Q3 2023 Earnings Call

Company Participants

- Charles E. Zebula, Executive Vice President and Chief Financial Officer
- Darcy Reese, Vice President of Investor Relations
- Julie Sloat, Chair, President and Chief Executive Officer

Other Participants

- Andrew Weisel, Scotiabank
- Anthony Crowdell, Mizuho
- Carly Davenport, Goldman Sachs
- David Arcaro, Morgan Stanley
- Durgesh Chopra, Evercore ISI
- Jamieson Ward, Guggenheim Partners
- Jeremy Tonet, JPMorgan
- Julien Dumoulin-Smith, Bank of America
- Nicholas Campanella, Barclays
- Sophie Karp, KeyBanc

Presentation

Operator

Thank you for standing by. My name is Eric and I will be your conference operator today. At this time, I would like to welcome everyone to the American Electric Power Third Quarter 2023 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

I would now like to turn the call over to Darcy Reese, Vice President of Investor Relations. Please go ahead.

Darcy Reese {BIO 20391516 <GO>}

Thank you, Eric. Good morning, everyone, and welcome to the third quarter 2023 earnings call for American Electric Power. We appreciate you taking time today to join us. 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. Joining me this morning for opening remarks are Julie Sloat, our Chair, President, and Chief Executive Officer; and Chuck Zebula, our Chief Financial Officer. We will take your questions following their remarks.

I will now turn the call over to Julie.

Julie Sloat {BIO 6462741 <GO>}

Thanks, Darcy. Welcome to American Electric Power's third quarter 2023 earnings call. It's good to be with everyone this morning. Before I discuss our third quarter performance, I would like to introduce our CFO, Chuck Zebula, who will walk us through the results today. Chuck has been with the company for 25 years and has a deep understanding of our business. He has hit the ground running in his new role and we're grateful for his leadership. Many of you are familiar with Chuck and I'm confident that you'll enjoy working with him in the CFO role.

I'm pleased to share that the execution of our strategy is on track. AEP is well positioned to deliver on our robust and flexible five-year $40 billion capital plan with an emphasis on our generation fleet transformation and investments in our energy delivery infrastructure as we meet our customer needs. While our industry continues to transform amid this dynamic environment characterized by more extreme weather, rising interest rates and supply chain constraints, AEP has continued to adapt and take thoughtful actions to stay our course. We're keeping the customer at the center of every decision we make, while also balancing and listening to our stakeholders who are critical to our success.

This quarter, we've made progress on our ongoing efforts to simplify and derisk our business profile through portfolio management, directing all proceeds of those efforts to the regulated business and to balance sheet management, which I'll speak to in more detail in a moment. We've also been working hard on the regulatory front. I'll provide insight into our success and the addition of renewables to our portfolio and the many positive developments on regulatory and legislative initiatives. A summary of our third quarter 2023 business updates can be found on Slide 6 of today's presentation.

AEP reported strong third quarter operating earnings of $1.77 per share or $924 million. We have a flexible business plan that allows us to deliver on our financial commitments, while taking into account mild weather in the first half of the year and the higher-for-longer interest rate environment. As we actively manage the business today, we're narrowing our guidance for 2023 full year operating earnings to a range of $5.24 to $5.34, while reaffirming the $5.29 midpoint and our long-term earnings growth rate of 6% to 7%. Moreover, last week, we announced an increase in our dividend, which is consistent with our earnings growth rate and within our targeted payout ratio of 60% to 70%. In a few minutes, Chuck will talk about the support we have for our narrowed 2023 earnings guidance range, which includes O&M management and positive load outlook as we drive economic development within our service territory.

While our FFO-to-debt was 11.4% this quarter, we expect that this metric will improve materially by year-end and fall within the targeted range of 14% to 15% in early 2024. Chuck will also touch on the short path to this balance sheet target. We continue to make progress in our efforts to simplify and derisk our portfolio. In August, we announced the completion of the sale of our 1,365-megawatt unregulated renewables portfolio to IRG Acquisition Holdings, which resulted in after-tax proceeds totaling $1.2 billion. A summary of this sale can be seen on Slide 7. We've also made headway on some of our other asset sales that we previously discussed. A summary of this can be referenced on Slide 8.

In May, we announced the sale of our New Mexico Renewable Development solar portfolio, also known as NMRD. The book value of AEP's investment as of September 30 was $119 million. We're currently on track with our 50-50 joint venture partner PNM Resources, as we target to close on this transaction in the late fourth quarter of this year or early first quarter of next. We expect to continue the non-core business sales processes we have underway as we enter 2024. The sales of our retail and distributed resources businesses were launched in August with book values of $244 million and $353 million, respectively, as of the end of the third quarter. We expect to reach a sale agreement in the first quarter of next year with an anticipated closing in the first half of 2024.

In July, we announced the sales of Prairie Wind Transmission and Pioneer Transmission, our non-core transmission joint ventures. As of the end of the third quarter, AEP's portion of rate base associated with these investments was $107 million. We expect to launch the sales process soon and close in 2024. Finally, related to Transource, while there are no new updates for now, we anticipate completing the strategic review by the end of this year, so please stay tuned. AEP's portion of rate base for this particular investment and joint venture was $348 million as of quarter end. Let me shift gears and provide you with an update on our regulated renewables investment plan. The teams remained focused and made solid progress.

As you know, we have $8.6 billion of regulated renewables in our five-year capital plan. We now have a total of $6 billion of the investment plan approved and an additional $800 million currently before commissions for approval with each of these projects providing valuable fuel savings for our customers. More detail on our renewable resource additions can be viewed in the appendix on Slides 32 through Slides 34. As we've previously disclosed, both PSO's 995.5-megawatt renewable portfolio for $2.5 billion and SWEPCO's 999-megawatt renewable portfolio for $2.2 billion were approved earlier this year. At a collective $4.7 billion, these two portfolios alone comprise a large component of the approved $6 billion amount I just mentioned.

Additionally, in APCo service territory, we're also pleased to report a positive development. In September, Virginia approved 143-megawatts of owned wind for more than $400 million, building upon APCo's existing 209-megawatts of wind and solar projects that were approved last year, which totaled approximately $500 million. Moving across our service territory to I&M, we filed to seek approval for recovery of two investment -- of investment in two owned solar projects totaling 469-megawatts, which represents $1 billion of total investment. We're making progress on this front as we received commission approval last month in Indiana for both the 224-megawatt Mayapple and 245-megawatt Lake Trout solar projects. In Michigan, the commission approved Mayapple back in August and will decide on Lake Trout in the first quarter of next year.

We also await a commission order expected any time now for the 154-megawatt Rock Falls wind farm at PSO for approximately $150 million. Importantly, our regulated renewables plans are aligned with and supported by our integrated resource plans. We have issued requests for proposals for additional owned resources at APCo and I&M with more to come from other operating companies in the near future as we listen, learn and respond to state preferences. Now I'd like to turn to updates on our ongoing regulatory and legislative initiatives. We've been engaged in efforts across our service territory to close the authorized versus earned ROE gap.

Our third quarter ROE came in at 8.7%, driven in part by the unfavorable weather in the first half of 2023 that I mentioned earlier, which depressed this measure by 40 basis points.

While this is a modest improvement over last quarter, we are aware that more can be done and more needs to be done on this front. Closing the gap will remain a primary focus into 2024 as we keep federal, state and customer preferences top-of-mind along with meeting the needs of our communities. We remain focused on reducing the gap going into year-end, while still meeting our earnings guidance. To that end, I'm happy to confirm that we have settlements in place for APCo Virginia's 2020 to 2022 Triennial and AEP Ohio's ESP V, both cases which were filed earlier this year. We're awaiting commission decisions in these states and Virginia's order is expected in the fourth quarter of this year, and Ohio's will likely be issued in the first quarter of 2024.

In addition, we filed new base cases in Indiana and Michigan in the third quarter. Both filings we requested -- in both filings we requested a 10.5% ROE, and case drivers included distribution, investment in technology, enhanced reliability and grid modernization using 2024 forecasted test years. We anticipate the new rates will be in effect next year. The team has been active on the legislative front with Texas legislation passed in June allowing utilities to file the Distribution Cost Recovery Factor mechanism, or DCRF, twice per year instead of once per year. This legislation also allows the DCRF mechanism to be used by utility even if it has a pending rate case proceeding underway. Consequently, the legislation will help improve AEP's regulatory lag in Texas to the tune of approximately 50 basis points and earned ROE starting in 2024.

In fact, our April 2023 DCRF filing was approved and rates went into effect in September. For Kentucky Power, our June 2023 base case application incorporated a comprehensive rate review, a 9.9% ROE and a request to allow for the securitization of $471 million of regulatory assets, ensuring Kentucky Power's best position to provide safe and reliable service, while managing costs. Constructive intervenor testimony 16 was filed in October, including support for securitization. By statute, implementation of interim rates is permissible in January 2024.

Moving to PSO you'll recall that in May we reached the settlement with the commission staff, the attorney general, and other parties in Oklahoma's PSO base case, which included a 9.5% ROE and provided for approval for more efficient cost recovery mechanisms. We implemented the interim rates in June, while we await a commission order, which is expected any time now. As you know, the management of fuel cost recovery is a top priority, with AEP's deferred fuel balance across our vertically integrated utilities shrinking sequentially and totaling $1.2 billion as of the end of the third quarter of this year. We have worked with stakeholders to intentionally adapt our fuel cost recovery mechanisms across our jurisdictions, with the objective being to balance cost recovery with customer impacts.

The West Virginia fuel proceeding is approaching resolution. Recall, in our April 2023 fuel recovery application, we found two options for consideration. One option amortizes the fuel balance over three years. In the second option, we respectfully set forth for the West Virginia Commission consideration the use of the 2023 securitization legislation to manage our $553 million deferred fuel balance, along with securitizing store cost balances and net plant balances of generation assets. The generation assets are currently embedded in rates and assumed to operate through 2040 and securitizing those assets nearly fully offsets the fuel cost recovery impacts to customers. We appreciate the engagement with all the stakeholder participant --

parties, as we work toward a conclusion in this case by year end and a constructive path forward for West Virginia.

More detail on regulated activities can be found in the appendix on Slides 35 through 38. I'm pleased with the progress we've made this quarter and by the great work underway to actively manage the business, deliver on our commitments and create value for investors, all while keeping affordability and reliability for our customers at the center of everything we do. We have a strong team in place and I'm confident that we'll continue to execute on our strategic priorities and advance our capital investment plan to deliver reliable, affordable power to our customers. I look forward to seeing many of you in person at the EEI Conference in a couple of weeks. At the conference in Phoenix, we'll provide some additional color on our business strategy, share our 2024 guidance and other financial details, including our 2024 through 2028 capital plan and related five-year cash flows.

Now with that, I'll hand it off to Chuck, who'll walk through the performance drivers and details supporting our financial targets. Chuck?

Charles E. Zebula {BIO 6231994 <GO>}

Thank you, Julie. It's good to be with you and everyone on the call this morning. As many of know, I've been in many different roles at AEP, but this is my first earnings call as the CFO. I'm truly honored to return to the exceptional finance team at AEP, and lead this area as we embrace the opportunity to invest in our regulated utilities and serve our customers with affordable and reliable electric service. Today, I will discuss our third quarter and year-to-date results, share some updates on our service territory load and economy, and finish with commentary on credit metrics and liquidity, as well as confirming our guidance financial targets, and a recap of our commitments to stakeholders.

Let's go to Slide 9, which shows the comparison of GAAP to operating earnings. GAAP earnings for the third quarter were $1.83 per share compared to $1.33 per share in 2022. Year-to-date GAAP earnings through September were $3.62 per share compared to $3.76 per share in 2022. As was mentioned on the second quarter earnings call, our year-to-date comparison of GAAP to operating earnings reflects the loss on the sale of the contracted renewables business as a non-operating cost, as well as an adjustment to true-up cost related to the terminated Kentucky transaction. In addition, we have reflected our typical mark-to-market adjustment and the impact of capitalized incentive compensation in Texas as non-operating earnings as well. There's a detailed reconciliation of GAAP to operating earnings on Pages 17 and 18 of the presentation today.

Moving to Slide 10. Operating earnings for the third quarter totaled $1.77 per share or $924 million compared to $1.62 per share or $831 million last year. The higher performance compared to last year was primarily driven by favorable rate changes and transmission project execution, increased retail load and favorable O&M across our segments. Operating earnings for vertically-integrated utilities were $1 per share, up $0.03 from last year. Favorable drivers included rate changes across multiple jurisdictions, increases in retail load, depreciation, transmission revenue and O&M. These items were somewhat offset by higher interest expense and unfavorable weather year-over-year. The vertically-integrated segment did see positive weather versus normal in the third quarter of about $0.04 per share, but this was compared to positive weather in the third quarter last year of about $0.06 per share.

Consistent with our first and second quarter results, depreciation was favorable at the vertically integrated segment by $0.01 in quarter three, primarily due to the expiration of the Rockport Unit 2 lease in December 2022. However, if we exclude the impact of the lease, depreciation would have been about $0.02 unfavorable, which is consistent with incremental investment activity in our vertically-integrated segment. I&M should see an additional $0.02 favorable net depreciation in the fourth quarter as well. The Transmission and Distribution Utilities segment earned $0.39 per share, up $0.07 compared to last year. Favorable drivers in this segment included increased retail load, transmission revenue, positive rate changes in Texas and Ohio and favorable O&M.

Partially offsetting these favorable items were higher depreciation and higher interest expense. The AEP Transmission Holdco segment contributed $0.39 per share, up $0.06 compared to last year. Favorable investment growth of $0.02 coupled with favorable income taxes of $0.02 are largely driving the change here. Generation of marketing produced $0.18 per share, up $0.04 from last year. The positive variance is primarily due to favorable impacts associated with the contracted renewable sale in August along with higher generation margins and land sales. These favorable items were partially offset by lower retail and wholesale power margins. Finally, Corporate and Other was down $0.05 per share, driven by unfavorable interest and partially offset by favorable O&M. Please note that our year-to-date operating earnings performance by segment is shown on Slide 16 in the appendix of our presentation today.

Many of the positive drivers are the same for the year as for the quarter and the negative year-to-date variance is driven largely by unfavorable weather and higher interest expenses. Before we move on, I wanted to add a few more comments on O&M, including our outlook for the remainder of the year. We saw favorable O&M in the third quarter compared to the prior year, which was consistent with our expectations. For the fourth quarter, we are expecting more than $100 million of favorable O&M versus the prior year, which would bring us to a net favorable position for the full year from a consolidated perspective. The favorable change anticipated in the fourth quarter is largely a result of the timing of O&M spending in the prior year, including employee-related expenses and a contribution to the AEP Foundation in the fourth quarter of last year, along with continued actions we have taken such as holding employment positions open, reducing travel and adjusting the timing of discretionary spending.

Turning to Slide 11. I'll provide an update on weather normalized load performance for the quarter and our expectations through the end of the year. Overall load has come in ahead of plan all year and the third quarter was no exception. Looking to the bottom right-hand quadrant. Normalized retail load grew 2.1% in Q3 from a year earlier. You will also notice that we have updated our full-year 2023 estimates based on the strong load growth we've experienced year-to-date. Weather normalized retail load is now expected to finish this year 2.3% higher than 2022, an increase that is nearly 3x higher than our original expectations.

This strength comes from exceptional growth in commercial load, driven by data centers in Ohio, Texas and Indiana, but the third quarter also saw positive trends in our residential class, which is shown in the upper left-hand quadrant of the slide. Residential load increased for the first time in more than a year in Q3 with growth of 0.6% from a year earlier. The relationship between customer incomes and inflation is a key driver of residential usage and it has begun to stabilize, as expected, in the second half of this year. This month's CPI data point was yet another encouraging sign that inflationary pressures on our residential customers are continuing to lessen. We note that residential usage per customer has seen slight declines this year as energy efficiencies increase, more workers return to offices and customers change behavior due to inflation.

Fortunately, we are seeing strong enough growth in our customer base, especially in Texas and Ohio to help partially offset these trends. Year-to-date, we have added nearly 30,000 residential customers across our footprint. Moving to the lower left-hand quadrant of the slide, our industrial load declined in the third quarter, driven by a pullback in usage by some of our key manufacturing customers, mainly chemical, plastic and tire producers, as well as downstream participants of the energy industry. This reflects some of the softness in manufacturing nationally, as producers have slowed activity in response to uncertainty around the economic outlook. We expect this to reverse itself in the months ahead, as recent inflation and jobs data have reduced the probability of a recession occurring in the next year. We are forecasting industrial load to remain positive through the end of next year and beyond.

Moving to the upper right-hand quadrant of the slide, we see another impressive quarter for commercial load. In the third quarter, commercial load was 7.5% higher than a year ago, driven by the addition of new data center customers, mostly in Ohio, Texas and Indiana. We expect the pace of year-over-year growth in our commercial load to moderate some in 2024 as new projects work their way through the queue. Many of the large projects currently underway within our footprint won't come fully online until 2025. However, there is upside if a few of these projects move forward earlier than expected. Many of these gains are directly attributable to ongoing efforts to facilitate more economic development across our operating footprint. We know that working with local stakeholders to attract more economic activity is a key strategy to providing value to the communities we serve. It allows us to prioritize investments that improve the customer experience, while also mitigating rate impacts on our customer base.

Moving to Slide 12. In the lower-left corner you can see our FFO-to-debt metric stands at 11.4%, which is an increase of 30 basis points from last quarter, but continues to be well below our targeted range of 14% to 15%. The primary reason for the increase is a $1.8 billion decrease in debt during the quarter, due to long and short-term debt retirements, driven by proceeds received from our contracted renewable sale and the successful completion of our planned equity units conversion, both of which occurred in August. We expect this metric will continue to improve throughout the remainder of this year and anticipate reaching our targeted range in early next year as we see an improvement in FFO during that time. We have included a table on this slide that shows the path to the targeted FFO-to-debt range early next year. These items -- these are items that impact both the 12-month rolling average as well as an estimated increase in the quarterly FFO.

We anticipate a 180 basis point to 190 basis point positive impact on FFO that enables the metric to be in the 13% to 14% range by year-end based on the following items. A roll-off of roughly $600 million in cash collateral, deferred fuel and other outflows from the fourth quarter of 2022 and continued cash recovery of deferred fuel balances in the fourth quarter of this year, that total between $150 million and $200 million in accordance with the regulatory orders we have already received. Moving into 2024, the continued roll-off of prior year cash collateral outfall in the amount of $390 million in the first quarter of 2023, and the $90 million adjustment from unfavorable weather in the first quarter of this year to normal weather in our forecast for next year will result in an incremental 100 basis point improvement, put us within our target range of 14% to 15%.

Also please note that we have updated our 2023 cash flow as shown on page 29 in the appendix. An increase of $1.2 billion in required capital is shown versus the original forecast, mostly due to a decrease of $800 million in cash from our ops, largely due to fuel inventory and an increase of $300 million in capital expenditures. Please note that our equity needs for 2023 are unchanged. The remaining years, 2024 to 2027, along with revealing 2028 will be updated at the upcoming EEI Conference. Expect that this update will be consistent with our prior equity needs and disclosures. Moving to Slide 13. You can see our liquidity summary in the middle of the slide. Our five-year $4 billion bank revolver and our two-year $1 billion revolving credit facility support our liquidity position, which remains strong at $3.5 billion.

On a GAAP basis, our debt-to-cap decreased from the prior quarter by 220 basis points to 62.4%. This large change can be attributed to the large reduction in debt, driven by our contracted renewables sale and the completion of our planned equity units that I mentioned earlier. On the qualified pension front, our funding status decreased 1.9% during the quarter to 100.3%. This is largely due to equity and fixed income losses in the third quarter as interest rates increased and equity indices fell in both August and September. These losses are partially offset by decreased liability due to rising interest rates. Let's go to Slide 14 for a quick recap of today's message. The third quarter produced growth in earnings well above the prior year, driven primarily by favorable rate changes, increased load and favorable O&M offsetting milder weather and increased interest expense.

As we continue to move through the fourth quarter, we are focused on cost management efforts with the goal of mitigating the headwinds we have faced this year, primarily unfavorable weather and higher interest costs. The strong third quarter results and load growth, coupled with our proactive plan for the balance of the year, allow us to confidently narrow our operating guidance range to $5.24 to $5.34 per share. We also continue to be committed to our long-term growth rate of 6% to 7%. And as Julie mentioned earlier, our sales efforts to simplify and derisk the AEP portfolio remain on track. We really appreciate your time and our management team and I look forward to seeing you at the upcoming EEI Financial Conference in Phoenix.

With that, I'm going to ask the operator to open the call so we can hear your questions or comments. Thank you.

Questions And Answers

Operator

(Question And Answer)

Thank you. (Operator Instructions) Your first question comes from the line of Nick Campanella with Barclays. Please go ahead.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Hey, good morning, everyone. Thanks for taking my question here and congrats, Chuck, on the new role. I wanted to actually start there if I can. I know that there was just some language in the 8-K when you made the executive switch around the mandatory retirement age and your interest in retiring before you reach that age. But I just wanted to ask, are your intentions here to stay on for the foreseeable future? Is this more temporary? Just how should we kind of think about your new role in the company? Thank you.

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. No, thank you for the question. And look, I am absolutely embracing this opportunity that we have before us. It's very energizing to enter into a role like this. And although the 8-K did indicate that, I'm committed to Julie and AEP to ride this out as long as needed and as long as I'm adding value, right, to the opportunity. So I thank you for the question.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Appreciate the answer. Thanks a lot. And then appreciate the walk on the FFO. That's helpful. I just wanted to confirm because S&P did move you to negative outlook and I think in your prepared remarks you said, as you get to EEI, you anticipate equity needs being somewhat unchanged. So is it the right understanding that if you are in a CapEx-raised scenario that your equity needs would still be modest and unchanged versus your prior view? And then secondly, understanding that the 11.4% has some reduction in debt from the renewable proceeds, the cash flow from those renewable proceeds, I guess, would be rolling off into next year. And I just wanted to triple check that even with the asset sale cash flow dilution, you still see yourselves above the 14%? Thank you.

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes, thanks for both questions. So yes, our equity needs will be consistent, right, with what we have disclosed prior. I mean, clearly, we'll be updating, right, the years in the cash flow forecast, but expect no surprises there. On to your second question, yes, we tried to highlight, right, on the slide, the FFO slide, the major drivers that you can point to and see what is rolling out as outflow, but absolutely, right, in our financial models, right, it takes into account, right, the absence of that cash flow. So we do expect to be in those ranges.

Q - Nicholas Campanella {BIO 20250003 <GO>}

Thanks a lot. We'll see you at EEI. Appreciate it.

Operator

Thank you. Your next question comes from the line of Jeremy Tonet with JPMorgan. Please go ahead.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - Julie Sloat {BIO 6462741 <GO>}

Good morning.

Q - Jeremy Tonet {BIO 15946844 <GO>}

We've seen a bit of a regime change as it relates to interest rates out there given the sharp moves recently. Just wondering, if you could talk a bit more about that and how AEP is able to reaffirm the 6% to 7% long-term CAGR there in what could be a higher-for-longer interest rate environment. What impacts do you see on EPS post '23 and kind of how do you think about offsetting those headwinds?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes, Jeremy, thank you for the question. I mean, look, we'll be giving you a walk right on 2024 at EEI, but there's no question that we are planning for an interest rate higher-for-longer environment. We've clearly been able to overcome those headwinds this year, but they will persist. So our plan is to, A, sensibly finance this company, right, continue to make -- committed to mid-grade investment grade credit and our recovery mechanisms on interest rates, some of them are somewhat immediate or very near term, right? Some of them are kind of medium term and then some of them do have some lag associated with them. So the reality is some of this will begin to flow through, remain committed to keeping parent debt in that range, well below 25%. 19% to 21% is ideal. And offsetting those headwinds, right, with continued investment. We're seeing strong load growth and the positive regulatory outcomes and closing the ROE GAAP that Julie just mentioned.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful there. Thank you for that. Maybe kind of picking up on that last point there. I think on the last call, we discussed a bit or there's some questions regarding outreach to commission and just building regulatory relationships across your jurisdictions there. Just wondering, if you could provide a bit more detail, I guess, on specific initiatives done so far, where you see that going, how you see that kind of transpiring so far?

A - Julie Sloat {BIO 6462741 <GO>}

Yes, Nick, [ph] thanks for the question. This is Julie. We continue on with that effort in terms of engagement with our various state commissions as well as talking with folks at the FERC level, and it's important to note that we do this in conjunction with our operating company presidents and leadership there. My objective and your senior leadership team's objective is to clear the path for those operating company presidents and those teams, so that they can have very good traction with their respective commissions and their respective economies in the states. So those continue to occur and honestly, it just -- it keeps me educated so that I can make sure that when we build the strategic plan at the aggregate level that it makes sense and that we're taking into consideration our customers' needs and also the economies that are driving all this magic that's happening across our entire footprint.

So it continues steady as she goes in terms of those conversations and we'll continue to stay out and in front of folks and do our best to support our operating companies. So nothing super exciting to report other than the action is absolutely happening and we'll see that embedded in the cases that we're filing.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. And just to confirm, the plan is still for you to meet each of the commissions when you're able to do so?

A - Julie Sloat {BIO 6462741 <GO>}

Yes. Honestly, I enjoy getting out anyway and talking with everybody. Like I said, I think it makes me better at my job. But yes, I'm making the rounds and I got to be sensitive to what we've got going on in our respective jurisdictions. In some cases, I've got ex parte issues I've got to be sensitive to, but I'm absolutely making the rounds and we'll continue to do that because the business is incredibly dynamic, more so than ever and we need to make sure that we're staying in touch with everything that's going on across the entire organization. So that will continue on.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's very helpful. Thank you. And just the last one, if I could. The waterfall chart through nine month in the presentation today, it looks a bit different than, I guess, what we saw in EEI. Just wondering if you could walk us through some of the puts and takes, the drivers to this and across the different segments, and what do you see, I guess, in the fourth quarter that maybe narrows the gap or just kind of the different trends happening such as in vertically integrated and with renewables as well?

A - Julie Sloat {BIO 6462741 <GO>}

Yes. So I'll start and then I'll hand it off to Chuck. So what gives us comfort in terms of narrowing that guidance range, when you look at -- I'm looking at Page 16. I'm assuming that's where everybody is right now in terms of that waterfall chart. So what gives us comfort is, Chuck mentioned that we are able to effectively, I guess, take up our load forecast, predominantly driven by the commercial load that we're seeing. So that's going to be incorporated into our thoughts for the remainder of the year. We're trying to manage the interest expense. That's also incredibly important, another data point to throw out there. The question we keep getting is, what percentage of your debt outstanding is floating rate? It's about 12.5%, if I remember correctly, as of the end of the third quarter. So that's something that we're being real mindful of. We're also thinking about what regulatory cases that we have already in hand.

As a matter of fact, you may recall that when we began the year, we had something like $290 million of new rate relief embedded in our forecast. We are actually well north of that. We're at about $303 million of secured rate relief in hand, so that gives us a little more confidence and comfort to as we proceed through the end of the year. So again, it's really just steady as she goes and plug, and I don't know, Chuck, if you had anything else you wanted to add to that?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. Sure, Julie. Look, the other thing is the O&M management. As I mentioned during my comments, if you look at Slide 16, right, you'll see that O&M is a drag through three quarters, right? We expect that to completely reverse itself for year-end and actually have be a net positive on O&M year-over-year, meaning that the fourth quarter will have a substantial difference in O&M versus last year.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Very helpful. Thank you. I'll leave it there.

A - Julie Sloat {BIO 6462741 <GO>}

All right. Thanks for your questions.

Operator

Thank you. Your next question comes from the line of Shahriar Pourreza with Guggenheim Partners. Please go ahead.

Q - Jamieson Ward {BIO 22436950 <GO>}

Good morning. It's Jamieson Ward on for Shar. Thank you for taking our question.

A - Julie Sloat {BIO 6462741 <GO>}

You bet.

Q - Jamieson Ward {BIO 22436950 <GO>}

Looking at your new FFO-to-debt path slide, could you give us a sense on what, if anything, could cause any potential slippage like the deferred fuel recovery? And what might dictate you being at the bottom or the top end of that 14% to 15% in 2024? I know you talked previously about being at the midpoint by the end of the year, but since we've got an updated disclosure here, I just wanted to ask that again here.

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. No, sure. Thank you. When you look at the charts, several of these are just simply facts, right, that are going to come out. All the outflows, right, are known numbers, right, that are rolling out of the 12-month average. So then we're just subject to the normal variances in FFO that would occur. It's a pre-working capital number, and the reality is, right, softer weather, better weather, all those things will influence it, but I think we'll be solidly in both ranges, right, by the time frames that we talked about.

Q - Jamieson Ward {BIO 22436950 <GO>}

Got it. Thank you for that. And one more from us. On load growth, what's driving the large -- I know you mentioned data centers, but if you could just talk a bit more about what's driving the large increase for the guidance this year, and then more specifically, as we think about the updated capital plan, which you'll be providing, just directionally, should we expect this higher load growth to be a driver of capital growth opportunities? Thank you.

A - Julie Sloat {BIO 6462741 <GO>}

Yes. This is Julie and I'll pass it off to Chuck here, too, we'll tag team a little. But as Chuck mentioned, the primary driver for our load growth as we go into the end of 2023 is all around that commercial segment. So if you look at Page number 11, you look at that upper right-hand quadrant, you're going to see a serious or material shift in what our updated guidance looks like versus what we originally had for 2023. The vast majority of that load growth is coming from data centers located in Ohio, Texas and also Indiana now. And if you look across the rest of the segments there, so residential, a little soft. We talked a little bit about at the beginning of the call here in our monologue or prepared remarks about the fact that customers are feeling this in the wallet as it relates to inflation, et cetera.

We expect that that's going to improve over time. But nevertheless, what's allowing us to get a little more comfort on the residential side is we've added 30,000 customers year-to-date. So that's offset a lot of the otherwise pressure we would have seen in that segment as usage per customer has come off a little bit. And on the industrial side, it's really driven by interest rates and the expectation or I guess concerns that there could be some softening in the economy. So we've seen certain customer segments within that industrial aspect kind of come off a little bit, but we expect over time that, that will improve. I don't know, Chuck, is there anything else, did I covered that?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes, he mentioned, does it drive your capital forecast? And of course, the new data centers, of course, require capital to hook those customers up. We do have what is known and customers that are coming into our capital forecast going forward. And there are lots of discussions otherwise, right, in our economic development activities. But everything that we know of and is firm is in our capital forecast.

Q - Jamieson Ward {BIO 22436950 <GO>}

Got you. Just one clarifying -- one last clarifying question. So our question is really focused around that 7.3% guidance for '23 for commercial versus the 80 basis points originally. Presumably the infrastructure necessary for those data centers to be receiving the load that they are is in place, especially because we only have a couple of months left in the year. And we obviously saw that you'll be providing '24, '25 guidance to the EEI. So we're just directionally trying to think, is this a trend likely, is this isolated to '23? Or is this something that could continue and could drive, therefore, capital opportunities as you look to serve that increasing commercial data center load? And then that's it for me.

A - Julie Sloat {BIO 6462741 <GO>}

No, I appreciate the question so much. Yes, that trend, we expect that to continue. I mean, you see the fluctuation a little bit in the commercial segment up in the upper right quadrant of that slide I mentioned earlier. We have projects in the queue, so you kind of see those ebb and flow. But you're right. The infrastructure is in place today. The pending or incoming requests for additional capacity from our customers, so that customer touchpoint through our economic development team is incredibly important because that allows us to not only have confidence around what our forecast is, but it also drives what the CapEx program needs to be.

So yes, we think that that's going to continue and we will keep a keen eye on that in particular because the infrastructure has got to be there and we've got to make sure that we're communicating with our customers so that they know exactly what the appropriate and realistic timeline is for them to enter into our service territory so that the infrastructure is there, because it's not something that's done overnight. So appreciate that question so much because it is a fine orchestration that absolutely has to happen.

Q - Jamieson Ward {BIO 22436950 <GO>}

Thank you very much. Looking forward to seeing you all at EEI in a couple of weeks.

A - Julie Sloat {BIO 6462741 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Carly Davenport with Goldman Sachs. Please go ahead.

Q - Carly Davenport {BIO 21913922 <GO>}

Hey, good morning. Thanks for taking the questions. Maybe to start, as we just think about the moving pieces on cash sources going forward, could you talk a little bit about how the asset sales processes are progressing in terms of interest that you're seeing, bid ask, and then on the timing side, it seems like a little bit of a narrowing of the timeframe for NMRD, but anything else on the timing side that you'd highlight?

A - Julie Sloat {BIO 6462741 <GO>}

Yes, I can start and Chuck can jump here, too, because Chuck has been really close to the optimization that we've been doing. Anyway, yes, so from an NMRD perspective, we're getting close here. So I would anticipate a contract being signed in the not-too-distant future, and then it really is going to be a story around when can you close. So that's going to be driven also by regulatory (inaudible) FERC approval, and depending on who the purchaser is that could drive other issues that we'll need to address so we can give you more precise time on when we can land that jet. So stay tuned. That one is in the hopper and coming along here relatively quickly. And then, I don't know, Chuck, did you want to talk a little bit about retail and distributed?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes, you did ask, one question I do want to address, right? What's the bid ask? And of course, we're not going to reveal anything like that in a public forum. But we are pleased with the response we received in some of the early results on an -- that are indicative, of course, but the process kind of goes on. Greg Hall and his team, right, are leading that effort. They are in the queue, remaining this year, the typical process of management meetings and moving on to final bids either late this year or early next year. So the reality is, right, that's going to take some time to progress, expect to complete that in the first half of next year, and the other sales processes are just shortly behind that.

Q - Carly Davenport {BIO 21913922 <GO>}

Great. Thank you. That's helpful. And then appreciate the color on the drivers on O&M heading into 4Q and for the full year. I guess, how are you thinking about managing O&M into 2024? Should we expect to see an uptick that kind of offsets some of the efficiencies that you've driven this year that have addressed the mild weather and allowed you to continue to execute on the earnings guidance for 2023?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. So it's a good question. I could tell you what the discussions amongst the executive leadership team here are really focused on prioritizing O&M spend and spending both capital and O&M dollars that benefit and provide value to our customers. So we're really targeting the prioritization. We'll be giving guidance on O&M for next year and our waterfall at EEI, but expect us to be conservative, right? We're going to manage O&M to the levels, right, that are needed to run our business, right, but begin to eliminate things that are what we may consider to be discretionary going forward.

Q - Carly Davenport {BIO 21913922 <GO>}

Great. Thank you. Appreciate the color.

Operator

Thank you. Your next question comes from the line of David Arcaro with Morgan Stanley. Please go ahead.

Q - David Arcaro {BIO 20757284 <GO>}

Hey, good morning. Thanks for taking my questions.

A - Julie Sloat {BIO 6462741 <GO>}

You bet.

Q - David Arcaro {BIO 20757284 <GO>}

I think you -- thanks again for the disclosure around the FFO-to-debt walk into the first quarter of 2024. And you've touched on this a little bit, but I was just wondering how you see that metric track after that point from getting into the range, is it stable to rising from there and kind of staying within the target range going forward when you look at the core business outlook?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. We absolutely plan to target and be in that 14% to 15% range. I will tell you that the introduction of large projects on a year-to-year basis, right, may swing that around some. So as you add renewable projects, in particular, if they come at the end of a calendar year, right, you have the financing costs related to that, but you don't have the FFO. The rating agencies are very well of that pattern, but absolutely when you pro-forma that, right, 14% to 15 % is where we intend to be.

Q - David Arcaro {BIO 20757284 <GO>}

Okay great. Thanks so much. That's all I had. I appreciate it.

A - Julie Sloat {BIO 6462741 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Anthony Crowdell with Mizuho. Please go ahead.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Hey, good morning. Welcome back, Chuck. Great to hear from you again.

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. Thank you.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Just hopefully two quick ones. I think Nick touched on it earlier on recent S&P had revised their outlook on the holding company. I'm just curious I guess your discussions with the rating agencies. We appreciate the detail you provided in this slide deck, especially on your credit improvement. But was -- have you been in discussion? How do you unveil that previously to S&P prior to their rating action or their outlook change?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. So Anthony, I've talked to all three rating agencies since coming in and as well as our treasury team obviously talks to them all the time. I don't think the S&P move to negative outlook was a particular surprise, given the downgrade threshold is 16% and our rating is split, right, they're at a higher rating right than Moody's and Fitch currently. So it wasn't a surprise.

We continue to work with the agencies to explain our business risk because we think as we continue to execute on exiting the unregulated businesses, our business mix should improve and they should begin to reflect that, right, in their valuations. So not a surprise, if and when it is downgraded their ratings would be on par with Moody's and Fitch.

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. And then just lastly, you laid out the two scenarios regarding West Virginia fuel cost recovery. One is an amortization over two years. The other one is the securitization, which also includes accelerating coal plant closures. Given the impact to the balance sheet and all the other moving pieces, does the company have a preferred path in West Virginia. And then also when do we get a resolution of that from the regulator?

A - Julie Sloat {BIO 6462741 <GO>}

Yes, I appreciate that question, and let me just clarify the question as well right out of the gate here. To the extent that we've included securitization as an option, that does not assume an acceleration of coal plant closures, just to be very clear on that. We have those embedded in rates today going through 2040, so that is the current plan and thinking. So the idea of using securitization was entirely driven by how do we minimize the impact on customer rates period, and so that was that was the spirit of why we even contemplated the utilization of the securitization and that second scenario or option that I mentioned where we not only securitized the fuel, but we have I think a little bit of storm cost in there as well as those plant balances would effectively render customer rates neutral, so no impact, okay, di minimis.

And then the other alternative was just a three-year smoothing of those deferral or those deferred costs and that was to the tune, I want to say it was maybe 12% increase in customer rates associated with that subject check. So as far as what our preference would be, our preference is to get it recovered. Our preference is to be able to work with all the different stakeholders, which is precisely why we put out the different options and listen to the different stakeholders in the case and just with complete appreciation and sensitivity to the customers in West Virginia that the general median household income tends to be a bit lower than most definitely the national average, but even across AEP's footprint, it's lower. So we need to be incredibly sensitive to those wallets. So as far as preference, our preference simply is to work with the stakeholders and get it done. And as far as when we might be able to get that done, our expectation is that we get that done here in the fourth quarter. So tick-tock, anytime here, okay?

Q - Anthony Crowdell {BIO 6659246 <GO>}

Great. Thanks for taking my questions.

A - Julie Sloat {BIO 6462741 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Andrew Weisel with Scotiabank. Please go ahead.

Q - Andrew Weisel {BIO 15194095 <GO>}

Hey, good morning, everybody.

A - Julie Sloat {BIO 6462741 <GO>}

Hey, good morning.

Q - Andrew Weisel {BIO 15194095 <GO>}

A lot of good information already, so I've only got one left if you can clarify here. I want to ask about the three moving pieces between equity, asset sales and CapEx. And I know you're going to talk about this at EEI in a couple of weeks. But my question is that if equity needs are generally going to be consistent, how do we think about how you'll finance incremental CapEx? You typically roll forward the CapEx plan. It tends to go up most years. It's currently $40 billion. Does that mean that cash proceeds from these asset sales should help to finance whatever upside there is to the CapEx plan? Or will you have additional equity until the asset sales are announced? How do you think about the balancing act?

A - Julie Sloat {BIO 6462741 <GO>}

Yes. So I'll let my CFO jump in here. But first things first, we want to have a healthy balance sheet, okay? So dollars come in the door. We're going to make sure that our metrics work. We talked a little bit or a lot about 14% to 15% FFO-to-debt. We also pay attention to our debt-to-cap ratios, but 14% to 15% is our gating item for us and metric. So we will look to that metric to see where we're shaking out. Dollars will be placed accordingly as we bring those in the door associated with sales. As far as equity needs go, as Chuck mentioned, I used, again, the phrase steady as she goes.

On average, we're around $700 million plus or minus any given year. You see that in the cash flow that we have out here on Page number 29. We are going to continue on with a healthy CapEx program. You'll see that extended into 2028 when we talk to you at EEI, but there may be fluctuation, like, sequentially year-to-year, but I wouldn't anticipate any material shift or change. Again, gating item dollars in the door, take care of the balance sheet and then we'll fund the rest of the regulated business that way. I don't know, Chuck, is there anything else you'd add to that?

A - Charles E. Zebula {BIO 6231994 <GO>}

No, Julie, I think your answer is -- I really can't add anything. I would just say embrace the capital opportunity and sensibly and smartly finance it.

Q - Andrew Weisel {BIO 15194095 <GO>}

Okay. Great. That's helpful. And then if you could just remind us, what are the downgrade thresholds for Moody's and Fitch?

A - Charles E. Zebula {BIO 6231994 <GO>}

13%.

A - Julie Sloat {BIO 6462741 <GO>}

13% FFO-to-debt.

Q - Andrew Weisel {BIO 15194095 <GO>}

Very good. Congrats again, Chuck. And we'll see you in a couple of weeks.

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. Thank you.

Operator

Thank you. Your next question comes from the line of Durgesh Chopra with Evercore ISI. Please go ahead.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey. Thanks for sneaking me here. Chuck, welcome. Look forward to working with you. Hey, just real quick on the FFO-to-debt metric, I just wanted to clarify the 13% to 14% target for end of this year. Are you assuming that West Virginia fuel recovery gets resolved?

A - Julie Sloat {BIO 6462741 <GO>}

No. As a matter of fact, what is assumed in that forecaster that walk you see today is everything that we already have in hand. So a West Virginia fuel outcome does not disrupt that path at all. That's prospective for us.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Got it. So -- okay, so any sort of -- any incremental sort of cash flow bump from there would be accretive to what you show on this slide, right, even for 2024?

A - Julie Sloat {BIO 6462741 <GO>}

That could be helpful. Yes.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Okay. Perfect. And then maybe just one quick one real quick. What's the balance -- the total deferred fuel cost balance that hasn't been recovered as of the Q3? I know it was like $1.4 billion as of Q2.

A - Julie Sloat {BIO 6462741 <GO>}

Yes. $1.2 billion as of the end of the third quarter. And that's in the aggregate across the AEP footprint or fleet of utility companies.

Q - Durgesh Chopra {BIO 20053859 <GO>}

And West Virginia is roughly like $500 million, correct? A little north of that.

A - Julie Sloat {BIO 6462741 <GO>}

West Virginia, yes. West Virginia is, well, to be specific, $574.8 million, so call it $575 million. We're paying attention to this. That's why I got a little bit of detail here. It's important.

Q - Durgesh Chopra {BIO 20053859 <GO>}

I appreciate that. Thank you, guys. Appreciate the time.

A - Julie Sloat {BIO 6462741 <GO>}

Okay. Thank you.

Operator

Thank you. Your next question comes from the line of Julien Dumoulin-Smith with Bank of America. Please go ahead.

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

Hey. Thank you, operator. Welcome back, Chuck. Pleasure. So look, just coming back to that O&M piece, obviously, you put some comments in the script here, $100 million. Look, I think that's a solid number. I'm just curious, how do you think about that annualizing here and the ability to annualize some of those factors? I get that some of them are kind of discrete in nature here, certain elections, but again, in an effort to kind of preview a little bit more on that '24 trajectory, I know you've made a couple of allusions to it here. Can you perhaps lean in a bit further in describing how you think about what that could do for next next year on the cost side?

A - Charles E. Zebula {BIO 6231994 <GO>}

So we're going to lean into that at EEI in about seven or eight days or nine days, whatever it is. But the focus, right, of the management team, as I said earlier, is really on prioritizing the spend and spending dollars where it matters most to our customers. That's the most important thing we can do and our O&M budget will reflect that.

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

Yes. No, I respect that, hence the interest. Okay, wonderful. Well, I'll leave it there. And do you mind just on the load front, just to clarify this a little bit further here? I mean, obviously, you have an updated load in the near year that is substantively more robust. And you have a backward-dated load growth profile here for '24, '25. How do you think about the timeline for revisions and the extent of those revisions as you see them today. Again, I know that this is probably more of an EEI, 4Q kind of conversation, but I mean, clearly we're seeing these kinds of revisions across the PJM footprint. How do you think about that? And also maybe, how does that tee-up with PJM itself here and potential further transmission-oriented opportunities?

A - Charles E. Zebula {BIO 6231994 <GO>}

Yes. So as you can see, right, the load growth in particular in commercial is pretty robust. Those numbers will be updated when we come to EEI. And as I said earlier, it's embrace the opportunity. This is a good opportunity for us. I think you have to be smart about it and kind of vet out what is real and what is -- what real load is really going to come on and plan your capital investment profile around that. So lots of activity, lots of discussions, our economic development team is very busy talking and dealing with the opportunity.

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

Okay. All right. Well, I'll leave it there. Top of the hour. Good luck, guys. Thank you.

A - Charles E. Zebula {BIO 6231994 <GO>}

Thank you.

Operator

Thank you. Your next question comes from the line of Sophie Karp with KeyBanc. Please go ahead.

Q - Sophie Karp {BIO 19699392 <GO>}

Hi. Good morning, guys, and thank you for taking my question. Can you please clarify, you mentioned that you could implement or it's possible to implement interim rates in Kentucky in January. Do you actually intend to do that? Or how does it sort of politically work out for you there?

A - Julie Sloat {BIO 6462741 <GO>}

Yes. Generally, Sophie, we try to take advantage of that. So that would be the plan. And of course, we'll stay in close contact with all the stakeholders to our case and the commission. So other than that, just as we have done in, say, for example, the PSO case here, that is typical for us. If there's an opportunity to implement rates, we go ahead and do that and kind of risk adjust those in terms of our forecast and understanding of when cash is going to come in the door and all those items that are so important as we put the forecast out to you guys and have confidence around that. But short answer is, yes, generally speaking, yes, we would expect to put those in place or implement the rates.

Q - Sophie Karp {BIO 19699392 <GO>}

Got it. Thank you. It's helpful. And then just a broader question, I guess. Is there any interest to approach state regulators and seek mechanisms to reduce weather volatility impact on your earnings? I know you're not decoupled in most of your jurisdictions, so kind of curious if you still like that type of rate mechanisms or would you rather maybe transition over time to a situation where weather does not impact your earnings that much?

A - Julie Sloat {BIO 6462741 <GO>}

Yes. We engage in those conversations, and again, that's more of a stakeholder discussion and see what the temperature and tolerance would be as it relates to not only just our preferences, but the preferences and tolerances of the other parties to the cases. That being said, we did have decoupling in Ohio for a while. That has since fallen by the wayside, but that's something that we have a regular conversation about. So I don't -- I wouldn't say that we have a push or a thrust toward getting a decoupling in place, but it is absolutely a tool in the tool bag.

Q - Sophie Karp {BIO 19699392 <GO>}

Okay. Thank you.

A - Julie Sloat {BIO 6462741 <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. Eric, would you please give the replay information?

Operator

Thank you. This call will be available for replay beginning today in approximately two hours after the completion and will run through until Thursday, November 9, 2023 at 11:59 PM Eastern Time. The number to access the replay is 800-770-2030 or 647-362-9199. The conference ID to access the replay is 9066570. Thank you. Ladies and gentlemen, that concludes today's call. Thank you all for joining and you may now disconnect your lines.