Q2 2021 Earnings Call

Company Participants

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

Other Participants

- Durgesh Chopra, Analyst, Evercore ISI
- Jeremy Tonet, Analyst, JP Morgan
- Julien Dumoulin-Smith, Analyst, Bank of America
- Michael Lapides, Analyst, Goldman Sachs
- Shar Pourreza, Analyst, Guggenheim Partners
- Stephen Byrd, Analyst, Morgan Stanley
- Steve Fleishman, Analyst, Wolfe Research

Presentation

Operator

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

I would now like to turn the conference to our host, Vice President of Investor Relations, Ms. Darcy Reese, please go ahead.

Darcy Reese {BIO 20391516 <GO>}

Thank you. Tani. Good morning everyone and welcome to the Second Quarter 2021 Earnings Call for American Electric Power. We appreciate you taking the time to join us today. Our earnings release, presentation slides, and related financial information are available on our website at aep.com. Today, we will be making forward-looking statements during the call. There are many factors that may cause future results to differ materially from these statements. Please refer to our SEC filings for discussion of these factors.

Joining me this morning for opening remarks are Nick Akins, our Chairman, President and Chief Executive Officer and Julie Sloat, our Chief Financial Officer. We will take your questions. Following their remarks, I will now turn the call over to Nick.

Nicholas K. Akins {BIO 15090780 <GO>}

Okay. Thanks Darcy, and welcome again everyone to American Electric Power's Second Quarter 2021 Earnings Call. Today, we reported strong second quarter operating earnings of $1.18 per share versus $1.8 for the same period of 2020. Our second quarter results reflect significant progress in terms of economic recovery throughout AEP's service territory with a continued focus on O&M as we navigate through what is hopefully an emergence from the COVID-19 pandemic. Gross regional product has already exceeded as pre-pandemic levels and employment across AEP's service territory is now within 2% of its pre-pandemic levels after adding over 163,000 jobs in the first 6 months of this year.

Increased vaccinations combined with the additional fiscal stimulus from the American Rescue Plan are contributing to the strong demand for goods and services throughout the economy. AEP's normalized retail sales in the second quarter of 2021 were the highest we have seen since the second quarter of 2018. Clearly, we are pleased with the improvements we have seen thus far and we will continue to monitor the recoveries progress over the second half of the year. Accordingly, we are reaffirming our 2021 guidance range of 455 to 475 per share, and a 5% to 7% long-term growth rate and would be again disappointed not to be in the upper half of our stated guidance range as we have previously stated.

Julie will be discussing these issues in more detail in her report. Rate case activity across our jurisdictions continues to be active and substantial. In Ohio, we are awaiting an order by the commission on the settlement reached and filed with the commission earlier this year. As a reminder, the settlement has broad support in the settling parties including the commission staff, the Ohio consumers counsel, industrial companies, commercial companies, and other entities like the Ohio Hospital Association. We expect a decision in the third quarter of this year.

Public Service Company of Oklahoma filed a rate case at the end of April. PSO is seeking $115.4 million net revenue increase and a 10% ROE. The following transitions North Central costs from the rider established and the approval into base rates. The case also seeks to continue a distribution rider recover RTO expenses and update depreciation rates. Testimony of the parties is due in August with a hearing scheduled for September and an order expected in the fourth quarter of 2021.

In Indiana, I&M filed a base rate case on July 1. The following is based on the future test year model and seeks a $97 million net revenue increase with a 10% ROE. The major items in the case include the recognition of over $500 million in capital investments per year in Indiana, continuation of the transmission tracker, a federal tax rider should those changes occur and deployment of AMI meters to provide customers more control and insight into their usage.

In our SWEPCO jurisdictions, we have rate cases pending and Louisiana and Texas and are preparing a filing in Arkansas for tomorrow July 23. In Texas, a hearing was held in May and SWEPCO filed its reply brief and proposed findings of facts and law on July 1. SWEPCO is seeking a net revenue increase of $73 million and an ROE of 10.35%. The filing includes investment made from February 2018, accelerated depreciation for three coal plants and increase in storm reserve and vegetation management. We expect an order in the fourth quarter with rates relating back to the effective date of March 2021. In Louisiana, a procedural schedule was set with testimony due in the third quarter of 2021 and a hearing in January of

2022. The case seeks $93 million net revenue increase and a 10.35% ROE. An order is expected between the second and third quarter of 2022.

In Arkansas, the case will contain a formula rate plan for subsequent years and consider the retirement of previously announced coal lignite assets. This filing is timed to align with the North Central in service dates and to provide a mechanism both for recovery of costs associated with the investment and flow through of the PTC to SWEPCO customers. We have certificate filings in Virginia, West Virginia and Kentucky, related to investments needed to comply with the CCR and ELG rules on coal plants in the region.

We have received an order in Kentucky and an ALJ decision and Virginia denying ELG investments. Final decisions from the Virginia Commission and the West Virginia Commission will be received in the third quarter of 2021. We understand that these are difficult decisions for states to make regarding the future of their generation resources. We'll be working with our commissions to navigate the implications of how each state's decision will affect the ongoing operations of these plants.

SWEPCO and PSO continue to make good progress with their commissions to recognize the Storm Uri expenditures. Julie will cover this in more detail in her comments, but as a reminder, we filed for recovery of WAG [ph] return over 5 years in Louisiana, Arkansas and Oklahoma and we'll do so in the near future in Texas. PSO has filed financing authority to explore the securitization option that was established by the legislature.

The company's plan to transition its generation fleet and reduce carbon emissions by 80% by 2030 and net 0 by 2050 as well underway. In April, we announced new resource plans that include the addition of up to 16,600 MW of regulated renewable resources over the next decade. This plan provides a meaningful opportunity to invest in clean energy resources, while benefiting our customers and strengthening our communities.

Our $2 billion investment in the North Central Wind facilities is the first and a very significant step forward in this transition and it provides a solid foundation for our clean energy transformation. The Sundance facility was placed in service in the second quarter and the Maverick and Traverse facilities remain on time and on budget for completion during the fourth quarter '21 and first quarter '22 respectively. Solicitations also are underway for additional large scale renewable acquisitions at APCO and SWEPCO and we expect to issue the RFP to begin to fill the resource needs for PSO in October 2021.

Our transmission investments continue to be strong helping our communities prepare for a clean, more efficient and resilient energy future. Our Transmission Holdco contributed $0.34 per share in the second quarter, up $0.15 from the same period last year. We remain engaged in the various processes at RTO's and FERC as we advocate the need for transmission and more robust comprehensive planning methodology is to ensure that our path to a clean energy economy is as smooth as possible.

We also continue to be as strong as good like many supportive of achieving net zero targets for the continuation of the 50 basis point RTO incentive. This important incentive codified in the Federal Power Act is critical to ensuring that needed transmission investment is made as we transition to a clean energy economy. If this nation is to move quickly to a clean energy environment, there must be a resolution and clarity around the important issues of investment return expectations as well as long standing issues of transmission siding processes and cost allocation mechanisms. FERC certainly seems to be on the right track as they look at transmission related planning issues just for additional development, but of course investment related incentives are important in that equation as well.

Okay, now regarding the strategic process that is ongoing regarding our Kentucky assets, we're on track with the timeline we shared previously, to have an announcement of a complete process, one way or another by year-end. As we have stated previously, keep in mind that we must obtain FERC and Kentucky Public Service Commission approvals before a deal could close, so that could push into 2022.

As we focus on reaching a suitable transaction deal we would announce in 2021 and move forward expeditiously on these two filings in parallel and reach closing as soon as possible. These regulatory approval processes are 180 days for the FERC section 2 or 3 filing, and 120 days for the Kentucky Public Service Commission transfer of control review. While this is an ongoing confidential process progress is being made. It reminds me of the Carly Simon song Anticipation, and if I paraphrase some of the lyrics, we can never know about the days to come, but we think about them anyway and hopefully you're chasing after some finer day. More to come, during the rest of 2021 on what that finer day looks like for AEP.

Last but not least, our Achieving Excellence Program is a year-over-year effort to maintain our cost discipline. Our efforts year-to-date have largely centered on the returning to the workplace. The vast majority of those, that would be in the office are returning in August. Like many employers, we will accommodate remote, hybrid and onsite work going forward. What was 100% onsite for our office staff prior to the pandemic will become approximately 24% remote, 43% hybrid and 33% onsite when we finally -- when we fully return and that excludes field level employees of course.

We plan to reap the benefits of reduced travel, less occupied office space, savings on real estate, a broader talent pool, and improved worker efficiency through digitization and automation initiatives that has accelerated during the COVID-19 pandemic. As you know, one of the highest priorities involve ensuring AEP is active in supporting our communities and serving as a positive voice and force for social justice and advancing racial equality. We have engaged both in community dialogs as well as conversations within the company to promote a deeper understanding and commitment to meaningful change.

Our efforts include a renewed focus in our charitable giving to support organizations that are focused on these efforts. Our AEP Foundation has announced significant additional focus on social injustice related initiatives. These activities not only support the culture we expect within AEP, but also sets an example for our communities in the nation on what could be in this country. So, now I'll move to the equalizer chart and I think you have that with the bubbles of each company.

With that, I will remind everybody we generally target the ROE for the regulated segments to be in the 9.5% to 10% range. The ROE's, we have to keep in mind though that we are and have been in the process of thickening the equity layers over the last several years, so we have to take that into account. For AEP Ohio, the ROE for AEP Ohio comes in at 9.7%, it's ROE's near authorized primarily due to timely recovery of capital investments. We expect the ROE to continue to trend, around those authorized levels and of course, I mentioned earlier, we're waiting on the commission order as well.

In APCO the ROE is coming in at 8.1, it's ROE was below authorized due to higher amortization primarily related to the retired coal-fired generating assets and higher depreciation from increased Virginia depreciation rates and capital investments. And of course, I've already talked previously about the Virginia case and where it stands with the Virginia Supreme Court.

In Kentucky, the ROE is 5.9%. Kentucky's ROE is below authorized due to loss of load from weak economic conditions and loss of major customers along with higher expenses. In June 2020, Kentucky Power filed a base rate case seeking $65 million revenue increase and ROE of 10%, Kentucky Power received to final order in its base case and rates that went into effect in January of 2021, authorizing ROE of 9.3% and a revenue increase of $52 million.

I&M came in at 9.8%. Their ROE is consistent with authorized ROE's, which are [ph]9.8%, 8.6% in Michigan and 9.7% in Indiana. Earlier in July 2021 as I mentioned earlier they filed new rate case in Indiana and we'll continue on with that. PSO came in at 7.9% and it's below its authorized level, primarily due to increased capital investment currently made in base rates and higher than anticipated equity due to the extreme February winter weather event which Julie will be talking about a little bit later.

And then of course in April 2021 as I mentioned earlier, we filed a new base rate case there as well. For SWEPCO, the ROE of SWEPCO is 7.9%, it's below authorized primarily due to increased capital investment, currently non base rates and the continued impact of the Arkansas share of the Turk Plant that is not in retail rates. And of course, I've mentioned earlier it affects by about 110 basis points. So we have the 3 cases in October 2020, SWEPCO filed the Texas case in which we're still awaiting an outcome, SWEPCO also is filing the Arkansas case and then I mentioned earlier, the Louisiana case as well.

AEP Texas is at 7.9%, their ROE is below authorized primarily again to a significant level investment in Texas and the timing of the annual cost recovery filings associated with that investment. As you recall we have DCRF and TCOS filings to recover on a pretty regular basis. So the expectation is for the ROE to continue to hover around that 8% because of all the investment that's going in that state. But should trend towards 9.4% in the long-term -- longer term.

AEP Transmission Holdco, the ROE for Holdco is 11%, the ROE is above authorized primarily driven by higher revenues due to differences between actual and forecasted revenues. The Transco's benefit from a forward looking form of rate mechanism which helps minimize regulatory lag. So transmission is forecasting to continue to be around that 11% in 2021. So the overall is about 9% but again remind you of the equity layers of increase actually pretty substantially over the last few years. So that's one of the tradeoffs that are being made there.

Okay, so in closing, we had a strong quarter in the first half of the year. I'm proud of the accomplishments, our employees have made in 2021 and the commitment that our team makes day in and day out to the communities we serve, especially during the pandemic, and as we come out of this trying time. Our employees continue to focus on maintaining a high level of discipline in controlling cost and with the broad economy on the mend certainly gives us confidence in the rest of the year, and delivering on the mission of consistent earnings and dividend growth expectations, that we have produced year-after-year.

If I look at the key areas for AEP to address for the remainder of 2021 and into 2022, they are to conclude the strategic review of Kentucky, conclude North Central with the appropriate financing ownership and recovery, advance our clean energy transition with a 16,600 megawatts of renewable resources, and continue the improvement of our credit metrics in line with our 2022 expectations which Julie will talk about again.

Of course, all of this is grounded fundamentally by safety, cultural and operational excellence expectations with a focus on execution. If we have any Foo Fighter fans on the call, the Rock Hall is inducting them in to this year's class of inductees. They did a song called This will be our year, which was originally recorded about zombies, but it says, Now we're there and we've only just begun, this will be our year, it took a long time to come. This is true for AEP regarding our clean energy transition and our execution towards portfolio optimization.

With that, I'll turn it over to Julie.

Julie Sloat {BIO 6462741 <GO>}

All right, thanks, Nick, thanks Darcy. It's good to be with everyone this morning, I'm going to walk us through the second quarter and year-to-date financial results to share some thoughts on our service territory load and finish with a review of our credit metrics and liquidity. So let's go to slide number 6, which shows the comparison of GAAP to operating earnings for the quarter and year-to-date periods. GAAP earnings for the second quarter were $1.16 per share compared to $1.05 per share in 2020.

GAAP earnings through June were $2.31 per share compared to $2.05 per share in 2020. There is a reconciliation of GAAP to operating earnings on pages 14 and 15 of the presentation today. So let's walk through our quarterly operating earnings performance by segment that's laid out on slide number 7. Operating earnings for the second quarter totaled $1.18 per share or $590 million compared to $1.08 per share or $534 million in 2020. Operating earnings for the Vertically Integrated Utilities were $0.45 per share, down $0.10 driven by a year-over-year increase in O&M due to lower prior year O&M, which included actions we took to adjust to the pandemic. Other pressures included lower wholesale load and higher depreciation and other taxes. These items were partially offset by the impact of rate changes across multiple jurisdictions, higher normalized retail load, transmission revenue and off-system sales. The Transmission and Distribution Utilities segment earned $0.31 per share, up $0.02 from last year. Favorable drivers in this segment included higher normalized retail load, transmission revenue and rate changes. Partially offsetting these favorable items were higher tax, depreciation and O&M expenses, as well as unfavorable weather and lower AFUDC. The AEP Transmission Holdco segment continued to grow, contributing $0.34 per share, an improvement of $0.15, which got a boost because of the unfavorable annual true up last year, consistent with the 2021 earnings guidance assumptions we had provided to you.

Our fundamental return on investment growth continued as net plant increased by $1.4 billion or 13% since June of last year. Generation and marketing produced $0.09 per share, down $0.02 from last year influenced by the prior year land sales and one time items relating to an Oklaunion ARO adjustment in the sale of Conesville. These were mostly offset in the generation business by higher energy margins and lower expenses from the retirement of Oklaunion. Finally corporate and other was up $0.05 per share driven by investment gains and lower taxes, which was partially offset by higher O&M and net interest expense.

So, bear with me a moment, I am going to talk a little bit more about that investment gain as we walk through the year-to-date. So if you flip to slide 8, we can look at year-to-date results. Operating earnings through June, totaled $2.33 per share or $1.2 billion compared to $2.10 per share or $1 billion in 2020. Looking at the drivers by segment, operating earnings for Vertically Integrated Utilities were $1 per share, down $0.05 due to higher O&M and depreciation expenses. Other smaller increases included lower normalized retail and wholesale load other higher other taxes and a prior period fuel adjustment. The impact of weather was favorable due to the warmer than normal temps in the winter of 2020. Other favorable items in this segment included the impact of rate changes across multiple jurisdictions, higher off system sales and transmission revenue. The Transmission and Distribution segment earned $0.54 per share, up a penny from last year, earnings in this segment were up due to higher transmission revenue, rate changes, whether and normalized retail load. Partially offsetting these favorable items were higher tax, depreciation, O&M and interest expenses, as well as lower AFUDC. The AEP Transmission Holdco segment contributed $0.68 per share, up $0.21 from last year, for the same reasons identified in the quarterly comparison.

Generation and marketing produced $0.16 per share, down $0.02 from last year due to favorable one time items in the prior year relating to an Oklaunion ARO adjustment and the sale of Conesville. Higher energy margins and lower expenses in the generation business offset the unfavorable ERCOT market prices on the wholesale business, during Storm Uri in February. The decrease in renewables business was driven by lower energy margins and higher expenses.

Finally, Corporate and Other was up $0.08 per share driven by investment gains and lower taxes and partially offset by higher O&M. So let me take a quick moment to comment about the investment gain, which is predominantly a function of our direct and indirect investment in ChargePoint. As you'll see on the waterfall, this produced a $0.09 benefit year-to-date in 2021 as compared to the corresponding 2020 period. You may recall that in the fourth quarter and full year 2020, this investment produced a $0.05 contribution. And we would expect the year-over-year variance to be more pronounced at this point in 2021 as we had no benefit during the same period in 2020.

So turning to page 9, I'll update you on our normalized load performance for the quarter. Before I talk about class level trend, I'd like to start with a couple of observations at a macro level. So first of all, since all of these charts are showing a year-over-year growth, it is important to recall that the second quarter of 2020 was at the trough of the recession when restrictions on businesses to manage the public health crisis were at their greatest. So the magnitude of growth percentages is being influenced by the comparison basis. In the second observation is that there has been a steady path to recovery since bottoming out in the second quarter of last year.

The momentum we're seeing is a positive sign for the economic recovery throughout the service territory. So if you start in the upper left corner, you'll see that normalized residential sales were down 3.1% compared to last year bringing the year-to-date decline down to one-half of a percent. As mentioned earlier, the comparison basis is the key here. You'll notice that residential sales were up 6.2% when the COVID restrictions were at their greatest. In fact, one year later they're only down 3.1%, which suggest some of the increase in residential is having some staying power as more businesses have embraced a remote workforce for jobs that can be easily performed at home.

In fact, the second quarter normalized sales in 2021, were the second highest second quarter on record exceeding every second quarter before the pandemic began. So moving to the right, weather normalized commercial sales increased by 10% bringing the year-to-date growth up to 3.9%. If you compare this with the residential class, you'll notice the commercial sales growth in the second quarter is more symmetrical with last year when sales were down just over 10%. The growth in commercial sales for the quarter is spread across all operating companies and most sectors. The only sector that was down slightly compared to last year was grocery stores, which were very busy at the onset of the pandemic trying to keep shelves stocked when panic purchasing was at its highest.

So moving to the lower left corner, you'll see that the industrial sales also bounce back in the second quarter, industrial sales for the quarter increased by 12.8% bringing the year-to-date growth up 2.8%. Similar to commercial -- the commercial class, you'll see a symmetrical recovery compared to the second quarter of 2020 when sales were down 12.4%. Also industrial sales were up at every operating company in nearly every sector, the only industrial sector in our top 10 that reported less sales this year compared to the second quarter of 2020 is the paper manufacturing sector which ironically was also higher last year partially due to panic purchasing of toilet paper. This is a phenomenon that none of us likely to forget, especially if you one of the folks who didn't get a jump on it.

Finally, in the lower right corner, you can see that in total normalized retail sales increased by 6.3% for the quarter and were up 1.9% through the first half of the year, by all indications recovery from the pandemic and recession are on a firm footing.

So let's go to Slide 10. There are 2 more charts that should help put the second quarter normalized sales performance into perspective. The bar chart shows the last 5 years of weather normalized retail sales in the second quarters for the AEP System. Our retail load performance in the second quarter 2021 has not only recovered from the set recession, but it is also the highest second quarter since 2018.

The line chart on the bottom of this page shows the seasonally adjusted retail sales by quarter, which provides an illustration of the trend of the recovery and again confirms that our current level of sales is the highest since the second quarter of 2018. So before we leave the load story, let me remind you of an important factor to consider when evaluating the impact of load growth, the mix matters. So while we're seeing strong growth now in commercial and industrial sales, those are priced at much lower realizations, than the decline we're seeing in residential sales. To further illustrate this point, the impact of the pandemic was most pronounced in our biggest metropolitan area that's Columbus, Ohio. Since AEP Ohio is in the T&D utility segment where we only collect and unbundle rate, the strong recovery that we're seeing this year is coming in at much lower realizations in the system average.

Finally, let me remind you that there are rate design mechanisms in place to limit the exposure when entering a downturn, that can also limit the impact when you're coming out of recession. So while the industrial sales are up significantly this year versus last year, it does not mean the revenues will increase by the same percentage. So what does all this mean when we think about the remainder of 2020. Well, it means that our confidence in our earnings guidance range is 4 to 5 by what we're seeing. It suggests that the load trends we anticipated are coming to fruition as the chart on Page 9 illustrates. Our continued investment in Transco is fueling strong performance in this segment beyond the favorable true up impact that we had anticipated.

And while O&M is up, it's enabling us to take care of our business and customer needs given the low growth we're seeing. Obviously, we have the second half of the year to navigate, but we are pleased with the direction and are keeping a watchful eye on economic activity in our service territory, while scanning for any impact associated with the rise in COVID variance.

So let's check in on the company's capitalization and liquidity position on Page 11. On a GAAP basis, our debt to capital ratio increased 0.1% from the prior year quarter to 62.6% when adjusted for the Storm Uri event, the ratio remains consistent with year-end 2020 at 61.8%. Let's talk about our FFO to debt metric. As it did in the first quarter, the effect of Storm Uri continues to have a temporary and noticeable impact in 2021 on this metric. Taking a look at the upper right quadrant on this page, you'll see that our FFO to debt metric based on the traditional Moody's and GAAP calculated basis as well as on an adjusted Moody's and GAAP calculated basis. On a traditional unadjusted basis, our FFO to debt ratio increased by 0.2% during the quarter to 9.3% on a Moody's basis. On an adjusted basis, the Moody's FFO to debt metric is 12.8%. To be very clear, this 12.8% figure removes or adjusts the calculation to eliminate the impact of approximately $1.2 billion of cash outflows associated with covering the unplanned Uri driven fuel and purchase power costs in the SPP region, directly impacting PSO and SWEPCO in particular.

This metric is also adjusted to remove the effect of the associated debt that we used to fund the unplanned payments. It should give you a sense of where we would be from a business as usual perspective. As you know, we are in frequent contact with the rating agencies to keep them apprised of all aspects of our business. The rating agencies continue to take the anticipated regulatory recovery in to consideration as it relates to our credit rating. And importantly, there continues to be no change in our equity financing plan and our multiyear cash flow forecast as laid out on page 39, does not assume any asset rotation proceeds.

Given the regulatory recovery activity that's currently in slight, we do expect our FFO to debt cash flow metric to return to the low to mid teens target range next year. So here's a quick refresh on where all this regulatory activity stands today for PSO and SWEPCO. In Oklahoma, we're working through the regulatory process and anticipate issuing securitization bonds in the first half of 2022, in both Arkansas and Louisiana recoveries underway, while final details get worked out in the regulatory process and we'll be filing for recovery in the Texas in the third quarter of 2021.

So let's take a quick moment to visit our liquidity summary on slide 11, you'll see here that our liquidity position remains strong at $3.3 billion, supported by our 5 year $4 billion dollar bank revolver and 2 year $1 billion revolving credit facility that we entered into on March 31 of this year. If you look at the lower left side of the page, you'll see there are qualified pension continues to be well funded and our OPEB is funded at 174.2%.

So let's go to slide 12 we'll do a quick wrap up and we can get to your questions. Our performance in the first half of the year gives us confidence to reaffirm our operating earnings guidance range of $4.55 per share to $4.75 per share because of our ability to continue to invest in our own system organically, including both our energy delivery system and the transformation of our generation fleet, we're confident in our ability to grow the company at our stated long-term growth rate of 5% to 7%.

So we surely do appreciate your time and attention today. So with that I'm going to turn the call over to the operator for your questions.

Questions And Answers

Operator

Thank you, ladies and gentlemen, (Operator Instructions). There will be one moment for our first question and that will come from the line of Julien Dumoulin-Smith with Bank of America. Please go ahead.

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

Thank you for all the remarks, I'd say it's the pace that you guys were just talking, I wouldn't mistake, you guys are sitting in New York or something like this. I am going to try to catch up, but everything that was just said, but may be in summary on the logos I hear you. I think the critical comment you made was mix. Where you trending against our guidance range here as you think about obviously third quarter matters critically, obviously kept intact the total load growth here. Any comments to just resolve that against the full year number, I mean, I know we're still early in the year.

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

Yeah, I think you sort of answered the question, we're still early is in the year because third quarter is particularly meaningful. And we typically look after third quarter to see where we -- where we actually stand. But, but again as Julie mentioned O&M goes up commensurate with all the customer expansion as well. And we have a pretty sizable customer expansion, you look at the industrial and commercial numbers, they are up considerably.

So and I think it obviously is out stripping our estimate, going end of the year of what overall load growth would be. But range being seen because I think we're sort of in a -- in a very cyclical period of trying to figure out what the future holds in terms of whether this other variant of COVID is going to have an impact or what happens, actually is there just pent up frustration, then it starts to moderate. What is promising is though that we're seeing -- we're still seeing residential load, although it's negative to 2020, it's still a positive overall. So, our original thesis of more residential load going forward and if we can tie that together with improved industrial and commercial load as well, it could be very positive. But we certainly have to feel our way through that, and really understand that so the past third quarter before we really have a good feel of that, Julie.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah, just maybe add a little finer point to, if you're thinking sequentially for the remainder of the year. Our load growth rates are expected to moderate in the second half of the year based on prior year comps. So when you think about it restrictions were most severe in the second quarter and by the third quarter of last year, so by the third quarter of last year. The service territory had begun essentially a phased reopening. And so as a result, the 6.3% growth for the second quarters by not only the highest growth in the quarter and actually it is the highest growth in AEP's history, but will also be the highest load growth stat during the recovery.

So if you think about the second half of the year, I would expect that year-over-year to moderate a little bit. And so we're just keeping a watchful eye on how the trend continues to click along, I know, I saw in the Wall Street Journal this morning CFOs commenting on where they think the economy is going to go. It does not look like anybody is changing their estimates based on COVID trends, but we're keeping an eye on that.

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

Got it, excellent, thank you. And then if I can pivot to Texas, obviously you will have a pretty meaningful footprint there. We've seen various legislative efforts underway. I'm curious as best you can tell, thus far. I know it's early. Any kind of context you can put, especially on the transmission side of potential project here. We're hearing something reappears about potentially meaningful shifts.

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

Well, certainly, obviously, it remains to be seen as far as transmission investment and it really we think of T&D and what part of the business is associated with T&D. We have made some inroads in terms of, in terms of backup generation those kinds of things, in terms of transmission, I really think there is probably continued opportunity for development of storage capability of other transmission related investments on the grid to ensure that we're able to adjust for us.

We're doing a lot in terms of line in slide into the transmission grid itself. Continuing to expand our ability, continuing to focus on our ability to have even more Transmission in place because if you're looking for additional generation to be placed in various areas where transmission is a big part of that solution as well. So is that and I think, Texas sort of microcosm of the country when you start re-evaluating the system based upon the needs from not only a natural gas perspective, but also from a renewable perspective that brings in the whole planning effort and communication in real-time associated with the operations of the Transmission and for that matter, the distribution system as well.

So I think they're making the right steps and I think there are more steps to be made. So, and it's going to be a sort of a multiyear type of effort and of course, you know, we're a big part of the transmission in Texas. So we'll be certainly very focused on how the T&D business can be expanded to improve the resiliency of the T&D efforts. But that means Texas is really going to have to start thinking about resources and a broader view of resources like we're having to do for the rest of the system. And transmission technologies and for that matter distribution technologies are going to have to be recognized in its ability to provide a more resilient grid, you can't have these strict lines drawn between generation and transmission and distribution, because that's not the world we are in anymore. So we'll continue that focus every legislative session, every regulatory session, will be centered on that effort.

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

Excellent Just last Kentucky. I know you can't say much, but what's the level of interest, if you can give any kind of parameters.

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

Yes. Obviously, I don't want to get into too much detail there. I think again you answered a sort of right at the beginning. It is a confidential process, but I can say that we do have credible interest. And it is a competitive process.

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

Excellent, thank you all. Take care.

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

Okay.

Operator

Thank you. Our next question comes from Steve Fleishman with Wolfe Research. Please go ahead.

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

Good morning Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, good morning. Can you hear me now.

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

Good morning, oh yeah I can hear you fine.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, great, thanks. I might have missed this, but just where are you on the $600 million of equity plan for this year, how much of you issued so far.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah, thanks for the question, Steve. We've actually used the ATM to issue just under $200 million. I think it was around $195 million that was associated with the financing of the Sundance North Central Wind facility. And we'll be continuing on with the rest of that program. As you know, about 100 of that 600 is also associated with the DRIP, so that continues to play in the background, if that helps.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay and then just, this might be a little bit hard to answer, but just in terms of thinking about the $1.4 billion for next year that's in the plan, obviously, if you were to sell Kentucky, some of that could maybe offset some of that. So just, could you just give us latest thoughts on how to think about the Kentucky outcome relative to that $1.4 billion for next year.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah, Nick can add a finer point from a strategic perspective. But, purely from a financing perspective, you're right on the money, Steve. So we got $1.4 billion embedded in our plan, and for those of we are following along that page 39 of the cash flow if you want to take a look at 2022. About $100 of that again is associated with the DRIP about $800 is associated North Central Wind financing and then we have another $500 million just associated with general funding of growth CapEx. And so to your point, Steve, to the extent that we would find ourselves in a situation where we were able to transact and bring dollars in the door. We would absolutely be able to work off some of that otherwise equity issuance, inside step that so I don't -- I can't give you a number, we don't have a transaction. But that is absolutely the thinking and how we're modeling different scenarios, inside the house and I do not know Nick If you have any comment.

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

I think, I think you covered it well as far as, it's great to have a financing plan assuming Kentucky, sale a Kentucky doesn't happen but also it's great to have options available to further optimize what that financing plan looks like. So and I'll say again the timing, particularly with reverse being the last one, it's a largest one, in first quarter '22. That times up pretty well with this process. So, so we'll get this resolved and there'll be financed one way or another, but at the end of the day, the timing of it and the process is continuing on plan.

A - Julie Sloat {BIO 6462741 <GO>}

And then just if I could, to follow-up, Steve again just to reiterate, the plan as it stands today, as you know assumes no asset rotation. And again, I want to reinforce that the 5% to 7% is well intact even if we don't have a transaction.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And are you, do you have a bias within that range at all or just, that's the range.

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

That's the probably we cannot answer at this point.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay, so you're being very unbiased, I mean very smart move. Okay, thanks so much.

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

Yeah, sure.

Operator

Thank you, our next question comes from the line of Shar Pourreza with Guggenheim Partners. Please go ahead.

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

Good morning Shar.

Q - Shar Pourreza

Good morning, guys. Wanted to start with the recent event and get your sense on the Mitchell order in Kentucky. Sort of rejecting the rate increase you sought, obviously, it's not a surprise fall on the AG strong comments prior to decision. Nick is this sort of a signal that the state and the PST in general of they're starting to commit to maybe a little bit more of a rational thinking around an economic approach to coal. Like the least cost approach to starting to bend further towards renewables, so how do we think about the viability of the plant in the state. And could we see some acceleration of that 1.4 gigs of solar and when you brought into plan for the state on the prior calls, a direct read. And then is how do we sort of think about West Virginia's rate request coming off the Kentucky order.

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

Yeah, sure, it's sort of interesting. I mean it's multi jurisdictional. As you know, in Mitchell is wheeling Kentucky Power, and I think we have to get resolved. Kentucky, Virginia and West Virginia. West Virginia is yet to speak on this issue, but, and it's only the ALJ in Virginia. So we'll hear more from Virginia on that. But I think it's really important for us to really hold on to our cards for now, because we got to get through a state process. It's good to have clarity. And I think Kentucky obviously is the first shoe to drop in this regard, but we've also made it clear that these are multi jurisdictional units. So, we have to make sure that there is some compatibility of the jurisdictions that are involved. We'll go through the process, we'll get the initial views of the commissions. And then if they are on different, different tracks, we will have to further analyze and resolve that with the commissions. And there's a law resolutions that could occur some are shorter, some longer. But we have to understand where all three commissions are before really doing anything here. I think it's good to get clarity though and I think it's pretty important that, whether it's the ELG or the CCR if they approve -- if they approved CCR investments, but don't improve approve ELG investments. Then that effectively brings the generation retirement dates back from 2040 to 2028. So that's something we have to consider along with those commissions, but we'll know more about this in the August time frame. But I'd be hesitant to say you know what, what Kentucky it's pretty interesting that they would be looking at the ELG part of it and I think there is becoming more of an awareness of that there has to be a plan. Now what that plan is we've got a fully resolved with all those commission. So more to come on that.

Q - Shar Pourreza

Got it. And thanks for the visibility around sort of the Kentucky process. And I know, Nick, you obviously mentioned that further optimization is always a possibility. Minus tips like that sugar point is the shaping of that, for instance, at 16.6 gigawatts of renewables you discussed in the prior call. Obviously Kentucky will more than likely backfill some of your North Central equity need. So, as we're thinking about further optimization, should we be watching like the outcomes at the IRPs the PSU approval of how much you plan to own versus PPAs. Which I guess which stipulate your incremental equity needs and the resulting size of potentially further optimization measures.

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

Yeah, yeah. So, and just like we've gone through probably a couple of years now of discussions about how North Central is going to get financed. And we're finally getting to a point where ultimately we'll know how it's being financed. The 16.6 gigawatts and is certainly we made a pretty credible case that we ought to own a significant part of that, I would like to own all of it. But certainly, if -- but operationally and from a contracting standpoint and certainly the ability for us to respond as system related activities, it's important for us to own and control those assets.

And I think that as we go forward. You're right, it will be the integrated resource planning filings that are made, they will start that dialog, now we're in the process of doing RFPs to get more information, obviously from the market in terms of what's out there from a development perspective. And that process is ongoing, so that, that will certainly fortify any CCN filings, we have to make or anything like that. After the resource planning filings. But the resource planning filings will be your first real dialog around how quickly this transformation will occur in each one of the jurisdictions. And so we're feeling pretty good about it because it's getting to a point where we have to decide from a capacity standpoint how we support these utilities and it's pretty clear to me the movement is to that clean energy economy, the movement is to toward as long as you have some element of base load 24 x 7 capacity, that renewables will be the big part of that. So a lot of that's just becoming -- I think it's becoming much more transparent. And in our jurisdictions, I think the conditions both federally and from a state perspective there just a better realization of what the options are. And the timing of those options and that's what will drive forward through that resource planning process.

Q - Shar Pourreza

Got it and then lastly for me, and I apologize if I'm putting you on the spot, the news just broke out this morning. But is there any kind of read through to the FirstEnergy deferred prosecution agreement, that was announced this morning to the SEC investigation at AEP.

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

No, not, like I said, said before we're on the outside looking in, we have no knowledge of any of that activity and so if the report is true, I'm glad to see that there is some element of putting all this in the rear-view mirror, because naturally now said before AEP has been hung up in the wake of that and I am certainly hopeful that there are some closure brought about from that. So, but yeah, I have, it was, it was a surprise to me and we knew nothing about it. And certainly there is really nothing else that we've -- that AEP can say other than, what we put on our website. And naturally, there is just nothing to report from our perspective.

Q - Shar Pourreza

Terrific, thank you, Nick and Julie. Congrats on today's results.

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

Yeah, okay.

Operator

Thank you. Our next question comes from the line of Stephen Byrd with Morgan Stanley. Please go ahead.

Q - Stephen Byrd {BIO 15172739 <GO>}

Thank you. Good morning.

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

Good Morning.

Q - Stephen Byrd {BIO 15172739 <GO>}

Congrats on a constructive update and on [ph]we've been in mentioned both Carly Simon and Foo Fighter, I may be at first.

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

Yeah all right.

Q - Stephen Byrd {BIO 15172739 <GO>}

So I just wanted to discuss on Kentucky, if there are approaches that can help minimize tax leakage, how are you thinking about sort of ability to bring proceeds back and sort of the impact of taxes.

A - Julie Sloat {BIO 6462741 <GO>}

Yeah, thanks for the question, Stephen, as you know, we're a little tax inefficient right now. So given the tax basis in Kentucky and the different hurdles that we're considering. I wouldn't see that one being a show stopper and quite frankly that might give us an opportunity to enhance or improve our tax efficiency without getting into a bunch of numbers. I wouldn't let that trip you up in terms of what things could stop us moving forward.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's helpful. And then maybe just thinking through the upcoming RFPs, you mentioned the APCO and SWEPCO, RFPs. Could you just talk a little more detail in terms of color around the timetable there and I'm sorry if I missed that, if you did go through it. I didn't quite follow there, I'm just thinking about sort of what that might mean for timing of incremental spending and sort of how we should think about those processes.

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

Yes. So we've certainly gone through the basic requirements for the RFPs for all of these areas. But as we go through that process, there is at APCO, we issued an RFP there for 300 megawatts of solar and wind resources, really for a completion date of 2023 or 2024. And then in May of 2021 APCO issued an RFP to obtain I guess was 100 megawatts of solar and wind energy via PPA in RFP, for the renewable energy certificates only, which is consistent with the Virginia and what their requirements are. And then SWEPCO issued an RFP for own resources up to 3,000 MW of wind and up to 300 MW of solar resources, with optional battery storage, by the way, that can achieve completion by about 2024 to 2025. And they are also seeking 200 MW of capacity in the '23, '24 range and another 250 in the '25 to '27 range. So those bids or due in mid-August.

And then at PSO, we in June, we notified the regulators in terms that we intend to issue an RFP seeking up to 2600 MW of wind and up to 1350 MW of solar again with options for battery storage consideration. And that's meeting capacity needs by 2025. So and then PSO plans to issue the RFP in October of this year. So those are the ones that are on the board right now and have really some near term related requirements and most are capacity related requirement. So and again they're being done pretty much the same way as the others with North Central that we will certainly do more of a turnkey type of thing where we take ownership at the time it gets approved in rate. And then of course we'll go through the process of approvals by the various commissions along the way. So, but that's the plan right now. And then, we'll continue to, as a matter of face, we're spending a lot of time with our Board, focused on the strategies related to these types of these types of filings and the plan long term, and it's important for everyone to understand this is going to be a continual process. And you're just seeing the first part of these really driven by capacity requirements and not just sort of an energy convenience.

So I think they're really good to go out with right now. And that's why we have at this point.

Q - Stephen Byrd {BIO 15172739 <GO>}

That's really helpful. That's all I had. Thank you.

Operator

Thank you. Our next question comes from the line of Jeremy Tonet with JP Morgan. Please go ahead.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

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

Good morning, how are you doing.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Good, good. Just wanted to pick up on Kentucky a little bit more if that's possible. And just want to know if you might be able to comment in any degree to whether the strategic review process has received more interest from strategic or financial players. And then as well, kind of given strong prices achieved in recent industry transactions and the strong interest, you know here in Kentucky, has this process made you thought about more asset rotation beyond Kentucky to increase balance sheet headroom overall.

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

Yeah, so for the first question, we started out this process saying that we expected to get strategic's and financials and we have strategic's and financials. So, both are involved. And then as far as your second question is concerned, as I said earlier, with the Foo Fighters dialog. This is going to be a continual process for us and if we're practically fully regulated. So we have the opportunities to look at, if we're building 16.6 gigawatts of renewables resources during our transition than we got to have to have everything on table in terms of sources and uses.

So we're going to go through that process and of course, Kentucky is sort of a first stop and, but we'll continue to evaluate our assets as sources and if it makes sense based upon what the other opportunities are, then that's the kind of framework that we want to move this company towards.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's helpful, thanks for that. And then there is news coming out of FERC with regards to kind of the transmission planning process and just wondering if you might be able to provide some thoughts on -- your thoughts on what's been said recently and what you see is kind of best practices here.

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

Yes. So, obviously, we'd like to see much better transmission related planning across regions. And AEP does a pretty good job itself in terms of transmission planning, because we do have a large system to consider. But at the same time RTO to RTO type of planning process to try to make them more consistent. So you can have just this large transmission being built across regions and across states. If you're going to get that going particularly as you're trying to get renewable resources to load centers, we're going to have to resolve these issues around multi jurisdictional, multi RTO type of analyzes and making sure that we're consistent. The other part two is we're going to have consistency in terms of rate making. And this notion of reevaluating incentives, structures and those types of things is not good for making decisions relative to transmission or, and is not good relative to the RTO model itself. So I think I think really needs to sort of step back and take a look at. If I think it's a real positive approach to be focusing on the planning aspects in addressing RTO to RTO boundaries, addressing areas where, what's competitive, what's not competitive, all those types of things. That's fine. But -- but we have to have a clear planning process and first of all you can't have coming back later after a project multi millions of business spend on a project to say we're going to stop the project that has to -- that has to change. And the other part of it is we've got to be able to make these investments with some sense of certainty. And be able to move quickly to make that happen. So I just -- I think there's only so much value -- there's a lot of value and being in an RTO for customers. But there also has to be value for the companies involved to make the investments that benefit customers in orders of magnitude greater than what the costs are related to any incentives related to transmission.

And if you want to send a bad message for anybody to join an RTO or any by the stay in an RTO, it's just not good to start messing around with what the assumptions are relative to the future recovery of transmission investment. And now you know when you start questioning incentives, you're really questioning anybody who is trying to put a multi year model together to show the benefits of transmission has to take that in to account. That's something may change as we're trying to make an investment in a coal unit, with clean energy activities going on in Washington. So you really do have to really think this process through and think about what you're trying to achieve. Sorry I went long on about that a bit.

Q - Jeremy Tonet {BIO 15946844 <GO>}

No, that's helpful, thank you for that. I'll stop there. Thank you.

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

Thank you.

Operator

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

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

Hey Durgesh, how are you.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Hey, good morning, Nick. Thanks for taking my question. Hey you addressed sort of a lot of transmission questions in the Q&A. Maybe just like the MISO transmission opportunity that the MISO has flagged perhaps just sort of unveil towards the end of the year. I know a small sort of a set of assets for you in that -- in that location but could you compete for some of those projects, could that be an upside for you there.

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

Well, yeah, we could, we could compete there with our Transource entity, which we have been, but yeah, we could, and it's actually a small impact for us as it stands. But certainly we could certainly participate in any of that.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood. And then just anything you're hearing if you're level and your peers and through the sort of the EI organization. I mean that infrastructure bill has a pretty sizable CapEx on the transmission side, or investment on the transmission side just anything you're hearing from that on the federal front.

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

Yeah. So obviously we have the, I guess it's $1.2 trillion the infrastructure bill that -- it's interesting we talk in trillions as opposed to billions now. But in terms of the hard infrastructure side of things, it appears there is some kind of convergence in Washington on that particular issue although more has to be done on the actual language and things like that. But as far as pursuing the advancement of certainly transmission investment, but direct pay and those kinds of issues are clearly important, along the way. We also have to -- have to -- as far as renewables and clean energy PTC's, ITC's, extensions of those, I think that makes sense, particularly [ph]RSRI delays because of COVID and that kind of thing. So I think there are opportunities for that. And then as far as electric vehicles, certainly we'd like to see electric vehicle infrastructure continue to be developed. So I think all of those areas are positive, the issue is how you leverage into the private -- to private companies like ours instead of the government funding and for transmission, for example, we think that mechanisms already exist for the development of transmission as long as you keep all the incentives and all that kind of stuff. But, so federal government funding of that now. I think you have to sort of think about what level of encouragement and what area. So if they -- if they can make citing much better, if they can make certainly the focus on planning those issues that enables transmission to get investments. We have no problem financing transmission investments.

So I think the government probably ought to pick and choose between what they truly want to focus on that, that's not already leveraged into the utilities for example. They can certainly encourage the development electric vehicles with the focus on charging station infrastructure and those types of things that would be a benefit. And then as far as the renewables transformation or the clean energy transformation, any kind of hard infrastructure around being able to move more quickly from a renewable standpoint whether tax incentives and also other technologies like storage.

And then also, we'd like to see benefits related to either tax incentives for coal fired generation to reduce the undepreciated plant balances for example. If you want to have a national plan around moving to a clean energy economy, then the more quickly, we can reduce undepreciated plant balances the better we're able to make decisions and commissions and states can make decisions about what future resource replacements would be.

So I think there are several ways to really focus on this, but we're all moving toward a clean energy economy. We just need to make sure that the government doesn't try to do too much across the board as opposed to very selected areas that enable investment to continue in the private sector, that would be my view.

Q - Durgesh Chopra {BIO 20053859 <GO>}

I appreciate that Nick. But real quick, just good to see FirstEnergy resolve the DOJ investigation or at least have an agreement this morning they highlighted, just any update on the SEC subpoena you got any more color that you can share with us.

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

No, nothing, nothing new there. We have been communicating with the SEC and were responsive to any requests they have from a documentation standpoint. And we're going to continue to work with them. And be supportive and constructive in the process. But nothing, nothing new to report there.

Q - Durgesh Chopra {BIO 20053859 <GO>}

Understood, thank you for taking my questions.

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

Yeah.

Operator

Thank you. And our final question comes from the line of Michael Lapides with Goldman Sachs. Please go ahead.

Q - Michael Lapides {BIO 6317499 <GO>}

(Multiple Speakers) Michael, the guy who is excited about the changes in the Southeastern Conference they had. Hey, guys, real quick question or two. First of all, one on O&M this year, obviously O&M at the VIU segment is up a lot, how do you think about what the second half of the year, O&M trajectory looks like versus the first half. And how should we think about both for VIU and T&D kind of segments, the long term kind of the 2022 and beyond trajectory for O&M.

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

Yeah, I'll just generally say and Julie can certainly follow up on this, but as you have expansions in customer load, you're going to have higher O&M associated with that. But that's a good, that's a good expansion. The issue for us, what we typically do is we're evaluating the true impacts of our Achieving Excellence Program against what our forecast needs to be in terms of bending the O&M curve. So, we continue to take account of the good O&M that supports expansion from a customer load perspective, but also continue to not only optimize that but also continue the overall optimization of the O&M budgeted sale. So, yeah, you may see and that's why, obviously we're watching what third quarter looks like and fourth quarter with the load does, but we want to make absolutely sure that we are continuing to make progress consistent with that plan of consistent earnings and dividend improvements in that 5% to 7% growth trajectory. So that's what we're doing, we're not just saying, yeah loads going up, let us spend more O&M, it really is a measured approach from our perspective. Julie?

A - Julie Sloat {BIO 6462741 <GO>}

No that's spot on Nick, and thanks for the question Michael, as I'm sitting here thinking about this and as we were preparing for the earnings call one of the things I'm looking at is to Nick's point you look at where loads coming in and as I mentioned in the previous answer to your question, we do expect that load on a relative basis when you compare to last year for the second half would not be as pronounced. although we do expect it to continue to improve. So that's a good thing and that allows us to be a little more comfortable with O&M cost where they are, because that does help the customer in the long run. So we keep that top of mind and continue to be very diligent about managing cost. But if you're trying to model for the rest of the year. Let me start by saying this we are not changing our guidance, but as you know once we start the year and we give you that plan. So you see that waterfall that we give to you how we get to the end of the year obviously changes right because it's a dynamic business. So I wouldn't be surprised if relative to that plan if you saw O&M be running a little richer. But I would hope that load will be hanging in there too. And then as you know, we're doing well on the Transmission Holdco segment already kind of clicking along where we thought we would be for the full year, so there may be some benefit there too so do keep that in mind when you go back and compare and contrast to that guidance walk that we gave to you, I think, it was on February 25 during our earnings call.

And then, we're happy to help you with any modeling that you have offline.

Q - Michael Lapides {BIO 6317499 <GO>}

Sounds great, thanks guys. Much appreciated.

A - Darcy Reese {BIO 20391516 <GO>}

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

Operator

Ladies and gentlemen, this conference will be available for replay after 11:30 AM Eastern today through July 29 2021 you may access the AT&T replay system at anytime by dialing 1-866-207-1041 and entering access code 4754105. International participants may dial 402-970-0847. Those numbers again are 1-866-207-1041 and 402-970-0847 with access code 4754105 that does conclude our conference for today. We thank you for your participation and for using AT&T conferencing service you may now disconnect.