter and Brian will cover this in more detail, fundamentally, we are in better shape than in the first quarter of last year, given this has been a busy quarter of rate case outcomes that'll set the tone for the future. I'll get into the rate case outcomes in a minute, but first, I want to say, thank you to our employees, who worked so hard in the recovery efforts after last year's hurricanes. Hurricanes in -- Harvey in Texas, Irma in Florida, and Irma and Maria in Puerto Rico. Our last employees have returned from Puerto Rico and I'm so proud of their accomplishments in very severe conditions, in our business, they are our heroes.

Now, let's talk about some activities of interest during this quarter. Wind Catcher is finally feeling some tailwinds. We have accomplished important settlements in Arkansas, Louisiana and now Oklahoma with the industrials and Walmart that provides the framework for the various commissions to bless this significant project and it's benefits for our customers. We're continuing to try to bring other parties in Oklahoma, such as the Oklahoma Staff onto the settlement agreement and are continuing our efforts in Texas to achieve a settlement as well.

We have taken on manageable risk intended to recognize market expectations relative to regulated wind projects and it was hard to mitigate these risks in the background with the engineering, construction and operational strategies. We are confident in our ability to deliver the expected benefits to our customers and shareholders, and look forward to obtaining commission approvals, so that we can move forward as quickly as possible. We're now waiting commission orders in Oklahoma, Arkansas, Louisiana and Texas, and expecting orders in the May and June timeframe.

Regarding Ohio, we just received an order yesterday. We are pleased that the Public Utility Commission of Ohio approved the settlement for the most part in the Ohio ESP case, not only do we now have an ESP that is effective through 2024, which certainly brings an important element of stability, it also preserves the continuation of the distribution investment rider at the settlement agreement level and the 10% ROE.

The order also supports future opportunities through the smart city initiative, and the renewable generation rider. These components really look to the future as envisioned by Chairman Asim Haque's PowerForward Initiative. AEP stands ready to support the PUCO in this important endeavor.

Additionally, the Columbus Smart City initiative has taken a major step forward in providing societal benefits of electrification, EV adoption, distributed resources, smart street lighting and other benefits that will define the future for Columbus and the nation.

This order also preserves our ability to collect for OVEC, subject to certain transmission related limitations through 2024. All-in-all, a good order brings stability and certainty to future benefits that will support AEP's drive to improve the customer experience.

Some of the other rate case outcomes have produced positive results. In the Indiana, I&M has a settlement agreement filed and we anticipate a July effective date of a net revenue increase of 97 million, which includes tax reform adjustments and a 9.95% approved ROE. In Michigan, an order effective this month with a revenue increase of 49 million and a 9.9% authorized ROE has been completed.

In Kentucky, a 9.7% authorized ROE and a net revenue of 16 million, adjusted for tax reform, was effective in January of this quarter. SWEPCO Texas increase -- had their increase of 50 million and 9.6% ROE that was approved and retroactively applied to May of last year. In Oklahoma, which is our only significant rate case disappointment, with only a 9.3% authorized ROE and 76 million net revenue, adjusted for tax reform, was effective in March.

And speaking of tax reform, the adjustment for tax reform in the Oklahoma case assumed that the authorized ROE versus the actual ROE of 5.2% that cost PSO another 15 million. So we have some work to do to try to clarify some of that activity. Brain will be discussing tax reform itself in more detail on couple of minutes. Because PSO's effective ROE is only 5.2%, we are evaluating our options regarding cost control and additional rate case activity.

Regarding the FERC 206 transmission cases, in the east, we filed with FERC a settlement with several of the parties that resolves all the issues set for hearing. The settlement agreed to a base ROE of 9.8% subject to a cap and common equity of 55%, with the RTO adder of 50 basis points, the effective ROE will be 10.3%, and we will adjust our 50-50 cash structure to reflect the 55% equity layer. Interim rate changes reflecting these settlement parameters were filed with

PJM earlier this month. We await a final order from FERC, as we bring certainty to our transmission related investments in the east.

Where AEP has much less exposure in the west, settlement discussions have stalled. We stand ready for further discussions, but this may likely go to hearing for resolution to occur.

So as you move to the equalizer chart, this time around, many of these companies we've already covered. So this will be a sort of a shorter version. But overall, our regulated ROEs are 9.5%, which was 9.5% last quarter. We generally target the 10% range. And as you know, we had currently five rate cases that are completed. So we expect these ROEs to continue to improve across the board.

Regarding AEP Ohio, the ROE for AEP Ohio at the end of the first quarter was 13.7%, but that includes issues that were actually excluded for evaluation of the seed and also the seed-adjusted ROE is 9.5% . As you recall, they have some legacy issues that are excluded from the calculation, such as the RSR, some fuel related activities and 2014 seed refund. So the effective return is 9.5% and those legacy items generally roll off at the end of the year. So hopefully we'll be able to merge those two bubbles into something that makes sense later on.

APCO -- APCO at the end of the first quarter was 9.2%, APCO's improvement in ROE over the fourth quarter '17 is primarily weather. Just to note, the Virginia Legislature passed legislation establishing triennial rate reviews, and APCO's first triennial review will be in 2020 and will cover the '17 to '19 period. So we have a little work to do there. And then West Virginia, we intend on filing a rate case in May in that jurisdiction.

I already covered Kentucky, but just want to mention to you that we do have a couple of large aluminum company and a battery storage manufacturer located there and that's part of our long-term strategy around improvements in the ROEs in Kentucky. Certainly, the economic development part of that is very important.

As far as, I&M, I already covered both of those. PSO, I think we've talked about enough. SWEPCO continues to have the effect of not only the Turk 88 megawatts, which we'll have to deal with in the future, but also they lost some wholesale contract load that went off at the first of the year, so that was an impact for them, but we expect them to move up just a little bit, as proforma base rates and other mechanisms come into place in the retail jurisdictions.

AEP Texas, the ROE for AEP Texas at the end of the first quarter 2018 was 10.1% versus 10% last quarter. AEP Texas -- their steady ROE is primarily attributable to favorable regulatory treatment in Texas with the ability to file annual DCRF and TCOS filings. AEP Transmission Holdco continues to do well. At the end of the first quarter, it was 12.9%, and it's slightly better than the fourth quarter due to benefits from tax reform and some timing matters. So generally we -- while it looks like there's a trough there, we fully expect that to continue to improve with the rate case outcomes that we've put in place.

So this has been a normal quarter financially, but an outstanding quarter overall from an execution standpoint that sets the tone for 2018 and beyond. With several rate case outcomes and settlements regarding Wind Catcher behind us as Russia's classic rock song Red Bar

Shadow [ph] - which Red Bar Shadow is a car, it's a two-seater Italian car, which say, it's time to strip away the old debris, fire up the shiny Red Bar Shadow and respond with a war. That's what I see in the excitement and the energy of our teams of employees at this company working on projects such as Wind Catcher and other technology advancements that will change the face of AEP's interaction with our customers.

To paraphrase one of the latest Rock & Roll Hall of Fame inductees Bon Jovi, and I know this phrase will stick with you the rest of the day, we're half way there, living on a prayer, take our hand and we'll make it we swear. So enjoy the ride with American Electric Power. Brain?

Brian Tierney {BIO 15917272 <GO>}

Thank you, Nick. And good morning, everyone. I will take us through the financial results for the quarter, provide some insight on load and the economy, review our balance sheet and liquidity, and finish with an update on tax reform.

Let's begin on slide six, which shows that operating earnings for the first quarter were $0.96 per share or $473 million, comparable to last year's results. All of our regulated segments experienced growth for the quarter, and as expected, our competitive generation and marketing business was down due to last year's asset sales.

Looking at the drivers by segment, earnings for the vertically integrated utilities were $0.47 per share, up $0.02. Most of the $0.12 increase in weather was driven by the warm 2017 winter. Rate changes were also favorable due to the recovery of incremental investment across multiple jurisdictions. Offsetting these favorable items were anticipated decreases in our wholesale load, as well as increased O&M and depreciation expenses.

The transmission and distribution utility segment earned $0.25 per share, up $0.01 from last year. Favorable drivers in this segment included higher normalized load, weather and rate changes, each contributing a $0.01. Partially offsetting these favorable items were higher O&M and depreciation expenses.

The AEP Transmission Holdco segment continue to grow, contributing $0.21 per share, an improvement of $0.07 from last year. This growth in earnings reflected our return on incremental rate base as well as other items, including a true-up for the FERC 206 settlement and other small non-recurring items. Our investment in the segment grew by $1.7 billion since last March.

Generation of marketing produced earnings of $0.08 per share, down $0.06 from last year, primarily due to the sale of assets.Finally, corporate and other was down $0.04 per share from last year due to higher interest in O&M expenses and a prior-year investment gain. Overall, we experienced a solid quarter and are confident in reaffirming our annual operating earnings guidance.

Now, let's turn to slide seven for an update on normalized load growth. Starting in the lower right chart, our normalized retail sales increased by 1.5%, which is similar to last quarter. For the first time since 2011, we experienced normalized load growth across all three major retail classes. Moving clockwise, industrial sales increased by 2.5% for the quarter, each of our top 10 industrial sectors reported growth versus last year for the first time in years. The sector that -- sectors that posted the strongest growth this quarter were pipeline transportation, oil and gas extraction and primary metals. The impact of tax reform, higher energy prices and a stronger global economy, as well as a weaker dollar, have all combined to create a positive environment for industrial sales.

In the upper left chart, normalized residential sales were up 1.4% for the quarter. The chart shows improvement in residential sales over the past year. The growth is spread across both the vertically integrated and T&D utility segments. Customer counts were up 0.5% compared to last year, which is the strongest we've seen since 2015. Weather normalized usage was also up 0.9% this quarter and is correlated with the recent improvement in incomes, which I'll discuss in more detail on the next slide.

Finally, in the upper right chart, commercial sales for the quarter increased by 0.5%. This is the first time since 2016 that our commercial class reported growth, which was largely concentrated in Ohio and our western service territory. We continue to expect modest gains in commercial sales in 2018.

Now, let's move to slide eight, and review the status of our regional economies. As shown in the upper left chart, GDP growth in AEP service territory exceeded the US by 0.4% in the first quarter. In fact, the economy in AEP service territory has been growing at a faster pace than the US for the past year.

The upper right chart shows that employment growth in AEP service territory continues to close in on that of the US. For the quarter, job growth in AEP service territory was at 1.1%, with higher growth in our western territory than our eastern. And while employment growth has continued to improve, unemployment rates in our footprint are at their lowest levels since 2000.

The bottom chart on this page shows growth in personal income. In the first quarter, income growth within AEP service area was 0.7% greater than the US. Rising customer incomes was a key driver for the increase in residential sales.

Now, let's move to slide nine and review the company's capitalization and liquidity. Our debt to total capital ratio increased 1.1% during the quarter to 56.6%. Our FFO to debt ratio was solidly in the Baa1 range at 18.2% and our net liquidity stood at about $1.3 billion, supported by our revolving credit facility. Our qualified pension funding improved to 102% and our OPEB funding improved to 131%. For both plans the funded status improved due to rising interest rates, driving a decrease in liabilities that more than offset asset losses.

Let's turn to slide 10, and I will update the tax reform information that I provided earlier in the year. In regards to the change in the statutory corporate rate, we either have regulatory orders in place or filed settlements to reflect the lower rate in Indiana, Kentucky, Oklahoma and FERC Transmission for our eastern states. In our remaining regulated jurisdictions, we are deferring the difference between the old and new rate for future adjustment. Trackers and formula rate filings will accommodate this change in Louisiana, AEP Texas and Ohio.

We have updated the slide to show that as of March 31st, we have approximately $1 billion of excess deferred income tax, which is not associated with depreciable assets, and will flow back to customers at a tenure set by each jurisdiction. Options for passing this benefit to customers include: decreasing rates for some period of time; increasing the amortization of regulatory assets; accelerating depreciation; and offsetting items that would otherwise increase rates. We have addressed this issue in our Indiana and East FERC Transmission settlements and are working with our remaining jurisdictions to determine the best resolution.

As we discussed in January, we reduced our 2020 capital expenditures by $500 million to support our FFO to debt ratio and we reiterated our equity plans, which we anticipate raising $100 million in 2018 and '19, and $500 million in 2020. As a reminder, this plan does not include provisions for Wind Catcher. In addition in this slide, there is more detail on slide 23 of the presentation.

Let's try and wrap this up on slide 11, so we can get to your questions. We will finalize our pending rate cases, obtain clarity on the Wind Catcher project and continue working with regulators to provide the best solution for customers regarding tax reform. Our performance in the first quarter and the stability of our regulated business model gives us the confidence to reaffirm our operating earnings guidance range of $3.75 to $3.95 per share.

With that, I will turn the call over to the operator for your questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question is from the line of Greg Gordon with Evercore. Please go ahead.

Q - Greg Gordon {BIO 1506687 <GO>}

Good morning, guys. Several questions for you. I'll try to make them brief. First is, congrats on the Wind Catcher settlement in Oklahoma. You have a couple of parties on board, but you have many more that have not officially signed on. So, can you give us some color around the negotiations there? And what on the margin you have considered to give up in this settlement to give customer protections versus the prior deal? And what it might take to get more parties on board?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. Greg, obviously, great question. We continue to try to get other parties on board, but as we said from the beginning, it was extremely important to get the industrials on board in Oklahoma. And I think getting them on-board, it certainly sets the predicate for the opportunity for the commissioners themselves to look at this and say, okay, we got the industrial customers and Walmart and the customers have spoken. Now, there are other parties, as you mentioned, and certainly we're trying to get the Oklahoma staff engaged in this process, but -- and certainly the Attorney General -- probably not likely to get the Attorney General on board, but the others -- we'll continue to be open to that, including the Attorney General.

So -- but at this point though, I think it's framed up pretty well because a lot of work's been done in the background. Our people have been working tirelessly with all these parties around the various jurisdictions to try to drive some consistency around what the risks were being taken. And a lot of it's centered on the 10-year look backs, the performance guarantees, certainly the force majeure related provisions as well. And it really -- as we looked at it and as I mentioned early on in our discussion, you have to -- if you're going to do regulated renewables, then certainly we'll have to meet the market on what risks are being taken relative to regulated renewable investments.

So -- and we looked at it, looked at it in a lot of detail, we have a lot of like -- as I mentioned earlier, engineering, construction, we look at that in detail. The operational characteristics of particularly the generation tower and we've come a long way in terms of the evaluation of those risks. We were willing to take it and the industrials were ultimately supportive. So I think it just sets the tone for continued discussions, but as far as I'm concerned, we've put it in a very good place.

And you'll note that those provisions are pretty consistent with the settlements that have been done previously by SPS over in New Mexico and Texas. So -- and we're having discussions with the Texas parties now. So you're starting to see, in my opinion, a correlation around what risk parameters, what the framework of a deal looks like and I see that momentum gaining.

Q - Greg Gordon {BIO 1506687 <GO>}

Good luck with that. I think that's great. Two more questions. One is on, when you look at the equalizer chart in Oklahoma, I know PSO on a trailing 12, only earned 5.2%. And the rate decision you got there wasn't great, but it was better than the skinny deals that Oklahoma traditionally gives. So if we were to extrapolate out 12 months, would you still expect the PSO's ROEs to improve dramatically maybe if not towards your best case aspiration, is that fair?

A - Nicholas Akins {BIO 15090780 <GO>}

Well, you know the odd part about it is if Wind Catcher gets approved, ultimately, it is going to help the ROE overall, because PSO has a really small rate base. I mean essentially no generation's been built there for quite a period of time. So you're really dealing with a large company that with a lot of PPAs for generations. So the rate base itself had dwindled to really pretty small. I mean its less than 5% of the earnings of the corporation. And so when you think about where PSO is heading, if PSO -- if Oklahoma really wants to develop infrastructure around these types of assets, energy assets to take advantage of wind power, natural gas, certainly indigenous sources for that territory, we're going to have to see positive signals on those types of investments. And they really do need to fix the issue of recovering transmission costs as well on a timely basis.

So lot of this rate lag type of activity. It takes a -- it took a long time for the last rate case and actually the rate case pretty much turned out to be a -- to be very disappointed -- disappointing. I was really expecting more from the Oklahoma Commission from that perspective, but I think, there were a lot of issues that were being dealt with their, that hopefully next time we'll be able to get over. And we will be filing another rate case in Oklahoma, but certainly the Wind Catcher approval is what we have our sights on right now.

Q - Greg Gordon {BIO 1506687 <GO>}

Great. And my last question is on the -- on page nine, when we look at the credit statistics, obviously, on a trailing basis you had 18.2% FFO, but tax reform really haven't kicked in yet, and I know you said the target is the mid-teens. But all things being equal, if we look out 12 months, how much of a degradation in that FFO are we looking at? Is it a couple of hundred basis points?

A - Nicholas Akins {BIO 15090780 <GO>}

Brian?

A - Brian Tierney {BIO 15917272 <GO>}

We think it'll be 200 to 300 basis points, Greg.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay. Thank you guys.

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. Sure, thanks.

Operator

Next, we go to the line of Steve Fleishman with Wolfe Research. Please go ahead.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah. Hi. Good morning.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning.

Q - Steve Fleishman {BIO 1512318 <GO>}

So speaking of living on a prayer, I have a few Wind Catcher questions. Sorry I couldn't help. You asked for that one.

A - Nicholas Akins {BIO 15090780 <GO>}

(Multiple Speaker)

Q - Greg Gordon {BIO 1506687 <GO>}

Thank you for the Rus references, those are great. So just if I recall back last fall, the -- you had talked about wanting decisions by April to make sure that you would have it online to get the full PTCs. Is May-June going to be okay to be able to capture full PTCs, like what is the real deadline?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. We'll be fine. Really, we have to get to a point of getting these orders in place and then we'll cover it with our Board, obviously, in our July meeting, and then, once they approve, we are off and running. So if we get it in that June timeframe, we get the orders in the May to June timeframe, we'll be in good shape.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then just you're totally very focused on making sure you're not taking on risk that are not typical of a regulated investment. Could you -- and I know you just did this, but just when you look at the main risk that you're kind of protecting from, could you just clarify what those are?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. I think certainly the 10-year look-back, because obviously the customers want to see a benefit, and we're convinced there will be a benefit. Now that goes to the operations of the facilities, but the 10-year look back, obviously, measures the benefits that customers see and we've -- that analysis is based upon our existing generation. So we feel pretty good about what that -- how that would work out. And then when you look at the force majeure provisions, those are really focused on -- and you have to look at sort of the force majeure risk compared to the production guarantees, and the production guarantees are such that we really -- and we look to this operation from an engineering standpoint from an -- and we feel like that there is risk mitigation associated with the production guarantees that enable us to take on more risk as it relates to force majeure.

And then, obviously, that goes to the production guarantee, the capacity factor guarantee and we feel very comfortable about that as well, because we've been in that territory for a long time. We know how to build transmission. We know how to run transmission. If a tornado came through, it could take down a couple of structures or whatever, but we're used to doing that, and we know the timeframe of doing that. And then, for the facilities themselves, obviously, there is a multitude of -- it really is pretty good from a diversity of standpoints, not like a central station generation facilities. It's a bunch of small generators sitting up on poles, and that really gives us an opportunity to mitigate risk on an aggregate standpoint from that perspective as well. So when we looked at it, we are convinced that we're able to deliver the production guarantees but also have the ability to adjust, if necessary. So all in all, I would say, the rewards at this point certainly outweigh the risks.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Thank you.

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah.

Operator

Next we go to the line of Jonathan Arnold with Deutsche Bank. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Jonathan.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Good morning, guys. The first question, I think Brian mentioned that you have to address the excess deferred tax in the Indiana and some of these settlements. Can you -- how much of the $1 billion does that speak to?

A - Brian Tierney {BIO 15917272 <GO>}

Hold on a second, Greg. About 125 million [ph] .

Q - Jonathan Arnold {BIO 1505843 <GO>}

Thanks. And then, I think you've given some guidance in the past as to what timeframe you thought was a reasonable rule of thumb for this or what you'd seen in the 1986 case. Any updated thoughts around that?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah, I think if you assume 10 years, you'll probably be at about the right place.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Perfect. Okay. Thank you. And then just on sales, Brian, I may have missed this. At one point, I think you said you were going to have a little additional commentary on the residential piece and the 1.4% in the first quarter, which obviously is bucking the trend. What's your -- did you have some follow-up comment on that, was it, weather normalization kind of tricky this quarter?

A - Brian Tierney {BIO 15917272 <GO>}

No. I think that's pretty much on track. The places where we're seeing it though, Greg, is in the places where we're just T&D utility. So we are seeing it more in Texas and Ohio, and that's why you're not seeing as much uplift in revenue, is because it's just in the places where we are wires only, it's mostly in the places where we're wires only. So while we are encouraged by this, given where it's coming from and the mix of those sales, we're not getting a huge amount of uplift in regards to net income because of that residential increase.

Q - Jonathan Arnold {BIO 1505843 <GO>}

Okay. Great. Thanks very much, guys.

A - Brian Tierney {BIO 15917272 <GO>}

Thank you.

Operator

Next, we go to the line of Julien Dumoulin-Smith with Bank of America Merrill Lynch. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Julien.

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

Hey. Good morning.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning.

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

So perhaps to turn the attention slightly differently here. I understand that you received your order in Ohio, and you've got the ESP under control, and out there. But to what ability is there to negotiate and address the tax issue still, or is there a need to at this point? I just wanted to kind of come back to that. It seems like you've largely addressed your issues there, but I just want to kind of come back to that, given there's not an obvious venue to address that directly not withstanding reopening these issues. So I just want to understand.

A - Brian Tierney {BIO 15917272 <GO>}

So it's typically in Ohio

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah.

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

Exactly.

A - Brian Tierney {BIO 15917272 <GO>}

Yeah. So we have two avenues for addressing that. One is just the absolute change in rate, which I think we can handle in DIR filings, but then also what the Commission has done is, asked us, as well as we other AEP utility -- the other Ohio utilities to come in and have a dialog with them about that. So they've set up a hearing mechanism, whereby all of the Ohio utilities would go in and have the dialog. And I think we'll be able to put together something that is compelling and doesn't have to be litigious. I think we'll be able to settle that.

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

Got it. Excellent. And then turning back to Wind Catcher really quickly, obviously, you're working every state front. To the extent to which, let's say, Texas and those negotiations aren't necessarily as fruitful here on the prescribed timeline that you just talked about, how confident are you about signing up alternatives like minis and co-ops, just to be able to continue working on the project, notwithstanding clarity in Texas shall we say?

A - Nicholas Akins {BIO 15090780 <GO>}

Julien, I really think, we are going to get the result in Texas. So -- and I think it would be problematic and during the pendency of something that's working to, go to sell somewhere else. So we're feeling pretty good about the direction this all is taking and the timing of it.

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

Got it. And maybe, actually if you can clarify. I would suspect that the issues here are largely the same as you've just described a moment ago across the various states. Is there anything unique with respect to Texas? Obviously, the industrial community there has historically been fairly outspoken as well.

A - Nicholas Akins {BIO 15090780 <GO>}

No, I think as far as Texas is concerned, I mean the industrials in Texas, you have some of the people, we are representing the same people. But I think you've got certainly different industrials with different thought process. But when you think about the settlement that was done with SPS and how it compares against what -- certainly what we've done relative to the Oklahoma industrials, it's pretty much the same. And you have SPS settled with all the parties in Texas. So I think we have an opportunity. We knew going into this thing that with four states there'd be some commonality and in fact the four states have, in most cases, most favored nations and that kind of things. So they're all watching each other in terms of the result. And we have a result in Oklahoma and in the other jurisdictions that is consistent with what is happening in Texas at this point. And I think we're in good shape.

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

All right. Excellent. Best of luck.

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. Thank you.

Operator

Next, we go to the line of Paul Ridzon with KeyBanc. Please go ahead.

Q - Paul Ridzon {BIO 1984100 <GO>}

Good morning. Can you hear me?

A - Brian Tierney {BIO 15917272 <GO>}

Good morning, Paul.

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. We can hear you.

Q - Paul Ridzon {BIO 1984100 <GO>}

Few questions. Is there a statutory deadline in any of the Wind Catcher states when this is has to be done by?

A - Nicholas Akins {BIO 15090780 <GO>}

I don't think there is a statutory deadline, but certainly there is a business deadline, I mean we've been very transparent about the timing necessary and the procedural schedules have been set out consistent with -- we are getting the decisions on time. So I think, it's really more driven by -- I guess one of the previous question sort of brought out, when is our drop-dead date and that kind of thing and -- but I can just tell you that May and June fits.

Q - Paul Ridzon {BIO 1984100 <GO>}

And then, some of the concessions you've made are around cost caps, who is bearing that risk, is it you or the contractors?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. It's both. We have fixed price contracts with the appropriate contingencies and I think that that risk is being shared. And actually that tells you a little bit about the commitment of the suppliers that we're working with, I mean these are established suppliers that do a lot of business that we do a lot of business with and I can guarantee a lot of homework has been done on what these operational provisions will look like, what the construction side will look like, what the supply will look like, what risk are being born. And also even if route changes were to occur on the generation type, those have been discussed and (inaudible) as well. So we feel very good about where our suppliers sit at this point.

Q - Paul Ridzon {BIO 1984100 <GO>}

We're not building nuclear plants, right?

A - Nicholas Akins {BIO 15090780 <GO>}

We're not building nuclear plants. We're -- I wouldn't want to trash nuclear or anything because I'm supportive of nuclear. But this is putting small generators up on poles, and putting transmission structures up, and lines up and we do that all the time. And 765, we do that all the time. And so this is not something that is a first --like stamp number one. And the other thing too is that when we look at this entire project, it is definitely important to AEP because it represents what we're capable of doing. And when you introduce 765 KV in that part of the country, it could be a tremendous benefit in the future, not just from an economic development standpoint, but also in terms of our ability to continue to serve our customers and serve them well.

Q - Paul Ridzon {BIO 1984100 <GO>}

Then one last question. If you addressed this, I'll circle back with Bette Jo, but transmission was very strong in the quarter, what was driving that?

A - Brian Tierney {BIO 15917272 <GO>}

So there were some -- there was obviously the FERC 206 settlement, was a contributor to that, but tax reform also contributed to that, in that the rate base goes up higher with the ADIT not going into rates. So those two factors mainly contributed to that increase.

Q - Paul Ridzon {BIO 1984100 <GO>}

Is this kind of -- did all of this hit in the first quarter or we're going to continue to see those, at least on the tax reform, flow through the year?

A - Nicholas Akins {BIO 15090780 <GO>}

We expect an uplift of about $0.04 versus what we had shown here, i.e. over the course of the whole year, $0.04 to $0.05.

Q - Paul Ridzon {BIO 1984100 <GO>}

Thank you very much.

A - Nicholas Akins {BIO 15090780 <GO>}

Yes. Sure. Thank you, Paul.

Operator

Next we go to line of Praful Mehta with Citi. Please go ahead.

Q - Praful Mehta {BIO 19410175 <GO>}

Thanks so much. Hi, guys.

A - Nicholas Akins {BIO 15090780 <GO>}

How are you doing?

Q - Praful Mehta {BIO 19410175 <GO>}

Good. How are you?

A - Nicholas Akins {BIO 15090780 <GO>}

Just fine.

Q - Praful Mehta {BIO 19410175 <GO>}

Thanks so much. So quickly just on the deferred income taxes, on the unprotected one. I think Brian you mentioned 10 years as a possible assumption for refund. We've also heard from other utilities who are paying it back a lot sooner. So just want to understand is that mostly an assumption of a negotiation? Or is that a preference from your end to kind of draw it out over a longer period because there are benefits to kind of going rate base, as you kind of refund it back as well?

A - Brian Tierney {BIO 15917272 <GO>}

Yeah. So you're going to see everything from much quicker than that, to much slower than that across our 11 jurisdictions. And so the data point that I have is what we were able to do in Indiana, where we were able to increase the depreciation on some of our coal units there and have that be the factor by which we flow back the excess and that was a 10-year period. So if you're modeling something across a system, I think 10 years would be a pretty good assumption.

Q - Praful Mehta {BIO 19410175 <GO>}

Got you. And your preference is not to do it sooner as well, just to understand from a preference perspective?

A - Brian Tierney {BIO 15917272 <GO>}

Our preference really is kind of do it on a jurisdiction by jurisdiction basis, right. I mean -- and when we talk about taking down reg assets, when we talk about fuel, when we talk about other things that are going to increase rates, it's really going to be jurisdiction by jurisdiction as to what the best way for those customers is for them to receive that benefit. And we're going to work with interveners and commissions and try and be as constructive as we possibly can on a jurisdiction by jurisdiction basis.

Q - Praful Mehta {BIO 19410175 <GO>}

Got you. Fair enough. That's helpful. And then just quickly, just strategically more from a corporate M&A perspective, the conversation has increased a little bit given tax reforms behind. And it also looks like companies who are better positioned like yourselves with stronger credit going into tax reform have a competitive advantage. Do you see that at all, do you see any dialog increasing and how are you looking at strategic M&A at this point?

A - Brian Tierney {BIO 15917272 <GO>}

So let me just address the financial aspect of it, and I'll let Nick address the strategic aspect of it. So when we're looking at our balance sheet, you look at our credit metrics and they are very healthy now. We do expect them to go back into the normal range. We are Baa1 rated company, due to the impact of tax reform. So we're very strong right now. We had anticipated being a tax-payor. That's gone away to a large degree with the impact of tax reform, Wind Catcher and other such things. But because of the impacts of tax reform, we do anticipate as we talked about earlier in the call in the question-and-answer period that FFO to debt to come in 200 to 300 basis points over the next year or so. So, we anticipate consuming that cushion that you might see there otherwise and I'll let Nick comment on the strategic component.

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. So we are in the middle of what I would call an M&A transaction without a premium, it's called the Wind Catcher. And so, when we look at the strength of the balance sheet, certainly, we'll be looking at the financing needs for Wind Catcher. And that's a 4.5 billion transaction. So that's where our thoughts are at this point.

Q - Praful Mehta {BIO 19410175 <GO>}

Got you. Thanks so much guys. I appreciate it.

A - Nicholas Akins {BIO 15090780 <GO>}

Thank you.

Operator

Next is the line of Ali Agha with SunTrust. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Ali.

Q - Ali Agha {BIO 1509168 <GO>}

Good morning. Nick, to clarify, as you're looking at the four states for approval in Wind Catcher, is it fair to say that just given where we are, that Oklahoma probably is the most challenged of the four? And related to that could you theoretically complete the project if the other three states were to say yes, and Oklahoma was to say no?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. So on the first point. I would agree with the Oklahoma has been the most challenging and really with the ALJ order there, it was -- it made even more of a challenge for the commissioners to really take a look at it from a positive standpoint. And -- but I really believe they will at the end of the day, and -- because they obviously look at much broader issues. And so, with that said, I think as far as Wind Catcher is concerned, we intend on this project being for those four states and certainly the FERC customers, or some FERC customers too, that are involved. And if one were to fall out, we are really -- as I said, I mean I think we're at a good place in terms of the transition of getting this thing across the finish line. And at this point, we're really aren't entertaining the notion of going forward with the project without one of the jurisdictions. I just -- I really don't see that happening.

Q - Ali Agha {BIO 1509168 <GO>}

I see. Second question. Brain, I wanted to clarify if I heard you right, you were mentioning that when you are looking at your transmission earnings for 2018, you are now thinking they will come in about $0.04 to $0.05 better than what you had indicated to us back at EEI. Is there anything offsetting that or in the context of the year, should we see that as a positive cushion that may -- if things play out -- cause you to move the right or above your -- mid-point of your range?

A - Brian Tierney {BIO 15917272 <GO>}

That's a good question, Ali. It's really early in the year and a company as big as ours, we're going to have pluses and minuses across the year as things go on. So we wouldn't anticipate any change at this point to what our guidance is. That's just one area that is up versus what we had anticipated. There are others that are down and we'll lay those out to you as we go through the year on a quarterly basis.

Q - Ali Agha {BIO 1509168 <GO>}

Okay. And last question. Can you also remind us relative to the rate increase that you had assumed in your '18 guidance, how much of that is currently locked in?

A - Brian Tierney {BIO 15917272 <GO>}

So we have about 75% of it's currently locked in.

Q - Ali Agha {BIO 1509168 <GO>}

75%. Got it. Thank you.

A - Brian Tierney {BIO 15917272 <GO>}

Okay.

A - Nicholas Akins {BIO 15090780 <GO>}

Thank you, Ali.

Operator

Next we go to the line of Paul Patterson with Glenrock Associates. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning. How are you?

A - Nicholas Akins {BIO 15090780 <GO>}

Just fine.

Q - Paul Patterson {BIO 1821718 <GO>}

Just quickly follow-up here on Wind Catcher. Why is that the -- what are the key issues I guess sort of maybe stopping the OCC staff and others from coming on board?

A - Nicholas Akins {BIO 15090780 <GO>}

Your guess is good as mine. I think, obviously, the ALJ looked at it from a procedural base as it seemed like to me, but we're pretty convinced we did fall into the RA provisions under Oklahoma law. But obviously we'll continue with discussions with certainly the Oklahoma staff, and I think I really do believe we'll put provisions in place with the industrials that should benefit that discussion with them. Obviously, to have that kind of company of the customers certainly would help from a policy side and from a staff side to really take a hard look at this. So the verdict is still out on that and we'll continue those discussions.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And then there is this -- in Oklahoma there is this tax issue on wind. I guess we expect it's intertwined with school funding and there was some -- that sort of passed the House yesterday. And I was just wondering, how does that -- how would that work with respect to the settlement or with respect to the project or does it have any impact, can you just give us sort of a sense about that?

A - Nicholas Akins {BIO 15090780 <GO>}

Well, it won't have any impact on the project. And it got pulled out of legislature yesterday. So we don't see that happening.

Q - Paul Patterson {BIO 1821718 <GO>}

I mean I thought it passed the House, it is what I just saw. The provision for the tax credit I thought was removed. We can talk about it later, but what you're saying is you don't see any activity on that whatsoever, is what --

A - Nicholas Akins {BIO 15090780 <GO>}

No.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. If there did -- if something like that did happen though since it's been sort of debated and what have you, and the school funding issue, what would -- in terms of the settlement, how would that -- would that be something that you guys would absorb or would that be something that -- how would that be treated if there was subsequently some sort of impact on wind generation in Oklahoma as a result of something that the state legislature may or may not do in the future?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. So there is that risk, but not likely. And the state tax credit wasn't assumed in the Wind Catcher economics to begin with. So if something were to occur, it wouldn't have any effect.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. So I got you. Okay. I think maybe that's what was in there, maybe that's what I'm confused. Okay. Great. And then -- and that's it. I really appreciate. Thanks so much, Nick.

A - Nicholas Akins {BIO 15090780 <GO>}

Sure thing, Paul.

Operator

Next we'll go to the line of Christopher Turnure with JPMorgan. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Christopher.

Q - Christopher Turnure {BIO 17426636 <GO>}

Good morning, guys. I just wanted to get your latest thoughts on the potential for grid modernization spend in Ohio. Previously, I think you've talked about $500 million of incremental potential versus your current plan if you get the green light there, but the Commission has been going through exploring the process generically for the whole state and I am curious to hear your thoughts?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. So, the 500 million was for the entire system, because you remember we presented that at EEI. If we are able to get -- move forward with grid modernization in those -- in all those jurisdictions, there was an incremental 500 million. Certainly, Ohio -- the order sort of sets up the tone to really have that discussion, because the more we move into technological front and the more we move into optimization efficiencies around the grid, we will be able to have those kind of discussions. And I think yesterday's order of the Ohio Commission was the first step in that process. And I think it bodes well for Ohio and certainly, we'll use that pattern in the rest of our system as well. So, right now, there is nothing incremental on the 500 million. That was really -- that was a distribution investment rider and those kinds of things. Those issues are already in place. So, we'll obviously continue to have that dialog.

Q - Christopher Turnure {BIO 17426636 <GO>}

Okay. And then you mentioned I think towards 2018 year end, the gap between the seed earnings test in Ohio and the actual earned ROE calculation narrowing. Can you quantify potentially the impact on earnings that that alone would have in 2019?

A - Nicholas Akins {BIO 15090780 <GO>}

Brian?

A - Brian Tierney {BIO 15917272 <GO>}

Yeah. So we anticipate it ultimately being around 10%, and that's factored into what it is we've guided you to. There's is no incremental change to that.

Q - Christopher Turnure {BIO 17426636 <GO>}

Okay. Fair enough. Thanks guys.

A - Brian Tierney {BIO 15917272 <GO>}

Yeah. Thanks.

A - Nicholas Akins {BIO 15090780 <GO>}

Sure.

Operator

And next, we go to the line of Michael Lapides with Goldman Sachs. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Michael.

Q - Michael Lapides {BIO 6317499 <GO>}

Good morning, Nick. Thank you for taking my questions. Looking at the cash flow side in the appendix, the three-year forecast and this isn't new information, but just curious. You all talk about needing more equity in 2020, but your cash flow actually gets a lot better in 2020. I mean by like $1 billion if you just use cash from ops minus cash from investing activities. Are you being overly conservative when thinking about 2020 or are you -- is the equity really something that might need to come a little bit earlier? It's not a big amount, but like you are pretty cash negative for the next two years and then it gets a lot better, or this all just kind of prepping for Wind Catcher?

A - Brian Tierney {BIO 15917272 <GO>}

What you see on slide 25 really doesn't include Wind Catcher. And what we're looking at is what happens to our FFO to debt over time and trying to time, like you've seen others do, any equity needs with when they're actually needed and not take the dilutive effect of that sooner than we need to. So, we aren't going to let our FFO to debt metric deteriorate, maybe 200 to 300 basis points, get down into that Baa1 range. And we anticipate meeting to bolster that a little bit, but not before the 2020 timeframe.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. And can I ask -- what's in that -- those -- that slide, what's your assumption in there for the return on the excess ADFIT, the $1 billion? And the only reason I ask that is one of your neighbors in Louisiana and Arkansas is under a much faster -- and I think one of my colleagues asked this earlier, but their timeline for returning the excess ADFIT, is actually a really quick one, like one to three years. I'm just trying to think about what you've assumed or embedded in your guidance on cash flow for that?

A - Brian Tierney {BIO 15917272 <GO>}

It's that -- just assume seven to 10 years.

Q - Michael Lapides {BIO 6317499 <GO>}

Okay. So if it's quicker than that, of the return of the excess ADFIT, that would negatively weigh on cash and might either bring forward the equity need or raise the equity need?

A - Brian Tierney {BIO 15917272 <GO>}

It's a change in cash flows.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Okay. Finally, Nick, just kind of, you mentioned about the West Virginia rate case filing. How are you thinking about what structural changes in West Virginia you might ask for? And whether you do it in the case filing or whether you do it in some legislative effort? Just -- it's a state with traditional historical past years, little bit of lag. Just trying to think about how you're thinking big picture there?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. We haven't supposed any structural changes in West Virginia. And I think probably all that the West Virginia has been through and going through now from an economic standpoint, we really are focused on ensuring that our rate cases are filed, but very efficient. They certainly are focused on making sure that we're doing the right things by what we believe in terms of service quality to our customers in West Virginia. I think we probably ought to stick to that approach in West Virginia for the time being. And so, we haven't presupposed any structural changes.

Q - Michael Lapides {BIO 6317499 <GO>}

And when we think about the seven or eight months, eight or nine months in 2018, ow are you thinking about where else kind of sizable general rate case filings may occur?

A - Nicholas Akins {BIO 15090780 <GO>}

Well, really the only ones will be West Virginia and Oklahoma, everything else has really flushed itself out this quarter. And so we're pretty clean going forward from a regulatory standpoint.

A - Brian Tierney {BIO 15917272 <GO>}

And of course, Mike, we'll have our usual formula base rate filings in places like Transmission and Ohio and other places.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thank you.

A - Nicholas Akins {BIO 15090780 <GO>}

And I would say on your previous question too, we had Virginia -- recently in the quarter, they also dismissed a case that would have been for two wind power projects. And so as Virginia thinks differently than West Virginia, the more we see that from a supply perspective, that's going to be an important data point for us as we go in for these cases, how to deal with that. And so, that would probably be the extent of the -- your structural question just brought up that issue in my mind of how resources are being seen differently in the two jurisdictions and VEPCO and we'll have to try to drive some consistency there.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. Thank you, Nick. Thanks, Brian. Much appreciated guys.

A - Nicholas Akins {BIO 15090780 <GO>}

Thank you.

A - Bette Jo Rozsa {BIO 16484334 <GO>}

And operator, we have time for one more question.

Operator

Very good. It's the line of Angie Storozynski with Macquarie. Please go ahead.

A - Nicholas Akins {BIO 15090780 <GO>}

Good morning, Angie.

Q - Angie Storozynski {BIO 15115714 <GO>}

Good morning. So I -- surprising, I had question about Wind Catcher. So we have seen a number of renegotiations of the wind equipment contracts by utilities, by different developers and then the OEMs -- with OEMs seemed willing. So now that you have this caps on the cost of the projects and then you have the performance guarantees, couldn't you just go back to GE and say, okay, well, this is the reality we're facing, as such we need to actually get a cut on the equipment cost and also maybe you can provide us with a performance guarantee for the wind turbines?

A - Nicholas Akins {BIO 15090780 <GO>}

Yeah. Brian?

A - Brian Tierney {BIO 15917272 <GO>}

So Angie, whether it's Invenergy, GE or Quanta, all of our partners have skin in the game on this and they are being very proactive and how they're helping us manage the risk of things like caps relative to the cost of equipment, relative to the tax impacts they might have, relative to other increases and decreases in their costs. And it's very much of a partnership rather than a traditional supplier relationship. So they are working very proactively with us on all those issues.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. So basically the true risk is more on the timing of the construction of the transmission line. I mean, if all of the other factors are already, in essence, mitigated, right, the cost of construction of the wind farm, the operating or NCF of the wind farms, it's really the transmission line that is more of a risky part of the project?

A - Brian Tierney {BIO 15917272 <GO>}

It's all the things that you would think in a project. It's cost and schedule. And so, we have some of the cost mitigated through the partnerships that we have with our suppliers. And they're also helping us to mitigate the schedule component of it as well. So it's what you would expect in a project of this size and scope. We need to bring it in at cost, on budget and on schedule, and we have experienced partners were working with us to help us do that.

A - Nicholas Akins {BIO 15090780 <GO>}

And we mitigated pieces of the risk too because we're acquiring the plant at commercial operation. So Invenergy is obviously doing their work associated with that. It's been well thought out. Going to your earlier point though, we obviously are paying particular attention to the generation and interconnection or you call it, transmission. That piece of it's insured. From a supplier perspective, we're in good shape. We've had conversations with certainly their executive leadership about the importance of this, of the arrangement we have in place. And I think in terms of routing, that work continues in earnest and alternatives are considered in earnest. So we're -- when you look at the construction side and the risk being taken, we're in really good shape.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. And the last question is, so you mentioned that now under the new tax regime, you won't be paying taxes for longer -- cash taxes. And so what happens with at the PTCs and accelerated depreciation generated by this project? Maybe you said that, but are you using a tax equity investor or actually considering using one?

A - Brian Tierney {BIO 15917272 <GO>}

So, right now, we don't anticipate needing one, but we are monitoring very closely our tax appetite with our ability to use the PTCs as we take on a project the size of Wind Catcher and trying to make sure those things match up. That's something that's contemplated in the settlements that we're talking about. And to the degree that we're not able to use them on the same time, there will be an ability to defer the tax asset and earn some recover on it.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. Thank you.

A - Brian Tierney {BIO 15917272 <GO>}

Thank you.

A - Nicholas Akins {BIO 15090780 <GO>}

Thank you.

A - Bette Jo Rozsa {BIO 16484334 <GO>}

Thank you everyone for joining us on today's call. And as always, the IR team will be available to answer any additional questions you may have. Lia, would you please give the replay information.

Operator

Certainly. Ladies and gentlemen, this conference is available for replay after 11:15 am Eastern time today, through May 3rd, at midnight. You may access the replay service at any time by calling 1-800-475-6701, and enter the access code of 446736. International participants may dial 320-365-3844. Again, those numbers are, 1-800-475-6701 and 320-365-3844, with the access code of 446736. That does concludes your conference for today. Thank you for your participation. You may now disconnect.