Q4 2021 Earnings Call

Company Participants

- Darcy Reese, Managing Director, Investor Relations
- Julie Sloat, Executive Vice President and Chief Financial Officer
- Nicholas K. Akins, Chairman, President and Chief Executive Officer

Other Participants

- Andrew Weisel, Scotiabank
- Durgesh Chopra, Evercore ISI
- Jeremy Tonet, JPMorgan
- Julien Dumoulin-Smith, Bank of America
- Nick Campanella, Credit Suisse
- Paul Patterson, Glenrock Associates
- Shahriar Pourreza, Guggenheim Partners
- Steve Fleishman, Wolfe Research

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power Fourth Quarter 2021 Earnings Call. At this time, all lines are in a listen-only mode. Later, we will conduct a question-and-answer session. (Operator Instructions) And as a reminder, today's conference call is being recorded.

I would now like to turn the conference over to Darcy Reese. Please go ahead.

Darcy Reese {BIO 20391516 <GO>}

Thank you, Cynthia. Good morning, everyone and welcome to the fourth quarter 2021 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 (Technical Difficulty) these statements. Please refer to our SEC filings for discussion of these factors.

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

I will now turn the call over to Nick.

Nicholas K. Akins {BIO 15090780 <GO>}

Okay. Thanks, Darcy. Welcome everyone to American Electric Power's fourth quarter 2021 earnings call. I'm sure you all have had time to read the earnings release and have seen all that we were able to accomplish in 2021. As we saw the results of several regulatory related cases that actually came in after the EEI Financial last November AEP is coming to 2022 flying high. The lyrics of a song by Lionel Richie and the Commodores actually the first concert are actually catered backstage when I was younger. Flying High says, I knew we could make it from the beginning. AEP has now moved from 4% to 6%, to 5% to 7%, to 6% to 7% long-term growth rate because as of our purposeful steps to enhance growth opportunities and derisk the AEP portfolio. This process will continue.

We have so much to look forward to in 2022, but for the purposes of today's call, I'm going to start by providing a brief recap of our financial performance and then I want to talk about the evolution and the next steps we are taking in the execution of our business strategy. As well as the impact on our financing targets as we honing on both our regulated generation transformation and our Energy Delivery infrastructure investments. These are continued refinements that we believe will not only allow us to better serve our customers but will generate enhance value for our investors as well. Finally, I will provide an update on the various strategic and regulatory issues that are already underway.

Starting with the recap for our financial highlights. We reported strong results for the fourth quarter, navigating difficult macro headwinds while maintaining our balance sheet and increasing our quarterly dividend. In fact, this quarter was our strongest ever fourth quarter, coming in above consensus estimates with fourth quarter GAAP earnings of $1.07 per share and operating earnings of $0.98 per share, bringing our GAAP and operating earnings to $4.97 per share and $4.74 per share year-to-date respectively.

Our strong financial performance in the quarter generated regulated ROE of 9.2% with improved equity layers and enabled us increase the quarters dividend from $0.74 to $0.78 per share as announced in October of '21. Our performance rest firmly on the regulatory foundations laid this past year with a series of rate case activity across our jurisdictions. Since the EEI, we've received constructive base case orders in Ohio and Oklahoma and we reached a settlement Indiana that the commission approved yesterday and we anticipate shortly finalizing our other base rate cases in SWEPCO and PSO.

Our management team continues to make significant headway in our strategic growth plan and transformation. In 2021, the comprehensive strategic review of our Kentucky operations resulted in agreement to sell Kentucky power and AEP Kentucky Transco for more than $2.8 billion. After receiving the necessary regulatory approvals, we expect this sale to close in the second quarter of 2022, notwithstanding the recent withdrawal of our FERC related -- FERC filing related to the Mitchell operating agreement. The completion of this transaction is expected to net AEP approximately $1.45 billion, and cash after taxes and transaction fees proceeds we'll use to invest in regulated renewables and transmission.

AEP is building on a strong record of actively managing our portfolio to support our growth as we invest in a clean-energy future while delivering increase returns to shareholders, and integral part of our long-term strategy is a prioritization of AEP's regulated investment opportunities and the optimization of our assets. To that end, today, we are announcing the elimination of growth capital allocated to the contracted renewables in our 2022 to 2026 forecasts and our intent to ultimately sell all or a portion of our contracted renewables portfolio in our generation and marketing business segments to help fund our growing capital requirements in our regulated portfolio.

In making this decision our team carefully considered the renewable opportunities and the context of our competitive business, existing competition in the space, our ability to efficiently monetize the PTC/ITC tax credits as regulated opportunities come to fruition, the attention needed to manage the size of this business relative to our overall regulated business and the potential value this business represents to others who are committed to contracted renewable development and operations. We are fully confident that the sale of this portfolio will both simplify and derisk our business, while allowing us to allocate proceeds and assign additional capital to our regulated business, where we see a meaningful pipeline of investment opportunities to better serve our customers and participate in the energy transition.

This shift in direction enables us to recalibrate our 2022 to 2026 capital plan, shifting approximately $1.5 billion of investment capital to transmission and raising it to $14.4 billion of the $38 billion five-year plan. The capital originally allocated to the unregulated generation and marketing segments will drop for $1.7 billion of the $38 billion five-year plan to $400 million, the remaining $400 million in the generation and marketing segment will be largely allocated to maintenance capital and distributed generation assets.

Our investment opportunities remained dynamic, and AEP operating companies will continue to develop integrated resource plans and grid enhancement plans over the near and long-term in collaboration with stakeholders. This process continues to make substantial progress is shown on Slide 43 of the earnings deck. Overall, we are targeting wind additions of approximately 8.6 gigawatts, of solar additions of approximately 6 .6 gigawatts by 2030. For which we have allocated $8.2 billion in our current five-year capital plan. This -- the migration from contracted renewables to significant increases in regulated renewables will ensure that AEP maintains the talent and resources to execute this plan. The capital plan also includes $24.8 billion allocated to grid investments. With the changes discussed and the expected completion of the sale of Kentucky Power, we plan on an Analyst Day presentation soon after the sale is completed the further update on all of these important initiatives.

Now shifting gears to our regulated renewables opportunity. AEP has a positive record of actively managing its portfolio to support the growth of the company as we invest in our regulated business and renewable generation to transform and build a cleaner more modern energy system and we made significant progress on our regulated renewables opportunity in 2021. Our plan is to reduce carbon emissions by 80% by 2030 and achieve net zero by 2050 is well underway.

The 998 megawatt Traverse project, the largest single wind farm built at one time in North America, is in the final stages of commissioning and we expect the facility to go online soon. The combined investment in the Traverse project along with Maverick and Sundance, which both became operational in 2021, represent investment in renewable energy of approximately $2 billion and will save PSO and SWEPCO customers in Arkansas, Louisiana, and Oklahoma an estimated $3 billion in electricity costs over the next 30 years.

These three projects add 1,484 megawatts of regulated renewable energy to our portfolio and we recently issued RFPs for renewable resources for 1.1 gigawatts at APCo and 1.3 gigawatts at I&M. We expect to make regulatory filings and obtain the necessary approvals for project selected from RFP processes at APCo, I&M, PSO and SWEPCO. We are truly transforming the energy grid to better integrate renewable resources, delivering the low-cost reliable energy that our customers rely on, while simultaneously empowering a positive social economic and environmental change in the communities we serve. And we believe we can successfully enhance shareholder returns in the process.

Finally and significantly, I'd like to speak to a few develops and highlight the economic vitality and prospects of the communities we serve. Our economic development team has been focusing on working collaboratively with our states to drive expansion within our service territory. As you know, in January, Intel announced plans to build two new leading edge chip manufacturing facilities in Ohio for an initial investment of more than $20 billion. Over in West Virginia, Nucor announced in January they will build its new $2.7 billion state-of-the-art facility in Mason County, West Virginia. Further, TAT Technologies will be moving its thermal components activities from Israel to Tulsa bringing 900 jobs to the region. In total, our economic development team reported 1,900 megawatts of new load, supporting over 20,000 new jobs announced in 2021 and thus far in 2022. As evidenced by these wins, we are proud to play a vital part in the infrastructure that enables job-creating projects of this kind in our service territories.

Moreover, in today's environment, especially in today's environment, as companies in our country focused on energy and supply chain security, our service territory is prom to benefit. We are committed to remaining a good steward for the communities in which we operate as we transition to a clean-energy future. Through our Just Transition effort, we support affected communities through a coal plants retirement by providing job placement services for displaced workers, tax based replacement and funding sources of support diversification. This Just Transition program has been applied as a model for the country and enabling positive social and economic transitions for affected communities.

As I said at the outset, we have a lot to look forward to in 2022. As we recast our capital allocation and derisk the business, we feel confident in lifting and tightening our earnings growth target range from 5% to 7%, to 6% to 7%. It is always been my preference to be in the upper half of the 5% to 7% range. And since we have demonstrated a track record of being able to deliver on these projections year in and year out, we are electing to revise the range to 6% to 7%. Accordingly, we will be lifting our 2022 operating earnings guidance range by $0.02 to $4.87 to $5.07 per share with a midpoint of $4.97 to reflect the increase in growth rate target range.

Lastly, we are increasing our funds from operations to debt target to a range of 14% to 15% from 13.5% to 15%, which we mentioned it November EEI. Throughout this process and beyond, we will be committed to maintaining a strong balance sheet. We discussed this at November EEI, and can confirm that our FFO to debt and credit metrics have improved markedly as we expected.

Over the past decade AEP is achieved impressive and sustained long-term growth consistently meeting and exceeding earnings projections while continuing to raise guidance. Our highly qualified Board and management team were executing a strategic plan that leverages AEP's scale, financial strength, effective portfolio management and diversity of regulatory jurisdictions to deliver safe, clean and reliable services for our customers while creating significant value for all our AEP shareholders.

We are also committed to examining and looking beyond the traditional forms of equity to fund the growth going forward, and our track record since 2015 and asset sales have been active and produce accretive opportunities for our shareholders. Our transportation strategy is working, and the investments we are making will continue to support our solid earnings growth and results. AEP stands poised to make great headway in 2022, and continue to capitalize on this momentum. Our organic growth opportunities for the next decade and our consistent ability to execute against our plan, make it possible to set our sights high, for this year and beyond.

Before I hand things over to Julie, I just want to take a moment to acknowledge the unwavering commitment and dedication of our employees. In the midst of another storm field winter, our employees have continued to prioritize the safety and security of our customers across all of our jurisdictions. With significant ice storms impacting most of our territory in the past few weeks, I've been truly humbled by their tireless efforts to deliver on our initiatives and provide for our communities. Ultimately, their passion for the work we do is what makes our business so extraordinary.

With that, I'll turn things over to Julie, who is going to walk you through the financial results for the quarter.

Julie Sloat {BIO 6462741 <GO>}

Thanks, Nick. Thank you very much. Thanks, Darcy. It's good to be with everyone this morning. Thanks for everyone -- Thanks to everyone for dialing in. I'm going to walk us through the fourth quarter and full year results and then share some updates on our service territory load, and then finish with some commentary on our financing plans, credit metrics and liquidity as well, some thoughts on our revised guidance, financial targets and portfolio management.

So let's go to Slide 10, which shows the comparison of GAAP to operating earnings for the quarter and year-to-date periods. GAAP earnings for the fourth quarter were $1.07 per share compared to $0.88 per share in 2020. GAAP earnings for the year were $4.97 per share compared to $4.44 per share in 2020. There's a reconciliation of GAAP to operating earnings on Pages 17 and 18 of the presentation today.

Let's walk through a quarterly operating earnings performance by segment, which is on Slide 11. Operating earnings for the fourth quarter totaled of $0.98 per share or $496 million compared to $0.87 per share or $433 million in 2020. Operating earnings for the vertically integrated utilities were $0.39 per share, up $0.08. Favorable drivers included rate changes across multiple jurisdictions, increased transmission revenue and lower income tax. These items were somewhat offset by lower normalized growth and higher depreciation. I'll talk about load a little bit more here in a minute.

The transmission and distribution utility segment earned $0.25 per share, up $0.06 compared to last year. Favorable drivers in this segment included rate changes, normalized load and transmission revenues. While setting these favorable items were unfavorable December weather and increased depreciation. The AEP Transmission Holdco segment continue to grow, contributing $0.33 per share, which was an improvement of $0.06, driven by the return on the investment growth.

Generation and marketing produced $0.06 per share, up $0.01 from last year, largely due to favorable income taxes, wholesale margins offset by lower generation and land sales. Finally, corporate and other was down $0.10 per share, driven by lower investment gains and unfavorable income taxes. The lower investment gains are largely related to charge point gains that we had in the fourth quarter of last year.

Let's have a look at our year-to-date results on Slide 12. Operating earnings for 2021 totaled $4.74 or $2.4 billion, compared to $4.44 per share or $2.2 billion in 2020. Looking at the drivers by segment. Operating earnings for the vertically integrated utilities were $2.26 per share, up $0.05, due to rate changes across multiple or various operating companies, favorable weather and increased transmission revenue. Offsetting these favorable variances were higher O&M as we return to a more normal level of O&M, increased depreciation expense and lower normalized retail load, primarily in the residential class.

On the transmission and distribution utilities segment, they earned -- earned $1.10 per share, up $0.07 from last year, earnings in this segment were up due to higher transmission revenue, rate changes, and increased normalized retail load, which is mainly in the residential and commercial classes. Offsetting these favorable variances were increases in O&M, depreciation and other taxes, essentially property taxes related to the increased investment levels.

The AP Transmission Holdco segment contributed $1.35 per share, up $0.32 from last year, related to investment growth and a favorable year-over-year true up. Generation and marketing produced $0.26 per share, down $0.10 from last year, largely due to favorable one time items in the prior year associated with the downward revision of the Oakley Union ARO liability in contemplation of the plant shut down and the sale of the Conesville plant.

Additionally, while we had land sales in both years, the level of sales was lower in 2021 versus 2020. Finally, corporate and other was down $0.04 per share. You'll notice that we aren't talking about investment gains in the year-to-date as we had a lot of timing differences across the quarters between 2020 and 2021, but net-net we're flat for the year. The year-over-year decline in this segment was primarily driven by slightly higher O&M, interest expense and income taxes.

Let's go to Slide 13, and I'll update you on are normalized low performance for the quarter. Let me begin by providing you with a couple of interesting stats that highlight the status of the recovery throughout the AEP service territory. The first is the fact that we ended the year within 0.2% of our pre-pandemic sales levels and fully expect to exceed those levels in 2022. AEP's normalized low growth in 2021 was the strongest we've experienced in over a decade driven by the historic economic recovery throughout the service territory. And to build on that, our current projection suggest that 2022 will be the second strongest year for low growth over the past decade following behind 2021.

So let's start in the upper left corner. Normalized residential sales were down 1.9% compared to the fourth quarter of 2020, bringing the annual decrease in residential sales in 2021 to 1.1%, the decline was spread across every operating company. However, the decline in residential sales in 2021 was largely driven by the comparison basis of 2020, when COVID restrictions were at their highest levels. Even though residential sales were down compared to 2020, they were still 2% above their pre-pandemic levels in 2019. In addition, residential customer counts increased by 0.7% in 2021, which was a second strongest year for customer growth in over a decade. Customer growth was nearly twice as strong in the west up 0.9% when compared to the East territory, which was up 0.5%.

The last item to point out on the residential chart is that you'll notice that we added the projected 2022 growth to the right of the chart. We're projecting a modest decrease in residential sales in 2022, recognizing that there will not be likely another fiscal stimulus to boost the economy in 2022 like we had the past two years.

So, moving over to the right, weather normalized commercial sales increased by 4.3% for both the quarter and the annual comparison. This made 2021 the strongest year for commercial sales in AEP history. 2021 included a strong bounce back in the sectors most impacted by the pandemic, such as schools, churches and hotels, but the strongest growth in commercial sales came from the growth in data centers, especially in Central Ohio.

Looking forward, we expect a modest decline in commercial sales growth in 2022, recognizing the challenging condition businesses are managing with inflation, the labor shortages and higher interest rates expected in 2022. So, if we move to the lower left corner, you'll see that the industrial sales also posted a very strong quarter. Industrial sales for the quarter increased by 2.4%, bringing the annual growth up to 3.7%. Industrial sales were up at most operating companies in the quarter and mainly our -- in many of the largest sectors. Looking forward we're projecting 5.7% growth in the industrial sales in 2022. This is mostly the result of the number of new large customer expansions that will be coming online as a result of our continued focus on economic development. Finally, when you pull it all together in the lower right corner you'll see that AEP's normalized retail sales increased by 1.4% for the quarter and ended the year up 2.1% above 2020 levels. By all indications the recovery from the pandemic is locked in a year and our service territory is positioned to benefit from the future economic growth.

Let's have a quick look at the company's capitalization and liquidity position beginning on Page 14. On a GAAP basis our debt to capital ratio increased 0.1% from the prior quarter to 62.1%, when adjusted for the storm Uri event the ratio is slightly lower than it was at year end 2020, and now stands at 61.4%. Let's talk about our FFO to debt metric. The impact of storm Uri continues to have a temporary and noticeable impact on this metric, taking a look at the upper right quadrant of this page you'll see our FFO to debt metric based on the traditional Moody's and GAAP calculated basis, as well as on an adjusted Moody's and GAAP calculated basis. On an unadjusted Moody's basis our FFO to debt ratio decreased by 0.3% during the quarter to 9.9%. As you know the rating agencies continue to take the anticipated recovery into consideration as it relates to our credit rating.

On an adjusted basis, the Moody's FFO to debt metric is 13.3%. As mentioned in prior calls, this 13.3% figure removes or adjust the calculation to eliminate the impact of approximately $1.2 billion of cash out flows associated with covering the unplanned Uri driven fuel and purchase power costs in the SPP region directly impacting as PSO and SWEPCO in particular. The metric is also adjusted to remove the effect of the associated debt we use to fund the unplanned payments. This should give you a sense of where we are or where we would be from a business-as-usual perspective.

As Nick mentioned, we're now targeting an FFO to debt metric in the 14% to 15% range, which is commensurate with a Baa2, BBB flat stable rating. We expected -- we expect to see this metric to begin to trend toward this new range of 14% to 15% in the latter half of 2022 as we make progress on the regulatory matters that are underway, including the recovery of Uri cost. As you know, we're in frequent contact with the rating agencies to keep them apprised of all aspects of our business. In the presentation today on Page 48, you'll see our financing plan and aside from some modifications around the capital allocation when we're in refinements on cash flows, everything remains intact as well as the general gist of the financing plan including equity.

Let's quickly visit our liquidity summary on the lower right side of this slide, between our bank revolver capacity and cash balance our liquidity position remains strong at $4 billion. And in the lower left you can see our qualified pension funding continues to be strong, increasing 1.2% during the quarter to 104.8%.

So let's go to Slide 15. The initiatives that we talked about today set a strong foundation for 2022 and beyond, all of which I would submit to you include a commitment to a boost in our earnings power, credit position and hydrating of our asset portfolio while derisking and simplifying our business profile. So to quickly recap of particular interest to our investor community, our equity investor community. We are lifting and tightening our long-term earnings growth rate to 6% to 7%. Consequently, we're increasing our 2022 earnings guidance range to $4.87 to $5.07 per share, up $0.02 from the original guidance. Of particular interest to our fixed income, lender and credit rating agency community, in addition to our equity investors, we're lifting and tightening our FFO to debt target range to 14% to 15%, which is consistent with a Baa2 stable and BBB flat stable rating.

And of interest to all of our financial stakeholders, we are committed to the active management, high grading and simplification of our asset portfolio to support our growth and transition to a clean energy future as a regulated utility holding company. The sale of our Kentucky operations is on track to close in the second quarter this year, and is reflected in our earnings guidance assumptions for 2022.

And as we announced today, we've eliminated the growth capital in the contracted renewables area, move that capital transmission and announce the sale process of all or a portion of the unregulated contract renewable portfolio with the goal of maximizing value. We've already begun to reflect a portion of this asset rotation on our five-year $38 billion CapEx guidance as evidenced by the $1.5 billion increase in transmission investment and the $1.3 billion reduction in the unregulated generation and marketing segments.

While the reallocation of capital is now assumed in the guidance range we have updated for you, the utilization of sales proceeds as not yet reflected in the multi-year financing -- and therefore, what you can anticipate hearing or seeing from us is that we will operate within the increased earnings growth and credit metric financial targets we provided to you today, working within those targets, funds from the sale activities will be directed to our regulated business as we continue our efforts to enhance the transmission infrastructure and to effectuate our generation transformation.

Additionally, depending on the timing of the sale of our unregulated contract renewables portfolio or any future asset optimization activities, we will have a biased toward reducing and or avoiding future equity needs. As you would expect we'll update our guidance details once we have announcements and we can share with you. We're confident in our ability to deliver on our new and improved promises to you given our focus on discipline capital allocation, solid execution and positive regulatory outcomes.

We really appreciate your time today. I'm going to hand it back to the operator now, so we can get your questions.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Our first question, we will go to the line of Steve Fleischman with Wolfe Research. And your line is open.

Q - Steve Fleishman {BIO 1512318 <GO>}

Yeah. Hey, good morning. Can you hear me, okay, Nick?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Great. Thanks. Just the -- on the renewables assets that you're selling. Could you give us maybe a little info if you have it, maybe for 2021 actuals, even just the earnings or the EBITDA, cash flow of those, that business, those assets?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah, and it's round $0.15.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah. Steve, this is Julie. I'll jump in here with some financial details and I know Nick will jump in with some additional color. Let me talk about how we're thinking about this for 2022 because as 2021 was a bit of an anomaly with storm Uri, so that kind of led to some different earnings streams that probably are not indicative of the asset base. So for 2022, what we're thinking is -- and there's a little bit of wiggle room in here, talk about mid-teens in terms of sense, in terms of contribution to 2022 earnings. So if you want to kind of put a band around it, I don't know, $0.13 to $0.17 associated with those assets in particular that gives you a little order of magnitude there.

Q - Steve Fleishman {BIO 1512318 <GO>}

That's helpful. And do you have a sense of kind of EBITDA?

A - Julie Sloat {BIO 6462741 <GO>}

I don't have something to share with you today. And as you know the renewable portfolio in terms of contracted assets is comprised of about what, 1,600 megawatts of capacity and that yeah, obviously varies from project to project. And as we said in our opening comments, we would be looking to monetize a portion or all of that over a period of time. So obviously, that will vary by asset and project specifically. So that's the only reason I'm being a little opaque on the EBITDA statistics.

A - Nicholas K. Akins {BIO 15090780 <GO>}

And you'll see some sales occur probably in 2022, and then more in 2023.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. That's helpful. And then the -- can you just -- one last financial question on that. Do you -- just remind me what the -- if there's any debt directly on those assets or not?

A - Julie Sloat {BIO 6462741 <GO>}

Yeah. Steve, again, this is Julie. There is a project specific debt and there's a tax equity obligation component to it as well. So as of 12/31/21, the debt component was around $252 million, tax equity about 123 million. So all in, you're talking about talking about 375.

Q - Steve Fleishman {BIO 1512318 <GO>}

That's super helpful. Thanks. And then one other question. I'll leave it to others please. Just the -- curious just on the renewable. There's been a lot of cost inflation pressure on renewables. Obviously, there's inflation pressure on conventional as well, maybe even more. But just, how are you feeling about kind of managing that within your RFPs and still showing that economically this makes sense your key states?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah, actually feel good about it. Because, the -- with Traverse coming on line, that's really the last major physical addition for this year. And then most of the renewables that are being applied for are in that '24 and '25 range. So you still have time for supply chain to pick up and certainly from a pricing perspective to be able to adjust. So we feel really good about our position because we're not in the middle of something we're having to adjust and then -- so that's -- we're in a good position going forward.

Q - Steve Fleishman {BIO 1512318 <GO>}

Great, that's helpful. Congrats on the announcements.

Operator

Thank you. Our next question comes from the line of Shahriar Pourreza with Guggenheim Partners. And your line is open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning, guys. Just one -- Nick, one kind of fast through the one point in the prepared remarks, but I guess can you elaborate again, how you're thinking about additional asset optimization opportunities, should the IRPs at the various states kind of work in your favor? I mean, I guess strategics, privates, infrastructure seemed to continue to want to pay up for assets, which we're obviously again seeing this morning. Did I hear you right that the message is that as you're thinking about incremental capital opportunities to fund the renewables through the IRPs that issuing traditional equity is a last resort?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah, and actually -- and I've said this we're -- we have to pinnacles of growth. We've got the transmission side, which we have plenty of capability, relative to project flow to be able to check and adjust along the way. There -- it's huge. And then of course, on the renewable side of things. We have approximately in there about 50% estimate for ownership, which is sort of a view going into it, but I can say that because of after storm Uri, after many of the effects in terms of utility ownership, we believe that ownership level is going to be higher than that. Matter of fact, in the Virginia side, it looks like 75% of it is owned and the other filings we're making is primarily a 100% owned.

So as -- and that really says to -- you're seeing a continual progression of really the standard view of portfolio management going forward. I think you're in the age of that and asset optimization to ensure that we're putting our capital in the right places. And that says, there's a prioritization scheme as we go forward. Now, I can't say today what that prioritization scheme looks like, but certainly Kentucky was an example of that first. It was the unregulated generation, before that it was the -- I guess, it was the barge line facilities. And you're seeing that step toward clarification, simplification and making sure that we are optimizing the capital and the right places.

And today we have as I said earlier, the transmission in particular -- we will not give our position as being the largest transmission provider in this country by far. We have the bandwidth. We have the ability to move projects forward. And then on the renewable side, we're at the leading front edge of a major transformation is going to benefit our ability to not only help in terms of customer rates because the renewables being brought in, but also to be able to deploy the capital necessary to make that happen. So you're going to see a continual process of moving forward with those kinds of activities. And the fact of the matter is, our renewables are now focused on capacity replacements.

And so that's a natural progression of what occurs within the regulated framework. And for us, it puts us in great shape to make sure that these projects are actually needed, they're actually produced benefits for consumers and we have the backup capacity to provide for the demand periods. We're in a great position for this transformation. That's why we want to take advantage of it. So for those jurisdictions that meet those areas where transmission, the ability to participate in the clean energy transformation, those will be the high priority assets that we look at going forward.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay, perfect. That's helpful. And then just lastly on the growth rate ticking up to six to seven on one hand it's consistent with your past comments about being in the top half of the trajectory, but on the other hand, you're basically telling the market you don't see any situations where you see growth at 5%, right, which is great. As we think about sort of your wind and solar opportunity set through '26, which hadn't really changed from prior disclosures. How do we think about these in the context of your updated growth trajectory? Could they be accretive or simply extend the runway? And then are you assuming any sort of win assumptions in that updated growth guide? Thank you.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. The way it sits right now, we look for sustainability when we make these adjustments associated with the growth rate particularly the long-term growth rate. We would not have made this long-term growth rate if we didn't see a solid progression of the sustainability of the 6% to 7%, and actually the project flow that you're seeing, the -- certainly the reallocation of capital. And actually, this is sort of an aside, but certainly, when we go from contracted renewables to the migration to a full suite of regulated renewables, it's -- we want to keep the talent that we have too, to make that transition and really focus on that effort.

So I would say that the fundamentals are in place for continued optimization, solidification of 6% to 7% validation of a midpoint that's higher than our previous midpoint and confirms to investors that we feel really good about the position that we're in. And as we go along we will see what happens. But we always look at -- when we make guidance changes in long-term growth changes, we look at the sustainability of that for years to come because consistency and quality of earnings and dividends are paramount to us.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Terrific. Congrats, guys today. Thank you very much.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Thanks.

Operator

Thank you. Our next question comes from the line of Jeremy Tonet and he's with JPMorgan. Your line is open.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just want to bring a finer point to the equity question if I could. It seems like the asset sale timing could be kind of in pieces here. And just wondering does this lineup where really kind of completely removes equity from the plan at this point? Or just trying to get a finer point on what equity needs could look like post a successful sale here?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. I think it would be great if we could map it exactly to what the equity needs are in the future. But I can say that, that certainly this is a big part of our ability to manage the portfolio, so that we obviate the need for new equity, but you still have ATMs, you still have the convertibles that are coming on during that period of time. But at this point, we sit really good. I don't know if you want to comment on that.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah. No. Jeremy, you're right on. And I -- in an ideal situation, we would like to stick the landing on everyday equity issuance and be able to kind of sidestep that and have a really strong balance sheet in conjunction with that. We'll see how ultimately the timing goes as I mentioned in my opening comments, there will be a bias toward trying to alleviate that pressure that you might otherwise perceive around equity issuance. But as you know, if you look at our financing plan, there's not a lot out there, a $100 million of drip in 2023.

And as Nick mentioned, we've got the convertibles that convert this year and next year. So we're in good shape. But to the extent that we can maximize value of asset sales and time those, yeah, that would be definitely something we'd be interested in doing. But again, the idea is to hit on all of those objectives, 6.5 to -- 6% to 7% earnings growth hit nicely and comfortably in the guidance range that we give to you for 2022 and make sure that we're right alongside with the solid balance sheet metrics of 14% to 15 % for that FFO to debt statistic. So we'll thread the needle.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful there. And just want to come back to bending the curve if you could on O&M and just updated thoughts there on, I guess how you see that progressing in this kind of inflationary environment, any incremental thoughts you could share there?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah, so and obviously, we're taking a good hard look at that. Our Achieving Excellence program has been in place for a couple of three years now and it's really showing the value of our organization completely going through. And actually truth be known, one of the silver linings of COVID if there is a silver lining of COVID, is that made us think about what was truly needed for the company going forward particularly when you made all these adjustments comments to compensate for what we thought would be a really negative approach to the economy during that period. So we're going to take those learnings and continue to focus on bending the O&M curve and of course, that becomes even more of a challenge given labor rates, given certainly, if there is supply chain related activities on the long-term.

But we feel really confident in our ability to continue to bend that curve or at least hold it flat. But we'll certainly continue to focus on that. And that's a huge part of what we're doing. Because all these pieces sort of fit together where every dollar of O&M we're able to put $7 of capital in place with the reduction. So we have the focus on reducing the O&M as much as possible. And it's advantageous to us because we have a huge pipeline of additional capital opportunities that we could take advantage of for the betterment of customer service and so forth, and it's all -- it all sort of ties together. The load forecast is clearly been positive recently. And it looks like it's going to continue to be positive. That's good for cash flow and good for our ability to invest and then certainly all those things sort of fit together, but we'll continue to focus in on all of those activities going forward.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. I'll leave it there. Thanks.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah.

Operator

Thank you. Our next question comes from the line of Julien Dumoulin-Smith with Bank of America. Your line is open.

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

Hey, good morning, team. Thanks for the time. If I can -- if I could follow up a little bit on the last couple questions here. Just to the extent to which that you're successful in, shall we say fully offsetting equity here where does that put you? Again, I know you're taking the moment now to raise your guidance ranges. How do you think about being within that range to the context that you remove this equity as well? It would seem like this is likely fairly accretive move to divest renewables given where the transaction multiples have been?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. Obviously, we're going to have to get in that process and understand what the actual benefits are. And of course, you're dealing with PTCs, ITCs, a value of those, the timing of those kinds of activities as well. And so, we're going to have to sort of fill our way through that part of it. But certainly, the stage is set, and there's some -- and we're looking at somewhat of a phased approach, which -- that not only matches the equity needs, but also matches the business valuation itself, and I think that's going to be a clear issue for us to focus on as we go forward. But Julie, anything do you add?

A - Julie Sloat {BIO 6462741 <GO>}

No. I think you're hitting on it. I mean, the other thing that will make sure that we're sensitive to Julien is obviously, customer rates, always sensitive to that. But to Nick's point, this allows us to set the runway. Again, gives us confidence in the boost to the growth rate of 6% to 7% for the obvious reasons. And then the objective is to again, maintain the balance sheet, continue to de-risk and simplify the business portfolio, and make sure that we're hitting comfortably in the guidance range that we give to you -- as we give that to you sequentially. Every year we come out with a new guidance range for the upcoming year and we'll continue to fine-tune that.

A - Nicholas K. Akins {BIO 15090780 <GO>}

The ability that we have to accelerate and de-accelerate is of tremendous value. And certainly from the contracted renewables process that we go through, that's going to be a benefit. Our ability to accelerate and de-accelerate, whether it's transmission, whether it's renewables, those are clear options that we have available to us that we didn't have before. And when you think about the progress that we're going to make and the ability to focus on even continuing to advance the capital --the capital needs.

That's something that's -- all these things are going to have to come together. But I can tell you that the foundation and the clear optimism around that continues to benefit us and it'll be a process and that's why I mentioned the Analyst Day. I think it's going to be important in the Analyst Day for us to not only obviously celebrate the sale of Kentucky, but also to focus in on what the transactions are going to look like, what the structure of these deals are going to look like, the timing and be able to also talk about what capital looks like in the future, based on what we're seeing relative to load and everything else.

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

And if I can just one more quick one. I mean, why now is maybe the question, right? I mean, I appreciate the guidance range altogether, but just curious on the timing. Obviously, you all make a sort of an annual update of EI. You talk about on Analyst Day prospectively like, just curious on what gave you the confidence now. I mean, appreciative of the asset sale.

A - Nicholas K. Akins {BIO 15090780 <GO>}

No. Thanks for the question, because at November, there was a lot still outstanding. We had 10 cases going on out there. I know we got a lot of questions about, okay, why is it taking so long in Ohio? Is your relationship -- what's it like in Ohio? And it was like two weeks after that that we got both cases done. And they were clean orders and our relationship is great with the regulators in Ohio and with legislature. So it was -- and then you had all the other cases that were still outstanding that came through, (inaudible) on Rockport. Certainly, there was a PSO base case that was done right at the end of the year. So you had all these things going on. But the other thing too is Kentucky transaction is still ongoing and the process -- and it start -- like I said, it started with unregulated generation and certainly everything we knew beforehand that we need to solidify the consistency of our earnings going forward.

But Kentucky was the first of the primary business units that we really took a look at. And now that that process is ongoing. Okay, what's the next step in our evolution? And when you think about those two pinnacles of growth, everything that we're going to be doing supports that ability to move that forward. We know -- and it wasn't lost on us that during November, yeah, when we reduced the transmission investment, there was an unintended message that somehow transmission pipeline was ending or there were challenges associated with projects and that was not the case. I mean we said that then and we continue to fortify that message. I think it was important for us to come out at this earnings call and set the record straight on what the firmness of the foundation of this company and its ability to move forward in a very, very positive way. And I just -- I wasn't going to let November outstand.

A - Julie Sloat {BIO 6462741 <GO>}

I think there's another statistic [ph] that might be helpful to Julien as well. So when we look back at 2021, the rate relief we had assumed in guidance was something like $230 million, as we got and then closed in on the end of the year. We had already secured something like 112% of that. So we were over what we had anticipated, so that gave us some momentum and - for looking at 2022. So there's an updated 2022 waterfall for guidance in the presentation today that's got the actualization for 2021 and then some refinements for 2022 in conjunction with the growth rate uplift.

But we're assuming about $381 million rate relief and this is before the Indiana settlement that was approved yesterday. We had already secure 55% of that. So we're north of 55%. I need to go back and do the math to boost that number up to accommodate the order that we got for Indiana. But again, validating and giving us confidence that now is the time to do this obviously came in with a strong year in 2021, given us the momentum and assurance around those regulatory recoveries that we had anticipated and a little bit more. So that's -- give you a little bit of statistics to match what Nick just shared with you.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. And as I said at the beginning of the call, this process is not over. I mean, we are continuing the process of really fine tuning the optimization around all of our assets and certainly from a resource perspective, to be able to take the contracted renewables and the talent that's there, and be able to migrate that over to a massive build out associated with regulated renewables is a great opportunity for us and certainly everyone involved with it. Because this process is going to continue. And certainly, we want to register that we will and have been a participant in that process. But the why now question is important.

I mean, the why now question is that we're at the precipice and I sort of restate this. I guess it was third quarter last year, but we're at the precipice of substantial movement toward a clean-energy economy. You can do it with the transformation of renewables. You can do it with -- certainly with other types of technologies that are developing. But it also requires our transmission. And certainly the just the refurbishment of transmission and distribution by the way. We have a huge pipeline relative to distribution too that's been identified. That's really all of those are opportunities for us to focus in on what's truly important to our customers, but also to our shareholders.

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

Thank you, guys, again.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah.

Operator

Thank you. Our next question comes from the line of Durgesh Chopra with Evercore ISI. And your line is open.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning, Durgesh.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hi, good morning, Nick. Just Julie, quickly to follow up on the economics of the potential renewable sale. Should we be expecting tax leakage there? Or do you have enough in (wells and under tax) [ph] to offset that?

A - Julie Sloat {BIO 6462741 <GO>}

Yeah. Yeah. We would expect a little tax leakage there. But as you know, we're not entirely efficient with our tax credits. So we've got a little bit of wiggle room because we've got some tax credits sitting on the bench. So I wouldn't necessarily look to that being as a stumbling block or a material gating item for us. So we'll be able to manage through that.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay, thanks. And just one -- all the other questions were asked and answered. Just one. Nick, what's the confidence level and getting sort of the Kentucky sale done in Q2? We sort of saw the headlines of you sort of kind of rejoining the petition from FERC on the plan. So maybe just talk to that. What drove that decision of withdrawing that position? And the confidence level of closing the transaction in Q2? Thank you.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. Sure, thank you. Obviously, the state of Kentucky was concerned about the FERC case and the timing of it and how it would impact their schedule? So certainly we recognize that and we wanted to accommodate the Kentucky commission. So we pulled down the FERC filing and we'll certainly refile FERC fillings after Kentucky and does their review. And of course with the state approvals at that particular time, we may get a quicker response from FERC. So -- and that's -- I think they have 60 days, but it could happen earlier than that. But still that keeps us in the second quarter, to be May to June, the June time frame, but still in the second quarter. So that's not an issue for us as you for us. And I know that there's - certainly, a lot of dialogue will occur. It already has, relative to Mitchell and how it works and then also in terms of what intervenes may think about the transaction. But that's a typical anytime you get into a sale of a transaction that kind of thing will occur and there'll be discussions and we'll get it all resolved.

So we're still very confident that we're going to get that done. Because actually, the new owner has made commitments of jobs and those types of activities within the state of state of Kentucky. And I think it's really important for anyone looking at this transaction to recognize that you're putting this utility in the hands of a reputable operator. They'll do a good job managing the investments, but also a good job in the communities and they're very focused on that. So really the -- this process should be a forward-looking process, not a past process, past looking process. So I really think that that's going to carry the day.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. Thank you very much, and congrats on the announcement today.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Thank you.

Operator

Thank you. Our next question comes from the line of Andrew Weisel with Scotiabank. And your line is open.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning, Andrew.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hi, good morning, everyone. Good morning.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning.

Q - Andrew Weisel {BIO 15194095 <GO>}

First question. Forgive me I missed it. But the new six to seven growth range. Is that incurred off the midpoint of the new 2022 guidance? And am I right that 2022 guidance includes contributions from contracted renewables, but not from Kentucky?

A - Julie Sloat {BIO 6462741 <GO>}

That's -- you've got that exactly right on all fronts, right on.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. It is 2022 the new rebasing.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Would there be a rebase assuming the Kentucky renewable business does get sold? In other words would -- if I take 6.5% off the new 2022 midpoint, would I need to lower that after an asset sale?

A - Nicholas K. Akins {BIO 15090780 <GO>}

I think you should look at the contracted renewables is supporting the 6% to 7% with the base of '22.

A - Julie Sloat {BIO 6462741 <GO>}

So to add a finer point to that as well, to get right to the heart of your question. We do not expect to rebase our earnings when we take action on selling these assets in particular. And as we mentioned, we will take a little bit of an accordion feature to it in the sense that over time, these transactions will occur. So we've got some flexibility there and then with the redeployment of the cash coming in the door back to the regulated utility, so whether it's transmission or a combination of transmission and regulated renewables we feel confident that we'll be able to maintain the guidance ranges and continue along the trajectory.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay, great. Then that makes sense given you said it was about $0.15 of EPS versus $5 or so for the business overall. And then lastly just to confirm, can you comment on dividends given the change to the EPS growth outlook in the potential asset sales. How should we think about the dividend growth outlook from here?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. No change there. Dividends will be commensurate with the earnings growth.

Q - Andrew Weisel {BIO 15194095 <GO>}

Terrific. Thank you very much.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Okay.

Operator

Thank you. Our next question will come from the line of Nick Campanella with Credit Suisse. And your line is open.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning, Nick.

Q - Nick Campanella {BIO 20250003 <GO>}

Hey, good morning, team. Thanks for taking my question. Just looking at the 14% to 15 % of the total debt on the funding slides. Just curious with the feedback then from the agencies on the potential to sell some of the unregulated stuff and the fact that your business mix is increasing to more regulated earning. Do you expect any change in your minimum thresholds here?

A - Julie Sloat {BIO 6462741 <GO>}

Actually, we are having conversations in. As I mentioned earlier. We keep them apprised of all aspects of our business. So from a credit risk profile perspective. This should be viewed as a favorable step again as a commitment and continued twist toward traditional regulated portfolio of assets. So I can't speak for them as it relates to what those thresholds would be. But 14% to 15% is most definitely within the wicket as it relates to a solid and strong balance sheet, I would submit to you. Again, Baa2 stable, BBB flat stable, that's where we expect to be with that 14% to 15%. And please do reach out to the credit rating agencies to make sure that they're armed with everything we know so that they can take care of you all.

Q - Nick Campanella {BIO 20250003 <GO>}

Absolutely. Absolutely. Yeah, then just regarding the sales forecast and your comments regarding economic growth. For this year it seems like, industrial is really driving overall consolidated. Whether normalize growth higher. Can you just kind of speak to what's baked into the long-term forecast here? And if we're -- if we remain in a higher commodity price environment into '23, '24, how could that change things for AEP? Thanks.

A - Nicholas K. Akins {BIO 15090780 <GO>}

We -- any long-term forecast we tend to temper -- we're actually getting the process of a new forecast. But right now it's -- we've asked me about 1% increase. And I think you'll see this in '20 in - - what was it was overall 1.5 or something like that. Yeah, 1.6 %. So we're going into the year assuming 1%. And with the invest -- with the investments being made by these large customers industrials is always a leading edge relative to commercials and residential. So -- and then also, when you look at the numbers, one year over another, it isn't quite apples and apples because of COVID and the impacts there. So you'll see a reduction in the residential.

But if you look at pre-COVID it's more, it's higher because the stay at home environment has continued -- work from home environment has continued, so we get the benefits of a more robust residential at the same time industrial picking up. And in fact, when you look at our service territory in relation to what's going on internationally, we do have strong energy growth and energy related activities in our territories and manufacturing activities. And with on shoring around security, as -- point I was making earlier, we're going to wind up working pretty well from a growth perspective and from a load standpoint.

A - Julie Sloat {BIO 6462741 <GO>}

Just to give you a little more color, if this is helpful. I'm on Page 13 of the slide presentation today and I'm looking at the industrial quadrant in the lower left side of that slide. As you point out, we are looking at a five to seven -- 5.7% uplift in that particular whether normalized load and that's really driven by previous economic development activities, as Nick pointed out today. Those economic development opportunities really set the foundation for the future. So we're reaping the benefits of stuff that we've done in the past as you look at that forecast and that covers many sectors.

So metals, chemicals, paper, oil and gas, but about 99% of the load expansion in 2022 comes from our T&D segment in Texas and Ohio. Just to give you a little bit more color and then that obviously drives you over to the right side of the slide. Looking at 2020 estimate it -- estimated across the entire board of 1.6% lift is what we're assuming. And then as Nick mentioned, beyond -- to the extent that we can push it to 1% on an ongoing basis that would be fantastic and that would be our hope and expectation.

Q - Nick Campanella {BIO 20250003 <GO>}

Great. Thanks. I appreciate all the time and thought.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Thank you.

Operator

Thank you. We'll go to the line of Paul Patterson with Glenrock Associates. And your line is open.

Q - Paul Patterson {BIO 1821718 <GO>}

Hey, good morning, guys.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Good morning, Paul.

Q - Paul Patterson {BIO 1821718 <GO>}

Great presentation. I'm sorry, if I missed this, but is the -- are you still noting [ph] there's probably going to be gains on the sale of renewables? Are those gains can be part of the 6% to 7% growth?

A - Julie Sloat {BIO 6462741 <GO>}

I guess, let me ask -- or answer it this way. So we will have gains on the sales. And typically, when we have gains on sales of assets, there -- capture those in their reconciliation GAAP to operating earnings. So we wouldn't kind of offset those. But ask another way or another question we got earlier and Paul, I don't know if you asked or heard this. But we were asked, would we be in a taxable gain situation? So I'll answer that question too. The answer would be yes. But we do have tax credits sitting on the bench that we'd be able to utilize against that. So what we don't want folks to do is, worry about not being a raw material gating item. We'd be able to manage through that.

Q - Paul Patterson {BIO 1821718 <GO>}

Yeah, I've heard that I guess so, but just to clarify, is that going to be part of operating earnings or adjusted earnings going forward?

A - Julie Sloat {BIO 6462741 <GO>}

Correct.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, good. And then --

A - Julie Sloat {BIO 6462741 <GO>}

That's correct. Yeah, they'll get captured in the reconciliation. Yeah. You got it. Not in operating earnings.

Q - Paul Patterson {BIO 1821718 <GO>}

And then just the -- and I apologize if I missed this, but the average length of the contracts that are on these assets with the different digitation [ph] and stuff. I'm just wondering where that sort of stands.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah, average PPA length is around 11 years.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, right now. Okay. And then, just finally, on the Kentucky Power, you guys talked about the Mitchell plant sale, but the Kentucky PSC as you know, on Tuesday filed a protest, not at FERC, not on the transaction itself, but on the application for the transaction saying, they felt that they need more information. And I was just sort of -- I was wondering if you could provide a little clarity. I mean they have their own proceeding as you guys know, and they have -- and there's obviously this proceeding. I'm talking about the M&A via the transaction proceeding at FERC. And I'm just sort of wondering why they're -- or if you have any insight as to why -- as to this protest that they filed saying, hey, the applications deficient, we're concerned about rates and we want more information and sort of what -- how that might unfold or how we should think about that in the context of the proceeding?

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. Well, certainly yes. There's going to be all kinds of activity around getting the transaction through. And in Kentucky as I said earlier, I mean, Kentucky is thoughtfully going through the areas that it wants to take a look at relative to the transaction. And certainly, that's something that we're going to make sure happens in the process. And as I mentioned earlier on the FERC thing, we'll file FERC as soon as Kentucky gets through that. But at this point though, there's nothing -- certainly nothing that we can address. I don't know, do you have anything, you want to add to that?

A - Julie Sloat {BIO 6462741 <GO>}

No. Respond.

Q - Paul Patterson {BIO 1821718 <GO>}

Well, I guess what I'm sort of asking is that -- I'm talking about this specifically, the Tuesday filing, not the Mitchell plant sale. So I mean, in other words, they were saying, hey, they want more information and just seemed to me that being a regulator that's going to be reviewing the actual transaction. It seemed at least me to be somewhat -- I was a little bit confused by the fact that they're saying to FERC, hey, with respect to the transaction proceeding that docket, the EC docket saying, hey, hold off -- provide us more -- please hold -- please get them to give us more information when I would think that given that you guys filed this months ago that information. They could be asking you within the context of the Kentucky review -- do you follow what I'm saying? I don't want to go into great -- I want to go into too much as a (inaudible) did you follow me, but that's what sort of seemed to me to be a little bit strange about the FERC request from Tuesday or not request, I mean, the protest.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah. So well, you had the interveners that came in and they're really trying to adjudicate issues that were already resolved by the Kentucky commission and so we'll go through that process of discussions with them. As far as Kentucky is concerned obviously, they're looking to try to hold customers harmless during a transaction. And really as we look at this transaction, they're in good shape going forward. So I think obviously, we'll have those discussions as we go along.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay, I appreciate. Thanks again. Congratulations.

A - Nicholas K. Akins {BIO 15090780 <GO>}

Yeah.

Operator

Thank you. And with that, I'd like to turn it back over to the speakers for any closing comments.

A - Darcy Reese {BIO 20391516 <GO>}

Thank you for joining us on today's call. As always. The IR team will be available to answer any additional questions you may have. Cynthia, would you please give the replay information?

Operator

Certainly. And ladies and gentlemen, today's conference call will be available for replay after 10:30 a.m. Today until midnight March 3. You may access the AT&T teleconference replay system by dialing 866-207-1041 and entering the access code of 2171165. International participants may dial 402-970-0847. Those numbers once again, 866-207-1041 or 402-970-0847 and enter the access code of 2171165. That does conclude your conference call for today. Thank you for your participation and for using AT&T executive teleconference service. You may now disconnect.