Q1 2015 Earnings Call

Company Participants

- Bette Jo Rozsa
- Brian X. Tierney
- Nicholas K. Akins

Other Participants

- Ali Agha, SunTrust Robinson Humphrey
- Angie Storozynski, Macquarie Capital (USA), Inc.
- Anthony C. Crowdell, Jefferies LLC
- Brian J. Chin, Merrill Lynch, Pierce, Fenner & Smith, Inc.
- Daniel L. Eggers, Credit Suisse Securities (USA) LLC (Broker)
- Gregory Harmon Gordon, Everycore ISI
- Julien Dumoulin-Smith, UBS Securities LLC
- Michael J. Lapides, Goldman Sachs & Co.
- Paul Patterson, Glenrock Associates LLC
- Paul T. Ridzon, KeyBanc Capital Markets, Inc.

MANAGEMENT DISCUSSION SECTION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the American Electric Power First Quarter 2015 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Instructions will be given at that time. As a reminder, this conference is being recorded.

I'd now like to turn the call over to our host, Ms. Bette Jo Rozsa. Please go ahead.

Bette Jo Rozsa {BIO 16484334 <GO>}

Thank you, Brad. Good morning, everyone, and welcome to the First Quarter 2015 Earnings Webcast for American Electric Power. We are glad that you were able to join us today. Our earnings release, presentation slides, and related financial information are available on our website at aep.com.

Today, we will be making forward-looking statements during the call. There are many factors that may cause future results to differ materially from these statements. Please refer to our SEC filing for a discussion of these factors.

Joining me for this call today are Nick Akins, our Chairman, President and Chief Executive Officer; and Brian Tierney, our Chief Financial Officer. We will take your questions following their remarks. I will now turn the call over to Nick.

Nicholas K. Akins {BIO 15090780 <GO>}

Thanks, Bette Jo. Good morning, everyone, and thank you for joining the AEP First Quarter 2015 Earnings Call. Just as with first quarter 2014, we're off to a great start in 2015, with AEP earnings coming in for the quarter at $1.29 per share on a GAAP basis and $1.28 per share on an operating earnings basis. This compares with 2014 first quarter earnings of $1.15 per share on both GAAP and operating basis, so we're very pleased with these strong results and the progress we have made.

Just as with first quarter 2014, the cold weather and generation performance contributed heavily to these positive results. First quarter 2014 was the coldest in 35 years; first quarter 2015 was the second coldest. But this isn't the only story for the quarter. With weather year-on-year being about the same and earnings being higher than first quarter last year, the difference is the progress we have made in advancing our growth strategy. This strategy of investing in the regulated companies, particularly wires and transmission, focus on continuous improvement initiatives such as Lean practices that crescendo in savings over time and a culture of continued disciplined in execution of our employees around operational excellence continues to produce positive results.

We continue our commitment to this path and reaffirm our previous guidance of $3.40 to $3.60 per share and a 4% to 6% earnings growth trajectory. I know everyone gets excited and believes we should raise guidance, but remember, we are on a multiyear plan of consistent earnings growth and one quarter does not make a year. We're mindful of softer market conditions because of floating (2:41) natural gas prices, changes in seasonal rate structures in Ohio that reduce summer rates that existed before, and we still have significant outstanding rate cases in Kentucky and West Virginia, not to mention the timing of capacity performance in PPA outcomes to consider.

We also continued to look for opportunities to advance spending from 2016 into 2015 to further mitigate the PJM capacity auction revenue deficiency in 2016 that we've been discussing for a couple of years now. The economy, which Brian will go into more detail in a few minutes, continues to improve. But once again we were reluctant to change the forecast at this point because of results per load in the quarter, particularly in the residential sectors Brian will discuss later.

Along with the slowdown in new wellhead activity, we will monitor the impact of low energy prices overall in the economy. Low energy prices have benefited parts of our economy, but more time is needed to evaluate these trends.

Our process improvement initiatives continue on pace and we continue to be pleased with the results. With the cultural initiatives through our power up and lead (3:41) process, along with Lean activities and the ultimate reward of very positive employee incentive results for 2014, employees are energized and focused to achieve our process of proven savings objectives. We have completed Lean implementation at 13 plants, including Cook Nuclear and have four to go this year. 13 distribution districts are completed with the remaining 19 in process to be completed in 2015. Additionally, in transmission, one area has been completed with the other four slated for this year.

Other areas such as procurement, central repair shops, customer and distribution services, IT, commercial operations, materials management, et cetera are either completed or in process. We plan to complete all the initial reviews in the company by the end of the year to get the full benefit of 2016 and beyond. Speaking of baseload generation before, regarding the February 2015 ESP order from the Public Utility Commission of Ohio that contain the PPA proposal regarding the OVEC units, among other riders approved and some denied, the Commission did approve the PPA rider mechanism as a non-bypassable rider, but denied the inclusion of the OVEC units. The order provided several factors to be considered when future PPA filings are made. AEP filed a re-hearing request in late March on this issue and others and have since learned that the Ohio Commission did accept the re-hearing request.

We also in October 2014 filed a larger PPA proposal for several other units amounting to approximately 2700 megawatts, and we will supplement that filing soon with additional information requested from the ESP order and will recommend an expedited procedural schedule from the Commission. With no long-term price signals from the PJM capacity market to support baseload generation, it is imperative that Ohio defines an energy policy that makes sense for Ohio consumers, those that invest in generation and for the state of Ohio from an economic development tax and jobs perspective.

It is clear that the Rube Goldberg capacity market of PJM cannot be depended upon to provide consistent revenue and price discovery to enable a long-term investment potential and maintenance of existing baseload generation. Ohio must regain control of its ability to define resources within the state.

With the regard to PJM, AEP believes PJM is trying to in some ways to fix the problem; we appreciate that. AEP is hoping FERC will realize the importance as well of baseload generation for power energy and ancillary services that enable our power system to operate properly. PJM's capacity performance proposal is a step in the right direction and should be a no-brainer to FERC.

With that said, PJM received a deficiency notice from the FERC in February that asked several questions to supplement the record. From Commissioner Moeller's dissent it appears that there is some support for this proposal and, hopefully, after review of PJM's responses to the questions posed by the Commission this proposal will be approved, demonstrating the Commission's concern regarding baseload generation in organized capacity markets.

I just got back from a Rock and Roll Hall of Fame induction this weekend, so I still have music on mind. So there's a song I recall that has the lyrics that a choice not to decide is still a choice. We see this indecision in both Ohio and at FERC with the PPA and capacity performance filings: these cases do have consequences. A vote for these plans are votes for stability of pricing to consumers, reliability of the grid and the financial integrity of those that provide a critical service to our economy and our way of life. Doing nothing is not the right answer.

On the state regulatory front, the two major cases I spoke of earlier in West Virginia and Kentucky are moving along. In Kentucky, the fuel recovery case took an odd twist in January when the Kentucky Commission rejected recovery of Mitchell no-load fuel costs, even though we accounted for the treatment of these costs for decades in the same way. We filed an appeal in the Franklin Circuit Court, which in April was stayed pending the outcome of the two-year fuel case at the commission.

Regarding the Kentucky $70 million rate case, most testimony has been filed and the hearings begin May 5. Settlement discussions are occurring, and we are hopeful that this can get done soon. Regarding the $227 million rate case in West Virginia, all testimony and hearings are concluded and we expect to get an order by the end of May. Because of the chronically low ROEs in West Virginia for several years, we were not able to settle, so we expect the Commission to render an order on this one. While we understand the economy in West Virginia has been challenged, it appears to be improving somewhat and investment is needed to maintain and improve quality of service to West Virginia customers.

The Clean Power Plan debate continues debate continues on several fronts. This week NERC released its report which follows what AEP has been saying all along: the 2020 targets are not achievable, state review timelines, proper electric system planning timelines, construction schedules for replacement resources and system reliability implications must be respected.

Many stakeholders, including several states, are raising red flags regarding this expansive proposed rule that impacts the resources we use and how we use them to serve our customers. FERC technical conferences continue to confirm the issues of the aggressiveness of the 2020 targets and the need for reliability safeguard mechanisms. We are hopeful that EPA will actively listen to these major concerns and that the final rule due out during the summer will resolve some of these concerns.

From AEP's perspective as the owner and operator of the largest transmission system in this country including the 765-kV backbone of the Eastern Interconnect and one of the largest generators in the country, we take our responsibilities regarding the reliable operation of our grid seriously. We stand ready to work with all stakeholders including the EPA, Congress and the states to get this right; too much is at stake.

So now I'll move on to the equalizer slide, which is page four, and I'll go through some of the states that we are dealing with here. So from an Ohio perspective, this ROE is in line with expectations, sort of it's around 12% to 12.2%, so round off in there, but it's split between the last and the current ESP period, so we don't have any concern about those numbers. The PUCO yesterday did accept the application for rehearing of the ESP matter, so that was great news that they are willing to take that on again.

As far as APCo is concerned, I just talked about the current West Virginia rate case, so that's really what is occurring there. And we've talked about that for several quarters now, so hopefully, we'll get a good outcome on this rate case for that ROE to move up.

Kentucky is really atrocious at this point. It's at 2.4%. That is because of the provision, the regulatory provision that was recording (10:30) the fuel cost recovery disallowance that was related to that Mitchell no-load cost that I talked about earlier. We have the rate case going on there as well, so hopefully, we'll be able to move forward with some type of settlement and improve Kentucky's situation.

I&M will continue to improve. There's great regulatory framework in place there and support for capital programs at Rockport with solar with the Nuclear Life Cycle Management Transmission Distribution projects. There's a lot of great work going on there, so we fully expect I&M to continue to improve.

PSO is right in line with expectations. There's some O&M timing issues there. So – but at 9.2% it's in pretty good shape. SWEPCO continues to struggle with the Turk portion, the Arkansas portion of Turk. We did get some positive legislation that allowed for the ability to really roll through with a rate case and recover Turk, but we really need to wait for the conditions to be right from a market perspective so that we can make a proper filing. So we obviously are watching that process. In the meantime, SWEPCO continues with additional cases: transmission recovery in Texas; the Louisiana commission approved the latest rates there, $15 million of revenue additional; and then also new cases will be filed in certain areas of the SWEPCO jurisdictions as well. So, we'll continue to see some lagging, but hopefully we'll get to a point where we can get the Turk portion all settled out.

As far as AEP Texas is concerned it's come down quite a bit because of increased distribution CapEx. We're spending a lot of money there with additional customers being connected and that kind of thing. But also, we've had to infuse equity to replace tax obligations that were due to the related deferred taxes from securitization. So there's been an equity infusion there that's changed those numbers.

And then as far as the transmission is concerned, the holding company for transmission is right on target with where it needs to be, and we continue to invest heavily in transmission. So, it's slightly down from last quarter. It's 8.7%, but we expect that to come up in future quarters.

So with that said, I wanted to talk a little bit about the unregulated generation. That process continues, obviously, with the capacity performance delay that's occurred relative to FERC. Hopefully, FERC will act on that soon and then the markets can go forward with the capacity auctions which are of considerable value in this process, we believe. So we need to see the outcome of that and then see how the PPA process progresses as well within the state of Ohio as we move forward in those decisions. But the framework is set. The groundwork is set. We just need to plug in the numbers and understand the valuation. So that's really an update on that portion of it at this point.

So before I conclude, I want to give a shout out to our employees who typically listen to some of these calls and particularly at the disposition plants, which among them are those units that'll be retiring at the end of May. As you know, we're retiring almost 5,750 megawatts of generation that's going to retire here in May. The closure of the plant sites is a difficult process, one in which generating units are harvested with a little investment inquiring the ingenuity of those involved to keep running with what I call Swiss cheese boilers.

And there's also the very personal sacrifice of those employees and their families that'll now move on with their lives at other plants or retire or sever from the company. These generating units that provide the backbone of the American dream for decades, providing power to this country and countless benefits to the communities we are privileged to serve. In the age of the word coal being a four-letter word in some circles and not even mentioned among America's resources, even though coal still is the predominant fuel, we want to say thank you and job well done for those that understand what it takes to make our power system work and how important your work has been for so long.

So overall, a great quarter, a great foundation to build upon, and we continue with all cylinders clicking, so I'll turn it over to Brian.

Brian X. Tierney {BIO 1759901 <GO>}

Thank you, Nick, and good morning, everyone. On slide five you'll see our comparison of 2015 operating results to 2014 by segment for the quarter. Operating earnings for the quarter were $625 million or $1.28 per share, compared to $1.15 per share or $560 million last year. This solid performance was driven by the execution of our regulatory plans, continued growth in our Transmission segment, O&M cost control, and strong marketing results, which together more than offset the adverse effect of lower wholesale power prices. Weather had an equally strong impact on the first quarters of both 2015 and 2014.

With that as an overview, let's review the major earnings drivers by segment for the quarter on slide 6. 2015 earnings for the Vertically Integrated Utilities segment were $0.61 per share, up $0.04 from last year. The major drivers for this segment include the favorable effects of rate changes, regulatory provisions and lower O&M expenses, partially offset by a decline in off-system sales margins and normalized load.

Rate changes and regulatory provisions were recognized across many of our jurisdictions, adding $0.04 and $0.03 per share, respectively. The favorable effect of rate changes on earnings is related to incremental investment to serve our customers. The effect of the Virginia rate freeze included in regulatory provisions added $0.03 per share. This segment also benefited from lower O&M expense, primarily due to the reduced employee-related costs, adding $0.03 per share to the quarterly comparison.

The $0.09 per share decline in off-system sales margin was driven by much lower power prices this year. The favorable $0.04 per share PJM expenses was related to high PJM costs during last year's polar vortex events that were not recovered in rates. Normalized load adversely affected the comparison by $0.04 per share and was primarily driven by lower residential sales in the East. I'll talk more about load in the economy in a few minutes.

The Transmission & Distribution Utilities segment earned $0.20 per share for the quarter, unchanged from 2014. The Transmission Holdco segment continues to grow, contributing $0.07 per share for the quarter, an increase of 40% over last year. Year-over-year, this segment's net plant grew by approximately $1.1 billion, an increase of 61%.

The Generation & Marketing segment produced earnings of $0.38 per share, adding $0.05 to the quarter. This was driven by the strong performance of our generation and commercial organizations. The quarterly results also benefited from lower operating expenses at our power plants.

AEP River operations contributed $0.02 per share in 2015, $0.01 more than last year due to lower operating costs. Corporate and other earnings were $0.01 better than year's results.

In summary, our regulated utilities executed on their rate and investment plans, exercised cost discipline and benefited from cold weather. In addition, our competitive businesses took advantages of the opportunities presented to them. The combination of these efforts allowed us to exceed last year's first quarter performance by 11%. In all, as Nick said, the company is off to a good start in 2015.

Now, let's take a look at slide seven to review normalized load performance. Starting in the lower right corner, you can see that weather normalized retail load was down 1.3% compared to last year. Overall, the decline in normalized residential sales more than offset the growth that we saw in our industrial class. In the upper left quadrant, you can see that our residential sales were down 4% compared to last year. However, as Nick said earlier, in 2014, we experienced the coldest winter in AEP service territory in over 35 years including the two polar vortex events which may be skewing the year-over-year comparison.

As we discussed previously, we saw consumer behavior change during these extreme weather conditions. So while the 4% drop in residential sales this quarter is noticeable, residential usage is in line with expectations. In fact, since 2013 our first quarter residential sales have grown by an average of one-tenth of a percent per year, with modest growth in customer counts being offset by slight decline in customer usage. Our residential customer growth for this quarter remains steady at three-tenths of a percent in line with last year. This gives us comfort that the load forecast underlying our 2015 guidance is on track.

In the upper-right corner of the slide, you see commercial sales were down four-tenths of a percent for the quarter, consistent with our projection for the year. We saw the strongest commercial sales growth this quarter in the Transmission & Distribution Utility segment where customer counts increased by seven-tenths of a percent. By comparison, the Vertically Integrated segment saw commercial customer count growth of four-tenths of a percent.

Finally, in the lower left quadrant, you see our industrial sales growth moderated a bit from last quarter, but still grew by 1.2%. We continue to see robust industrial sales growth from customers in oil and gas related sectors, despite the recent decline in oil prices, which I'll cover in more detail later in the presentation. Outside of the oil and gas sectors, we saw the strongest growth in the chemicals and transportation equipment manufacturing sectors, both of which benefited from low oil and natural gas prices.

With that, let's review the most recent economic data for AEP service territory on slide eight. Starting with GDP, the estimated 3.3% growth for the U.S. economy eclipsed the 2.1% growth for AEP's aggregate service territory. The comparison to the U.S. should not be interpreted as weakness within AEP's regional economy since we've seen steady growth of over 2% for the last seven quarters.

I'd like to point out in the upper-right chart that the improvement we saw in our Eastern footprint this quarter was offset by a modest slowing in our Western footprint which has greater exposure to falling oil prices. In the bottom-left quadrant, you can see that the job market within AEP's service area continues to improve in step with U.S. employment recovery. Once again, job growth within AEP's Western territory exceeded both the U.S. and the AEP's Eastern service area. The sectors showing the strongest growth for the quarter included construction, leisure and hospitality and manufacturing. We should point out that the sector which saw the biggest drop compared to last quarter is the natural resources and mining sector, which is not surprising given the decline in oil prices and active rig counts.

Now, let's turn to slide nine to update you on the domestic shale gas activity happening within AEP's footprint. We are still seeing significant load increases in the parts of our service territory located in and around major shale formations. For the quarter, industrial sales in shale counties were up 14% compared to the six-tenths of a percent decline in non-shale counties. We've added the price of oil to the slide and it shows that while we are still seeing significant growth in industrial sales within our shale counties, the growth has moderated somewhat over the past nine months as the price of oil began to drop. The bottom chart highlights our industrial sales growth by major shale region. It shows that we are experiencing growth in all the major shale plays within AEP service territory with the exception of the Eagle Ford area. The strongest growth for the quarter is happening around the Woodford, Marcellus and Utica shale regions.

The shale county charts on slide nine show the industrial sales growth for specific geographies which includes direct, indirect and other support industries as well.

On slide 10, I'd like to narrow the scope to show you just the industrial sales performance for the oil and gas related sectors. There are three sectors to examine here. Oil and gas extraction, which captures the upstream activity of exploration production; pipeline transportation, which captures midstream activity and includes processing, storing and transporting oil and natural gas liquids; and petroleum and coal products, which includes downstream activities of refining and producing the finished product.

We are using this chart to illustrate a few points. First, we've not seen the impact of falling oil prices in our sales to the oil and gas sectors. We have noticed some impact to customers in support industries like metals who provide the tubing used in drilling operations. But our sales to the oil and gas extraction sector continue to grow at a steady pace. This is consistent with the production data published by the Energy Information Administration's monthly drilling report. Thus far although rig counts are down 43% from the end of last quarter, production remains near historic levels.

The second point to make here is that we are seeing the most substantial growth in sales to midstream customers. In fact, the pipeline transportation sector has been so large that it has jumped from our 10th largest sector in 2013 to the 5th largest sector currently.

Finally, while we have heard of a few delayed or canceled projects that were originally planned for later this year, we have also learned of other industrial expansions.

In summary, this quarter's load performance was not a surprise and we are comfortable with our underlying load forecast.

Turning to slide 11, let's review the financial health of the company. Our debt to total capital has improved to 53.8%. Our credit metrics, FFO interest coverage and FFO to debt have improved from last quarter and are solidly in the BBB and Baa1 range at 5.62 times and 22.2%, respectively. The funded status of our qualified pension decreased approximately 1% over the quarter and now stands at 96% funded. This was largely driven by a 19 basis point decrease in the discount rate.

The funded status of our OPEB obligation stands at a healthy 116%, down slightly from 118% at year end. This decrease was also driven by falling discount rates. In addition, our liquidity position stands at $3.5 billion. This is supported by our two revolving credit facilities that extend into the summers of 2017 and 2018.

On a final note, we are working to refinance our AEP Generation Resources $500 million term loan facility. By the end of the month, we intend to close on the new facility that will result in reduced rates and fees, while maintaining the strategic flexibility we need at this juncture.

Let me close with slide 12 by saying the company is off to a strong start for 2015 with all of our business segments finishing equal to or better than last year's results. We are committed to deliver a 4% to 6% growth rate, and we are reaffirming our 2015 operating earnings guidance range of $3.40 to $3.60 per share. As Nick described earlier, we are in the midst of some key regulatory proceedings in Kentucky and West Virginia that could have significant impact on 2015 earnings and beyond.

We are maintaining the discipline around operating expenses that you have come to expect from us. And finally Transmission Holdco is on track to deliver $0.38 per share of earnings this year, up from $0.31 last year. The investment in critical transmission infrastructure continues to provide us with growth opportunities well into the foreseeable future.

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

Q&A

Operator

Our first question will come from Daniel Eggers at Credit Suisse. Please go ahead.

Q - Daniel L. Eggers {BIO 3764121 <GO>}

Hey, good morning, guys.

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

Hi Dan, how are you?

Q - Daniel L. Eggers {BIO 3764121 <GO>}

Great thank you.

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

Good, good.

Q - Daniel L. Eggers {BIO 3764121 <GO>}

On the Ohio generation conversation you've gotten a little more public as far as your prospective plans for exiting that business. If we thought about kind of a timeline of progression of thought, how much clarity do you guys need to see around RPM or around maybe First Energy's PPA process in Ohio before you feel like you're at a point where you're going to optimize the value of those assets?

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

Yeah. So certainly we need to see, as I mentioned earlier, the capacity performance. Hopefully, FERC will approve that. We can get on with the capacity auctions. We have some interim auctions as well as a result of that. And then we also have some auctions on the Ohio side that occur in April, May timeframe. So – and then, so that's one set of issues and that's on the right side of the ledger.

On the left side of the ledger is the PPA issue itself. And it sounds like FE is going to be in hearings some in June, July timeframe. So we would want to hear directionally where the Commission is going regarding the PPAs. Obviously, we've got the open door in terms of the last order we received. They said it was legal and we could do the filings. But we really need some directions in terms of what that means going forward. Now whether that's defined by the FE case or our rehearing or our case remains to be seen. But certainly with the new leadership over at the Ohio Commission, we're hopeful that we can see a more consistent approach to this and make sure we get these orders out quickly so that the market, particularly in Ohio, can understand where we're going next. So those are two big value propositions that we need to get a sense of in this overall process.

Q - Daniel L. Eggers {BIO 3764121 <GO>}

And I guess you guys talked about you're using that money, presumably I guess to go in a transmission investment or back into the utility business. How quickly can you scale CapEx at transmission if you were to get that large amount of sale proceeds back in? Is it a multiyear process to deploy the capital? Or how speedy can you be using that money elsewhere?

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

Yeah, so with our transmission business, we have a really good speed toward moving projects forward. I mean, we have a whole litany of projects that are ready, willing and able from a capital standpoint. So we're ready from that perspective. But typically, it'll take a couple of years before we start to see the earnings from these facilities to be put in place. So it remains to be seen. It's something we'll have to feel our way through in terms of whether share buybacks, earnout, or something like that in a transaction. Those things are critically important to determine the amount of dilution during that period of time and, obviously, we're trying to mitigate any dilution that could occur during that period. So lot of work going into what the options are – that are available to us. But just know that we are focused on trying to mitigate any type of transition from that respective.

Q - Daniel L. Eggers {BIO 3764121 <GO>}

Got it. Thank you, guys.

Operator

And our next question will come from Greg Gordon with Evercore ISI.

Q - Gregory Harmon Gordon {BIO 3419434 <GO>}

Thanks. Looking at page 15 on the key drivers for the Vertically Integrated Utilities, there's a $31 million favorable in the quarter from decreases in unrecovered PJM charges. Can you both talk us through what that specifically is? And is that going to annualize or is that sort of related to polar vortex issues?

A - Brian X. Tierney {BIO 1759901 <GO>}

Greg, this is Brian. Good morning. It was mostly related to the polar vortex issues and it was related to costs associated with reserves and operating expenses at PJM passed through to us in the real time during those polar vortexes that over time and rates we could get reflected, but given that it happened in real time and we couldn't get those in rates immediately, we had to eat during 2014.

Q - Gregory Harmon Gordon {BIO 3419434 <GO>}

Great. While we're on the subject of PJM is the deadline for FERC to allow PJM to extend its tariff and hold its capacity auction later in the summer than the current schedule is tomorrow. Is it your expectation that we're going to get an extension?

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

Certainly that would be the best outcome. Who knows what FERC will come up with, but I would suspect with the actual operator in terms of the options requesting that because of the disruption that would occur relative to the market itself I think it's probably – it should be a no-brainer, but it remains to be seen. But our expectation – I mean, we would surprised if they didn't at this point.

Q - Gregory Harmon Gordon {BIO 3419434 <GO>}

I think so would the market, but...

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

Yeah. Yeah.

Q - Gregory Harmon Gordon {BIO 3419434 <GO>}

Thank you very much, guys.

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

Thanks.

A - Brian X. Tierney {BIO 1759901 <GO>}

Thanks, Greg.

Operator

And our next question will come from Julien Dumoulin with UBS. Please go ahead.

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

Hi. Good morning.

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

Morning.

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

So, perhaps to follow the sales question, can you comment a little bit about the River operations and where you stand on that? And the thought process about that in the context of a regulated mix a little bit?

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

Yeah. So, as far as River ops is concerned, we obviously announced that we engaged Morgan Stanley to work with us on that process. That process continues and it's another one of our commercial businesses that we're looking at relative to the valuation and disposition of that business. And they're doing a great job and the company is in great shape, but we want to make sure that it fits strategically within the framework that we have going forward. And so that process continues and I really can't say anything more about it at this point in time.

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

Do you have a timeframe that you're thinking about though, just broadly?

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

Well, my view is that that transaction, if it were to occur, certainly has less issues with it in terms of milestones to get through. So I would say that the ease of that transaction is probably very different than the rest of the unregulated generation on the commercial side.

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

Got it. And then turning to the regulated business here, let's go down south, Arkansas. In terms of Turk, can you comment on the process to address that and kind of avenues for this year?

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

Yeah, so at this point I mean, SWEPCO is in a situation where the market with natural gas and those types of issues are of legitimate concern. So you want to make sure you can put the best foot forward whenever you do go in for recovery of Turk. And the legislation certainly helped out in terms of bypassing a CCN process and being able to file part and parcel to a rate case type of environment. So we've got to make sure that from an overall rate case standpoint, that it would make sense to file in Arkansas, not only in terms of valuation of Turk and be able to put forward a credible case, but also where you stand from an overall spend situation in Arkansas as well. So we're going to have to figure out the timing of that kind of filing.

Meanwhile, SWEPCO continues to work on other things to reinforce the valuation. We have a large steel customer that's coming online later on this summer, and also we've got several other cases in Louisiana and in Texas with the recovery mechanisms in place there, with formula rates and so forth, and transmission actually true-ups of those kinds of investments. So it's sort of a patch work to fill in until such time we can get Turk in line.

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

Gotcha. Excellent. Well, thank you.

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

Okay.

Operator

And our next question is going to come from Paul Ridzon with KeyBanc. Please go ahead.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Good morning, how are you?

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

Good morning, Paul.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Looking at slide seven, just kind of the residential sales were very strong last year, down this year. But this isn't a weather-adjusted slide. Is this just kind of modeling errors on your weather-adjustment because things were so extreme?

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

Yeah. Paul, we've been debating this one for a quarter now. But it's sort of interesting and I'll give my rendition and, certainly, Brian has a lot deeper information on this. But when I was doing load forecasting early in my career, it was down in Texas and you'd have 45 days of 100-degree weather. And you'd see this thing occur that wind up being a step change in a super peak. And I think it wound up with customers deciding to heck with it, I'm going to turn my air conditioner on in this heat. So you sort of see a step change.

I think you saw the same thing in the polar vortex in 2014 where it's consistently sub-zero for a long period of time and at some point people just sort of decide they want to be comfortable. And so you're sort of measuring a present day versus an anomaly and that sort of drives a skewing of the residential information. That's why I said earlier we want to see how that settles out from quarter-to-quarter going forward so we understand exactly what the steady state aspects of that is. Brian?

A - Brian X. Tierney {BIO 1759901 <GO>}

Paul, just adding to that a little bit. I think across the industry, we saw weather normalization in residential in the first quarter of last year look similar to ours and it looked a little bit out of whack and it sort of normalized over the balance of the year. That's why, as Nick said, the quarter-on-quarter comparison of this year to last year looks kind of negative. We're interested in seeing how the balance of the year flattens out and what that looks like. But really believe last year's first quarter weather normalization to be a bit of an anomaly.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

So it's an art, not a science. Okay. And then last year after a very strong first quarter, you started to talk about pulling forward some O&M from the forward year. At what point are you comfortable doing that in 2015?

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

Yeah, Paul, we're starting that process now. Actually, we've already started it. We do have some O&M we've identified that could be pulled forward, but at the same time it becomes – we can pull $60 million forward last year. So, now you're really getting into areas where okay, can you pull forward from that perspective. So it becomes little bit more difficult so we're having to reach deeper and think really hard about how much we can actually move forward. So that process is continuing and something that we're very mindful of, given that we started the year somewhat ahead.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Is it reluctance to do it until you get a little more of the year under your belt? Or is it just you...

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

No. No, I think we've identified and started that process and we'll continue it on. Now keep in mind, last year, we had a relatively mild summer. So we'll continue looking at the levers and looking at the quarter-by-quarter performance, and we'll make adjustments accordingly, and we've gotten pretty good at that.

Q - Paul T. Ridzon {BIO 1984100 <GO>}

Thank you very much.

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

Yeah.

Operator

And our next question in line will come from Paul Patterson with Glenrock Associates. Please go ahead.

Q - Paul Patterson {BIO 1821718 <GO>}

Good morning. Can you hear me?

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

Hello, Paul. Yeah, I can hear you.

Q - Paul Patterson {BIO 1821718 <GO>}

Just first of all on the trading business, that seemed to be pretty beneficial this quarter, what are the expectations for the year?

A - Brian X. Tierney {BIO 1759901 <GO>}

Yeah, so we think it's in line with what we previously stated for that business, Paul, there are a couple of things going on there. They continue to do their normal activity. So the trading and marketing that they do, they had a couple of big deals that they got closed in Texas, which were positive for the quarter. But don't forget that when we laid guidance out for 2015, there's about a $0.35 hit associated with changes in capacity revenues in that business. So we think we're on track. We're a little bit skewed towards being ahead for the quarter, but the real drags on that business are going to be the latter half of the year as we experience the fall-off in capacity revenues.

Q - Paul Patterson {BIO 1821718 <GO>}

And what happened to Texas, I'm sorry if I missed that?

A - Brian X. Tierney {BIO 1759901 <GO>}

We just – we had some normal ongoing marketing activity that we do down there. And so as we own these businesses, we're going to continue to operate them with an eye towards the long-term. And they were able to renegotiate and change the terms a bit on a couple of contracts that they have down there, which is normal ongoing business for us, but that was beneficial to the quarter.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. Then in terms of just Ohio, I mean, is everything pretty much is going to be – I mean, obviously, there's all this focus on PUCO and stuff, is there any potential for the Governor or any other sort of direction just sort of come from I guess legislative or the executive branch in terms of the direction that the state wants to go into? Or is it really just going to be something that PUCO is going to be sort of wrestling with on its own? Any thoughts about that?

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

I think for the time being it's going to be centered at the Commission because Andre Porter has moved over as Chairman. He previously was involved with the deregulation that occurred some three years ago, and so he knows and understands the issues and also hopefully understands the lessons that have been learned since then as well. And I think he and the Commission under his leadership will continue to provide direction, but also consistency and get these orders done. He has also brought on a new chief of staff, which we have certainly met and he appears to be very, very professional about what he's doing as well. So I think with some sense of consistency around leadership and in terms of direction associated with the staff itself, at least I'm hopeful that things will start moving pretty expeditiously in Ohio.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. And then just finally, you see this issue between PJM and MISO, there's been some activity in it and I think there's been sort of push on the part of FERC to move things along. Do you guys see any significant impact from that positive or negative? I mean, you guys are sort of in different areas there and, of course, we've got questions about what's going to happen with the merchant sector anyway. But anything we should be thinking about with respect to that and how it might impact your merchant plans?

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

No. I don't think we see much impact from our perspective. And as far as MISO is concerned, I mean, one thing is for sure, they really need to start thinking – PJM and MISO need to administer that contract they have with each other from an operational standpoint. I know there's been issues that have come up relative to how they actually administer the flows over the lines. But I think as far as we're concerned though, we're in pretty decent shape.

Q - Paul Patterson {BIO 1821718 <GO>}

Okay. Great. Thanks so much.

Operator

And our next question will come from Brian Chin with Merrill Lynch. Please go ahead.

Q - Brian J. Chin {BIO 5763426 <GO>}

Hi. Good morning. Just a quick one.

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

Morning.

Q - Brian J. Chin {BIO 5763426 <GO>}

On the 4% to 6% EPS CAGR growth rate outlook. In general, is there a Brent crude oil price environment that you're thinking about when you reaffirm that guidance. I realize these things are sort of probabilistic, but it would be helpful to know if you've got an oil price in line?

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

No, certainly we haven't gotten down into the fundamentals that much, but from our perspective it's really around natural gas pricing. And as far as oil pricing is concerned, it's a measure of how much the rig count changes. And – but that's reflected in natural gas as well. So from our perspective, we continue to look at least our factors relative to the industrial mix that we have and the impact of energy prices because even low oil prices can reflect well in the economy that we serve. And so, we have sort of a natural hedge going on here where oil and gas pricing has benefited some counties with shale gas production and that kind of thing. But on the other hand, low natural gas prices have helped chemical manufacturer, car manufacturing and so forth. Brian, do you have something you want to add?

A - Brian X. Tierney {BIO 1759901 <GO>}

No, that last point that got – kind of nailed it in my mind, Nick, in that we do have that natural hedge going on and we see things like transportation, equipment manufacturing is positively impacted by the low oil and gas pricing. So where we see some delays or closures in terms of economic expansion, we also see some expansions going on and those things to-date have really offset one another.

Q - Brian J. Chin {BIO 5763426 <GO>}

Appreciate it. Thank you.

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

Thanks.

A - Brian X. Tierney {BIO 1759901 <GO>}

Thank you.

Operator

And the next question will come from Anthony Crowdell with Jefferies. Please go ahead.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Good morning, guys. I have a question on slide six on I guess in three of the business segments. You guys had some cost-cutting error or some cost management where O&M was or operating costs were a positive driver. I mean, how much more can we expect of that going forward? Or is this more of a timing issue?

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

Some of it's timing, but overall, you'll continue to see O&M continue to be consistent from the perspective of ensuring that we mitigate any increases, because obviously you have overheads, salaries, those kinds of things continue to go up. But we're mitigating that in many respects from an O&M perspective. So our O&M stack continues to be relatively consistent from year-to-year. We expect that to happen. So Brian, you have (46:28)...

A - Brian X. Tierney {BIO 1759901 <GO>}

Yeah. Anthony, we've worked really hard to keep that O&M flat to down over the last several years. And then looking out into 2016 as we have this capacity revenue challenges in that year, we're very, very focused on keeping O&M in a very tight range. We've been able to keep it in that $2.9 billion, $2.8 billion to $3.1 billion range, even with some of the natural increases that you'd expect that we'd have associated with things like our transmission expansion. So the Lean activities that Nick talked about have us very focused on O&M, keeping it flat to down over the long-term. And what you see on slide six is what you should anticipate seeing going forward as well.

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

So I think it may be a part of both, but keep in mind that there'll be a consistent view toward that perspective.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Great. And just lastly, I know you've probably spoken ad nauseam of it, just the unregulated generation in Ohio. If I understand correctly, before any decisions made on how AEP handles it, you want some clarity on the capacity performance auction and also the Ohio PPA process, is that accurate?

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

Yes. That's accurate.

Q - Anthony C. Crowdell {BIO 6659246 <GO>}

Great, thank you so much for taking my questions.

Operator

And our next question will come from Ali Agha with SunTrust.

Q - Ali Agha {BIO 22785216 <GO>}

Thank you.

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

Good morning, Ali.

Q - Ali Agha {BIO 22785216 <GO>}

Good morning. How are you?

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

Fine, fine.

Q - Ali Agha {BIO 22785216 <GO>}

Just listening in to the commentary and from the results as well, is it fair to assume that first quarter puts you somewhat ahead of budget? Obviously, it's very early in the year. And if so, how much cushion is there for you right now? You talked about pulling forward some expenses. Is there any way to quantify how much cushion you have as we look for the rest of the year?

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

I think we have enough cushion to be comfortable with starting to take steps on and being more aggressive about what we do relative to moving O&M up and doing other things to reinforce the issues that we have in 2016. So just as with last year where we got ahead, we'll be looking at taking additional steps and we'll manage that from quarter-to-quarter.

So in this case though, I think you have a quarter where certainly it looks – it's really positive. But you sort of have a different set of underlying factors to consider like last year at this point in time there really wasn't much of a rate stack to fill in or anything like that. And this time there's some larger swings that can occur. So I'd say overall, we're very confident about our ability to aggressively pursue in a positive way. I mean, obviously it's a better problem to have than if it was on the down side. So we feel good about where we're at.

A - Brian X. Tierney {BIO 1759901 <GO>}

Ali, you kind of come to expect from us over the years that we're going to manage our way through a year and across years and that's exactly what we're doing. So, the guidance that we laid out we're still comfortably within that guidance for the year. And as the year goes on depending on what happens with earnings and cash flows and the like, you're going to see us managing our way to stay in a range that puts us in that guidance and then within that 4% to 6% growth range that we've talked about over several years.

Q - Ali Agha {BIO 22785216 <GO>}

Okay, got it. And also just to clarify another point on the merchant. In the past, Nick, you've been fairly consistent that you expected to reach a resolution over the summer timeframe. And we've talked about some things getting pushed back. Even if the PJM capacity gets pushed back, I think they're still talking June through August, so I guess technically still in the summer while the PPA rider maybe further down the road. So, is summer time still what we should think about? Or how should we think about given some of these delays and some of these milestones?

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

Yeah, I think it's difficult to tell at this point because obviously PJM is trying to push aggressively to get the auction done as quickly as possible. So, if we hit early summer and that kind of thing. And then the previous questioner obviously was asking somewhat the same thing. From the Ohio perspective, we just need to know directionally what Ohio is going to do. So, whether that comes from our re-hearing or FEs PPA case or ultimately our larger PPA case, we just need to understand what that sense of direction is going to be. And so, I'm not going to say it's going to fall back at this point from a decisional process. Certainly, the delay takes away some of the wiggle room that you had for the summer. But it's really hard to say at this point, and we'll have to keep our ear close to the ground in terms of what FERC is doing and what the Ohio Commission is doing to resolve that issue. But I guess my main point is that we've gone through the analysis. Our board had been involved every step of the way. So our reaction time is very minimal at this point. We just need the factual information.

Q - Ali Agha {BIO 22785216 <GO>}

All right. And one last quick question. In your longer-term transmission growth slide that you've shared with us, you've had higher growth case scenarios, particularly for 2016 and 2017 that are fairly meaningfully higher than base scenarios. Any of those projects yet that have moved into base as we look into 2016, 2017 outlook?

A - Brian X. Tierney {BIO 1759901 <GO>}

Not in that timeframe. We've been able to fill in some of the gap in 2015 so far. But, Ali, as you look at some of the earlier questions that we got, if there are going to be transactions in terms of use of proceeds, that's primarily where we'd be focused on filling in the gaps.

Q - Ali Agha {BIO 22785216 <GO>}

Got it. Got it. Thank you.

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

Thanks.

Operator

And our next question...

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

I mean, our focus is really on 2016 and the issues around that because we certainly want to give some sense of continuous improvement in terms of earnings and be able to really approach that in the right way. So 2017 and 2018 and beyond, we'll probably have more color on that by the time EEI rolls around in November.

Operator

And our next question will come from Michael Lapides, Goldman Sachs.

Q - Michael J. Lapides {BIO 6317499 <GO>}

Hey, guys. Congrats on a good start of the year.

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

Thanks, Michael.

Q - Michael J. Lapides {BIO 6317499 <GO>}

When we think about last year, you had a great first quarter and you talked about moving some O&M into 2014. And you've talked a little bit about doing it this year, although sounds like there's not as much wiggle room there. But one of the other things you did last year is you moved up a couple of hundred million dollars of transmission spend into 2014 or you raised your transmission CapEx view for prompt year. Just curious whether you're likely to do the same thing this year, given such a strong or healthy start to the year?

A - Brian X. Tierney {BIO 1759901 <GO>}

Michael, a couple of things on that. One is we had about a $200 million planned and funded to higher transmission spend. We've been able to move dollars out of other CapEx buckets that we've had into transmission, and that includes both the Transmission Holdco and the Vertically Integrated Utilities transmission spend. So of that $200 million, we've been able to fund about $80 million of that. And then, just on the prior question from Ali, if there are to be proceeds from transactions that might happen later this year, the primary place for that to go would be the transmission spend.

Q - Michael J. Lapides {BIO 6317499 <GO>}

Yeah, and I'm just thinking outside of transactions because that's kind of bigger dollars versus where I'm focused here. I didn't know if you're making another increase to expected transmission spend given a strong first quarter 2015, similar to like what you did in the first quarter of 2014?

A - Brian X. Tierney {BIO 1759901 <GO>}

Not at this point...

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

Not at this point. No. But just know that we continue to advance our transmission spend and if conditions wind up that way, we'll be happy to do it.

Q - Michael J. Lapides {BIO 6317499 <GO>}

Got it. And because when I start looking, Brian, at the balance sheet and kind of your capitalization ratios, they're getting pretty healthy. They've been getting healthy for the last couple of years, but they're now reaching I think your FFO to debt is on a percentage wise getting at or even better than some of your targets. Just curious about when the health of the balance sheet, regardless of having had such a strong first quarter, enables you to deploy more capital into transmission maybe a little bit earlier than you thought?

A - Brian X. Tierney {BIO 1759901 <GO>}

It's a very good point there, Michael. I think the CapEx that we spent last year, the $4.4 billion that we spent this year were predicated on those improving credit metrics. Again, if we were to change the portfolio of businesses that we have, we think we'd have even more balance sheet capacity. I think you saw Duke get an upgrade on the sale of its competitive generation business. We would expect similar actions by the rating agencies if we were to transact going forward, which would give us even more balance sheet capacity. And if and when those things happen, you know where we're going to be spending those dollars. It's going to be on that transmission growth story that we have going on.

Q - Michael J. Lapides {BIO 6317499 <GO>}

Got it. Last question just thinking about transmission, we've seen some changes come out of the FERC regarding transmission ROEs. We've seen a multitude of cases in other RTOs in the Midwest ISO and in ISO New England. We haven't seen a lot of activity regarding that in PJM. Just curious for your view on kind of why PJM is one of the few regions where we haven't seen a lot of Section 206 type cases for FERC ROEs.

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

I think you haven't seen ROEs out of the realm of the reasonableness. So there is a bandwidth for that. And certainly I see FERC continuing to encourage the investment in transmission. And so you see some of these one-off type of cases and they have their own situations whether it's their RTO premium, that kind of thing. And when you look at the aggregated total from an ROE perspective, we're still within the range of reasonableness comfortably. So we don't expect much change from our perspective.

Q - Michael J. Lapides {BIO 6317499 <GO>}

Got it. Thank you, guys. Much appreciated.

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

Operator, we have time for one more question.

Operator

Thank you. And that'll come from Angie Storozynski with Macquarie Research.

Q - Angie Storozynski {BIO 15115714 <GO>}

Thank you very much. So I have two questions again about the merchant power business. So just so we're clear, assuming that the capacity auction clears at strong levels, would that be bullish indicators for a possibility of PPAs in Ohio, in a sense that that would allow you guys to prove that those PPAs would be beneficial to rate payers?

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

Angie, you bring up a great point and certainly one that we think about a lot, because there's two sides of the equation that are working here. And as you talk about PJM and what FERC could do and the capacity auctions. If the capacity auctions improve considerably, then that may in fact have a negative impact on the ability for PPAs. And I'm saying negative from our perspective because the market is saying the value of that capacity is going up considerably.

So you look at what Ohio is doing and Ohio looks like a long-term PPA customer to us. And typically, long-term PPA customers will enter into contracts when prices are lower so that they can lock in value for customers in the future. And my concern is, is if the market continues to increase considerably that we'll be looking at investors saying: well, why are you entering into PPAs with a market going up considerably and that'll be a problem for us.

So I think the Ohio Commission and the state of Ohio really needs to think about that in terms of the long term stability of Ohio and where it's placed in the market right now because we've demonstrated that the PPAs are a benefit to customers over the long-term. And so a decision needs to be made. So to me, I think in some cases the race is on, and we've got to get this resolved.

Q - Angie Storozynski {BIO 15115714 <GO>}

Okay. And secondly, assuming that you do sign those PPAs for 2,700 megawatts and that – or similar things happened to FirstEnergy's assets and potentially other diversified utilities in the state, so how do you think those PPAs are going to impact the value of the remaining 5,000 megawatts that you will be planning to sell on an auction basis?

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

Yeah, so the units that are placed in the 2,700 megawatts, they're ones that – or still fit well in the market, but they're probably the most at risk. And Ohio has to look at that from, we want to keep the generation, we want to keep it running, we want to keep the taxes, the jobs, but they're still a benefit to customers. So the other generation will continue to fit very well into the market. And then from the PPA perspective of generation fleet itself, if it's approved the way we presented it with a long-term approach that's essentially life of plant and those kinds of things, it becomes somewhat neutral because you have a situation there where it is quasi-regulated.

So I think it could wind up being a really good fit because you would have the certainty around a portion of the portfolio in Ohio and then Ohio could still take advantage of any market fluctuations that may occur, just like we do with any other portfolio we have. There's a fixed portion. There's a variable portion. And I think that's ultimately best for customers, just like we do fuel.

Q - Angie Storozynski {BIO 15115714 <GO>}

Very good. Thank you.

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

Yep.

A - Bette Jo Rozsa {BIO 16484334 <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. Brad, would you please give the replay information? Thank you.

Operator

Thank you. And ladies and gentlemen, this conference will be made available for replay after 11:15 a.m. today and running through Thursday, April 30 at midnight. You can access the AT&T Executive Playback Service at any time by dialing 1-800-475-6701 and entering the access code

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That does conclude our conference for today. Thanks for your participation and for using AT&T Executive Teleconference Service. You may now disconnect.